

**RESEARCH UPDATE**
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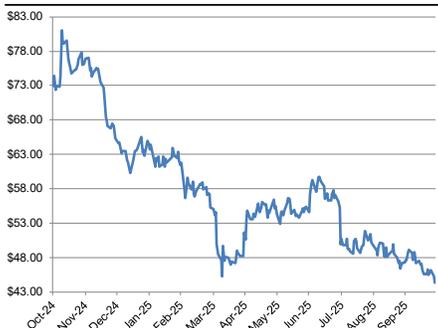
**MARKET STATISTICS**

Price	\$44.35
52-Week Range	\$44.23 - \$87.45
Daily Vol. (3 Month Avg.)	160,862
Market Cap (\$M)	\$ 1,003.0
Enterprise Value (\$M)	\$ 1,636.8
Shares Outstanding (M)	22.9
Float (M)	21.3

**FINANCIAL SUMMARY**

Equity (M)	\$1,246.8
BVS	\$ 54.53
Cash (M)	\$ 118.5
Debt (M)	\$ 723.2
Net Debt/Cap	33%

FYE: Dec	2024	2025E	2026E
<i>(in \$M)</i>			
Rev	\$2,180.3	\$2,354.2	\$2,558.8
Chng%	-6%	8%	9%
EBITDA	\$ 186.9	\$ 214.8	\$ 256.3
EPS	\$ 2.20	\$ 2.29	\$ 3.38
EV/R	0.8x	0.7x	0.6x
EV/EBITDA	8.8x	7.6x	6.4x
P/E	20.2x	19.4x	13.1x


**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.

**STEPAN COMPANY (NYSE: SCL)**
**Company Updates**

Stepan's 3Q25 results reflected continued execution discipline and operational resilience amid persistent oleochemical cost inflation and market normalization across key end markets. Net sales were up 8% y/y, driven by improved pricing and mix and a 1% increase in global sales volumes. Adjusted EBITDA rose 6% y/y while adjusted EPS increased 54% y/y due to a higher effective tax rate, increased depreciation from the Pasadena, TX alkoxylation facility start-up, and higher interest expense. Operating margins remained pressured by elevated feedstock costs, with coconut oil up roughly 70% from 2024 levels, though management noted prices have begun to moderate. The ongoing ramp-up of the Pasadena site is expected to enhance internal capacity, product flexibility, and margin recovery in FY26.

**Quarterly Results** – SCL reported revenue, adj EBITDA, and adj EPS of \$590.3M, \$56.2M, and \$0.48, respectively. This compares to our/consensus estimates of \$606.1M/\$593.7M, \$64.5M/\$57.9M, and \$0.87/\$0.62, respectively. Gross margin for the quarter was 12.0%, down sequentially and y/y. Surfactant results were in-line with our expectations, with most of the revenue miss attributable to the Polymer segment.

**Surfactants** – Surfactant net sales totaled \$422.4M, up 10% y/y, driven by an 11% improvement in price/mix and a 1% FX tailwind, partially offset by a 2% volume decline. Segment adjusted EBITDA was \$38.0M, down 14% y/y, as higher oleochemical raw-material costs and start-up expenses tied to the new Pasadena, TX alkoxylation facility offset strength across key strategic end markets. Management noted double-digit growth in Agricultural along with mid-single-digit gains in Oilfield, which partially mitigated weaker global commodity Consumer Products demand. The Company remains focused on recovering Surfactant margins as coconut-oil prices normalize and expects continued improvement as Pasadena ramps to full capacity in 2026 and higher-value Tier 2/3 customer penetration expands.

**Polymers** – The Polymers segment posted revenue of \$143.9M, down 4% y/y, as selling prices declined 14% due to the pass-through of lower raw-material costs and competitive pressures, partially offset by an 8% increase in volumes and a modest +2% FX benefit. Adjusted EBITDA decreased 4% to \$22.4M, reflecting lower unit margins and unfavorable mix, though strength in North American Rigid Polyols and commodity Phthalic Anhydride volumes continued to support overall growth. Management highlighted double-digit Rigid Polyol volume growth in North America and mid-single-digit gains in Specialty Polyols globally, while European and Chinese Rigid Polyol demand remained soft amid macro uncertainty and weak construction activity. Looking ahead, the Company expects Polymer performance to improve sequentially in 4Q25 and into FY26.

**Valuation** – We use both a DCF and a comparable analysis for our valuation. Our DCF analysis relies on a range of discount rates between 9.0% and 10.0% with a midpoint of 9.5%. This arrives at a valuation range of \$73.31 to \$90.11 with a mid-point of \$80.90. Currently SCL is trading at a FY26 EV/EBITDA of 6.4x compared to comps at an average of 10.2x. Using our F26 expected EBITDA, and an EV/EBITDA range of 9.0x to 10.0x with a midpoint of 9.50x. This arrives at a valuation range of \$74.45 to \$85.66 with a mid-point of \$80.06.

## Summary

**Exhibit 1: Quarterly Results Comparison to Model**

(in millions, except per she)	3Q25 results		Notes
	Reported	Modeled	
Revenues	\$ 590.3	\$ 606.1	Revenues below expectations
Cost of sales	519.3	521.0	
<b>Gross profit</b>	<b>71.0</b>	<b>85.2</b>	
<b>Gross margin</b>	<b>12.0%</b>	<b>14.1%</b>	
Selling	11.3	12.7	
Administrative	22.9	24.9	
R&D and technical services	14.2	15.0	
Deferred compensations	0.8	0.6	
Total opex	49.2	53.2	
<b>Operating inc</b>	<b>21.8</b>	<b>32.0</b>	Operating margins below our model
<b>Operating margin</b>	<b>3.7%</b>	<b>5.3%</b>	
<b>EBITDA</b>	<b>56.1</b>	<b>65.0</b>	
<b>Margin</b>	<b>9.5%</b>	<b>10.7%</b>	
<b>EBITDA -adj</b>	<b>56.2</b>	<b>64.5</b>	Margins remain strong in the quarter
<b>Margin</b>	<b>9.5%</b>	<b>10.6%</b>	
Net income (loss)- adj	10.9	20.0	
<b>EPS - adj</b>	<b>\$ 0.48</b>	<b>\$0.87</b>	EPS miss due to our over estimation of GPM
<b>EPS - GAAP</b>	<b>\$ 0.47</b>	<b>\$0.89</b>	

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 almost 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 alkoxyates 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 2024, Stepan reported cash and debt of \$99.7M and \$625.4M, respectively leading to a net debt/TTM adj EBITDA ratio of 2.3x. 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 its 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 9.0% and 10.0% 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 \$73.31 to \$90.11 with a mid-point of \$80.90.

### Sensitivity Analysis:

		Terminal Growth Rates				
		1.0%	1.5%	2.0%	2.5%	3.0%
Discount Rate	9.00%	\$79.96	\$84.28	\$89.22	\$94.92	\$101.57
	9.25%	\$76.40	\$80.38	\$84.91	\$90.11	\$96.14
	9.50%	\$73.06	\$76.73	\$80.90	\$85.65	\$91.14
	9.75%	\$69.92	\$73.31	\$77.15	\$81.51	\$86.52
	10.00%	\$66.95	\$70.10	\$73.63	\$77.64	\$82.23

### Comparison Analysis

Based on our FY26 estimates, Stepan is trading at 6.4x EV/EBITDA multiple compared to comps at an average at 10.2x.

### Comparative Analysis

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

Name	Ticker	Price (1)	Sh	Mrkt Cap	EV	EV/S (2)			EV/EBITDA (2)			P/E (2)		
						TTM	2025 E	2026 E	TTM	2025 E	2026 E	TTM	2025 E	2026 E
DuPont de Nemours, Inc.	DD	\$ 72.20	418.5	\$30,215.6	\$36,467.6	2.9x	2.8x	2.7x	11.5x	11.1x	10.3x	nm	16.8x	15.3x
LyondellBasell Industries N.V.	LYB	\$ 58.85	321.4	\$18,914.4	\$29,959.4	0.8x	1.0x	1.0x	8.4x	10.0x	7.8x	18.1x	17.8x	11.3x
Croda International Plc	CRDA	\$ 33.87	139.7	\$ 1,183.8	\$ 1,184.8	2.4x	2.5x	2.4x	15.2x	13.9x	12.7x	33.8x	23.6x	21.0x
Clariant AG	CLN	\$ 10.48	328.3	\$ 3,825.0	\$ 6,105.9	1.2x	1.1x	1.0x	9.8x	7.9x	7.3x	14.2x	13.6x	11.3x
Huntsman Corporation	HUN	\$ 9.91	173.7	\$ 1,914.7	\$ 4,406.7	0.7x	0.7x	0.6x	10.5x	12.8x	9.1x	nm	nm	137.8x
Sensient Technologies Corporation	SXT	\$111.61	42.2	\$ 5,243.2	\$ 6,025.4	3.4x	3.4x	3.2x	19.9x	18.4x	16.7x	35.2x	32.3x	28.4x
Innospec Inc.	IOSP	\$ 80.74	25.0	\$ 2,241.0	\$ 1,963.3	1.0x	1.0x	0.9x	26.6x	8.4x	7.3x	74.6x	14.9x	12.8x
<b>Average</b>						<b>1.8x</b>	<b>1.8x</b>	<b>1.7x</b>	<b>14.6x</b>	<b>11.8x</b>	<b>10.2x</b>	<b>35.2x</b>	<b>19.8x</b>	<b>34.0x</b>
<b>Median</b>						<b>1.2x</b>	<b>1.1x</b>	<b>1.0x</b>	<b>11.5x</b>	<b>11.1x</b>	<b>9.1x</b>	<b>33.8x</b>	<b>17.3x</b>	<b>15.3x</b>
<b>Stepan Company</b>	<b>SCL</b>	<b>\$44.35</b>	<b>22.9</b>	<b>\$ 1,003.0</b>	<b>\$ 1,636.8</b>	<b>0.7x</b>	<b>0.7x</b>	<b>0.6x</b>	<b>8.5x</b>	<b>7.6x</b>	<b>6.4x</b>	<b>17.5x</b>	<b>19.4x</b>	<b>13.1x</b>

(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 9.0x to 10.0x with a midpoint of 9.50x. Given current and historical comp multiples, combined with the expectation that 2026 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 \$74.45 to \$85.66 with a mid-point of \$80.06.

We see the following important catalysts for the stock:

- Continued penetration of Tier 2/3 customers ..... F25+
- New acquisitions announced ..... F25+
- Full Impact of Pasadena Plant ..... F26

DCF Model

<b>Stepan Company</b>													
<b>Discounted Cash Flow Model (in millions \$, except per share amounts)</b>													
<b>Estimates:</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>	<b>2031E</b>	<b>20232E</b>	<b>2033E</b>	<b>2034E</b>	<b>Terminal Value</b>
Revenues	2,325.8	2,180.3	2,354.2	2,558.8	2,686.8	2,802.3	2,917.2	3,033.9	3,149.2	3,262.6	3,370.2	3,471.3	
Operating Income	58.6	70.5	87.9	124.5	142.4	162.5	177.9	203.3	223.6	244.7	266.2	281.2	
Less: Taxes (benefit)	8.2	10.1	17.1	27.3	35.6	40.6	44.5	50.8	55.9	61.2	66.6	70.3	
NOPAT	50.4	60.4	70.8	97.3	106.8	121.9	133.5	152.5	167.7	183.5	199.7	210.9	
Plus: Depreciation & Amortization	105.4	112.2	126.1	130.8	134.3	135.9	134.2	135.0	134.5	135.4	139.9	144.1	
Plus: Changes in WC	130.2	10.9	11.8	12.8	2.7	2.8	(2.9)	(3.0)	(3.1)	(3.3)	(3.4)	(3.5)	
Less: Capex	(260.0)	(123.0)	(120.0)	(120.0)	(120.0)	(115.0)	(115.0)	(115.0)	(110.0)	(110.0)	(110.0)	(110.0)	
Free Cash Flow	26.0	60.6	88.6	120.9	123.8	145.6	149.7	169.4	189.0	205.7	226.2	241.5	3284.0
Discount period - months			3	15	27	39	51	63	75	87	99	111	
Discount period - years			0.3	1.3	2.3	3.3	4.3	5.3	6.3	7.3	8.3	9.3	
Discount factor			0.98	0.89	0.82	0.74	0.68	0.62	0.57	0.52	0.47	0.43	
PV of FCF			86.6	107.9	101.0	108.4	101.8	105.2	107.2	106.5	107.0	104.3	1,418.5
<b>Growth rate assumptions:</b>													
Revenue		-6.3%	8.0%	8.7%	5.0%	4.3%	4.1%	4.0%	3.8%	3.6%	3.3%	3.0%	
Operating Income		20.2%	24.8%	41.6%	14.3%	14.1%	9.5%	14.2%	10.0%	9.4%	8.8%	5.6%	
EBITDA		11.4%	17.1%	19.3%	8.4%	7.8%	4.6%	8.4%	5.8%	6.2%	6.8%	4.7%	
Free Cash Flow		133.2%	46.3%	36.4%	2.4%	17.6%	2.8%	13.2%	11.6%	8.8%	10.0%	6.8%	
<b>Margin assumptions:</b>													
Operating margin	2.5%	3.2%	3.7%	4.9%	5.3%	5.8%	6.1%	6.7%	7.1%	7.5%	7.9%	8.1%	
Depr as a % of sales	4.5%	5.1%	5.4%	5.1%	5.0%	4.9%	4.6%	4.5%	4.3%	4.2%	4.2%	4.2%	
EBITDA	7.0%	8.4%	9.1%	10.0%	10.3%	10.7%	10.7%	11.2%	11.4%	11.7%	12.1%	12.3%	
Taxes	14.0%	14.3%	19.5%	21.9%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
Changes in WC	5.6%	0.5%	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	-11.2%	-5.6%	-5.1%	-4.7%	-4.5%	-4.1%	-3.9%	-3.8%	-3.5%	-3.4%	-3.3%	-3.2%	
<b>Valuation:</b>													
Shares outstanding	22.9												
PV of FCF	1,035.9												
PV of Terminal Value	1,418.5												
Enterprise Value	2454.4												
less: Net Debt	604.7												
Estimated Total Value:	1,849.7												
<b>Est Equity Value/share:</b>	<b>\$80.90</b>												
Price	\$44.35												
<b>Sensitivity Analysis:</b>													
		<b>Terminal Growth Rates</b>											
		<b>1.0%</b>	<b>1.5%</b>	<b>2.0%</b>	<b>2.5%</b>	<b>3.0%</b>							
<b>Discount Rate</b>	<b>9.00%</b>	\$79.96	\$84.28	\$89.22	\$94.92	\$101.57							
	<b>9.25%</b>	\$76.40	\$80.38	\$84.91	\$90.11	\$96.14							
	<b>9.50%</b>	\$73.06	\$76.73	\$80.90	\$85.65	\$91.14							
	<b>9.75%</b>	\$69.92	\$73.31	\$77.15	\$81.51	\$86.52							
	<b>10.00%</b>	\$66.95	\$70.10	\$73.63	\$77.64	\$82.23							

Source: Company Reports, Stonegate Capital Markets estimates

INCOME STATEMENT

Stegan Company (NYSE:SCL)

Consolidated Statements of Income (in millions \$, except per share amounts)

Fiscal Year: December

	FY 2020	FY 2021	FY 2022	FY 2023	Q1 Mar-24	Q2 Jun-24	Q3 Sep-24	Q4 Dec-24	FY 2024	Q1 Mar-25	Q2 Jun-25	Q3 Sep-25	Q4 E Dec-25	FY 2025E	Q1 E Mar-26	Q2 E Jun-26	Q3 E Sep-26	Q4 E Dec-26	FY 2026E
<b>Revenues</b>																			
Revenues	\$ 1,869.8	\$ 2,346.0	\$ 2,773.3	\$ 2,325.8	\$ 551.4	\$ 556.4	\$ 546.8	\$ 525.6	\$ 2,180.3	\$ 593.3	\$ 594.7	\$ 590.3	\$ 576.0	\$ 2,354.2	\$ 665.8	\$ 648.0	\$ 635.1	\$ 610.0	\$ 2,558.8
<b>Total revenues</b>	<b>1,869.8</b>	<b>2,346.0</b>	<b>2,773.3</b>	<b>2,325.8</b>	<b>551.4</b>	<b>556.4</b>	<b>546.8</b>	<b>525.6</b>	<b>2,180.3</b>	<b>593.3</b>	<b>594.7</b>	<b>590.3</b>	<b>576.0</b>	<b>2,354.2</b>	<b>665.8</b>	<b>648.0</b>	<b>635.1</b>	<b>610.0</b>	<b>2,558.8</b>
<b>Cost of revenues</b>																			
Cost of sales	1,486.1	1,950.2	2,346.2	2,048.2	481.1	486.9	471.2	468.9	1,908.1	517.8	522.8	519.3	504.3	2,064.1	575.9	560.0	552.9	537.5	2,226.4
Total cost of revenues	1,486.1	1,950.2	2,346.2	2,048.2	481.1	486.9	471.2	468.9	1,908.1	517.8	522.8	519.3	504.3	2,064.1	575.9	560.0	552.9	537.5	2,226.4
<b>Gross (loss) profit</b>	<b>383.6</b>	<b>395.8</b>	<b>427.1</b>	<b>277.6</b>	<b>70.3</b>	<b>69.6</b>	<b>75.7</b>	<b>56.7</b>	<b>272.2</b>	<b>75.5</b>	<b>71.9</b>	<b>71.0</b>	<b>71.7</b>	<b>290.1</b>	<b>89.9</b>	<b>87.9</b>	<b>82.2</b>	<b>72.4</b>	<b>332.4</b>
<b>Operating expenses</b>																			
Selling	55.5	59.2	59.0	48.4	11.4	11.8	11.4	11.0	45.6	12.1	14.7	11.3	12.1	50.2	13.5	13.1	12.9	12.4	51.8
Administrative	87.4	92.9	102.2	93.2	22.7	24.6	26.3	24.8	98.3	21.4	22.8	22.9	24.2	91.3	23.8	23.2	23.4	23.0	93.4
R&D and technical services	58.0	62.7	66.6	59.0	14.3	14.1	13.5	13.8	55.7	14.6	14.7	14.2	14.7	58.3	15.6	15.2	14.9	14.3	60.1
Deferred compensations	10.0	6.9	(9.4)	4.4	1.8	0.4	0.6	(0.6)	2.2	(1.0)	1.8	0.8	0.8	2.4	0.7	0.6	0.6	0.6	2.6
Business restructuring & asset impa	1.2	3.4	1.3	14.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	212.1	225.0	219.7	219.0	50.1	50.9	51.7	49.0	201.7	47.2	53.9	49.2	51.8	202.1	53.6	52.2	51.8	50.3	207.9
<b>Income (loss) from operations</b>	<b>171.5</b>	<b>170.8</b>	<b>207.3</b>	<b>58.6</b>	<b>20.2</b>	<b>18.7</b>	<b>23.9</b>	<b>7.7</b>	<b>70.5</b>	<b>28.3</b>	<b>18.0</b>	<b>21.8</b>	<b>19.9</b>	<b>87.9</b>	<b>36.3</b>	<b>35.7</b>	<b>30.4</b>	<b>22.1</b>	<b>124.5</b>
<b>Inc (loss) from operations - adjusted (1)</b>	<b>177.4</b>	<b>178.3</b>	<b>215.7</b>	<b>70.8</b>	<b>21.2</b>	<b>18.5</b>	<b>24.0</b>	<b>7.1</b>	<b>70.8</b>	<b>27.8</b>	<b>18.8</b>	<b>21.9</b>	<b>19.4</b>	<b>87.9</b>	<b>36.5</b>	<b>35.9</b>	<b>30.6</b>	<b>22.4</b>	<b>125.4</b>
Other income (expense):																			
Interest income (expense), net	(5.4)	(5.8)	(9.8)	(12.1)	(3.1)	(2.7)	(3.6)	(4.8)	(14.2)	(4.1)	(5.5)	(6.8)	(6.9)	(23.3)	(6.7)	(6.5)	(6.4)	(6.2)	(25.8)
Other, net	5.0	7.5	(8.8)	1.9	2.4	1.2	1.0	(0.4)	4.1	0.5	1.3	1.5	1.5	4.9	1.5	1.5	1.5	1.5	6.1
Total other income (expense):	(0.5)	1.8	(18.6)	(10.2)	(0.7)	(1.5)	(2.6)	(5.2)	(10.0)	(3.6)	(4.2)	(5.3)	(5.4)	(18.4)	(5.2)	(5.0)	(4.8)	(4.7)	(19.7)
<b>Pre-tax income (loss)</b>	<b>171.1</b>	<b>172.5</b>	<b>188.7</b>	<b>48.4</b>	<b>19.5</b>	<b>17.2</b>	<b>21.3</b>	<b>2.5</b>	<b>60.4</b>	<b>24.7</b>	<b>13.8</b>	<b>16.5</b>	<b>14.5</b>	<b>69.5</b>	<b>31.1</b>	<b>30.7</b>	<b>25.5</b>	<b>17.5</b>	<b>104.9</b>
Provision for taxes (benefit)	43.4	34.6	41.6	8.2	5.6	7.7	(2.3)	(0.9)	10.1	5.0	2.4	5.7	4.1	17.1	8.1	8.0	6.6	4.5	27.3
<b>Net income (loss)</b>	<b>\$ 126.8</b>	<b>\$ 137.8</b>	<b>\$ 147.2</b>	<b>\$ 40.2</b>	<b>\$ 13.9</b>	<b>\$ 9.5</b>	<b>\$ 23.6</b>	<b>\$ 3.4</b>	<b>\$ 50.4</b>	<b>\$ 19.7</b>	<b>\$ 11.3</b>	<b>\$ 10.8</b>	<b>\$ 10.5</b>	<b>\$ 52.4</b>	<b>\$ 23.0</b>	<b>\$ 22.7</b>	<b>\$ 18.9</b>	<b>\$ 12.9</b>	<b>\$ 77.6</b>
<b>Wtd EPS (loss)</b>	<b>\$ 5.45</b>	<b>\$ 5.92</b>	<b>\$ 6.38</b>	<b>\$ 1.75</b>	<b>\$ 0.61</b>	<b>\$ 0.42</b>	<b>\$ 1.03</b>	<b>\$ 1.5</b>	<b>\$ 2.20</b>	<b>\$ 0.86</b>	<b>\$ 0.50</b>	<b>\$ 0.47</b>	<b>\$ 0.46</b>	<b>\$ 2.29</b>	<b>\$ 1.00</b>	<b>\$ 0.99</b>	<b>\$ 0.82</b>	<b>\$ 0.56</b>	<b>\$ 3.38</b>
<b>Net income (loss) - adjusted (1)</b>	<b>132.0</b>	<b>143.5</b>	<b>153.5</b>	<b>50.7</b>	<b>14.7</b>	<b>9.4</b>	<b>23.7</b>	<b>2.8</b>	<b>50.5</b>	<b>19.3</b>	<b>12.0</b>	<b>10.9</b>	<b>10.1</b>	<b>52.3</b>	<b>23.2</b>	<b>22.9</b>	<b>19.1</b>	<b>13.1</b>	<b>78.2</b>
<b>Wtd EPS (loss) - adjusted (1)</b>	<b>\$ 5.68</b>	<b>\$ 6.16</b>	<b>\$ 6.65</b>	<b>\$ 2.21</b>	<b>\$ 0.64</b>	<b>\$ 0.41</b>	<b>\$ 1.03</b>	<b>\$ 0.12</b>	<b>\$ 2.20</b>	<b>\$ 0.84</b>	<b>\$ 0.52</b>	<b>\$ 0.48</b>	<b>\$ 0.44</b>	<b>\$ 2.29</b>	<b>\$ 1.01</b>	<b>\$ 1.00</b>	<b>\$ 0.83</b>	<b>\$ 0.57</b>	<b>\$ 3.41</b>
Basic shares outstanding	22.9	22.9	22.8	22.8	22.8	22.8	22.8	22.8	22.8	22.9	22.9	22.9	22.9	22.9	22.9	22.9	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	22.9	22.9	23.0	23.0	23.0	23.0
EBITDA (1) (2)	254.6	267.1	313.7	176.9	50.2	47.9	53.0	35.8	186.9	58.0	50.6	56.1	54.1	214.8	70.5	70.0	64.6	56.4	256.3
EBITDA - adjusted (1) (3)	259.3	269.3	310.3	176.1	51.2	47.7	53.1	35.0	187.0	57.5	51.4	56.2	53.6	213.9	70.7	70.2	64.8	56.6	256.2

Margin Analysis

Gross margin	20.5%	16.9%	15.4%	11.9%	12.7%	12.5%	13.8%	10.8%	12.5%	12.7%	12.1%	12.0%	12.4%	12.3%	13.5%	13.6%	12.9%	11.9%	13.0%
Operating margin	9.2%	7.3%	7.5%	2.5%	3.7%	3.4%	4.4%	1.5%	3.2%	4.8%	3.0%	3.7%	3.5%	3.7%	5.5%	5.5%	4.8%	3.6%	4.9%
Operatin margin - adjusted	9.5%	7.6%	7.8%	3.0%	3.8%	3.3%	4.4%	1.4%	3.2%	4.7%	3.2%	3.7%	3.4%	3.7%	5.5%	5.5%	4.8%	3.7%	4.9%
EBITDA margin	13.6%	11.4%	11.3%	7.6%	9.1%	8.6%	9.7%	6.8%	8.6%	9.8%	8.5%	9.5%	9.4%	9.1%	10.6%	10.8%	10.2%	9.2%	10.0%
EBITDA - adjusted margin	13.9%	11.5%	11.2%	7.6%	9.3%	8.6%	9.7%	6.7%	8.6%	9.7%	8.6%	9.5%	9.3%	9.1%	10.6%	10.8%	10.2%	9.3%	10.0%
Pre-tax margin	9.1%	7.4%	6.8%	2.1%	3.5%	3.1%	3.9%	0.5%	2.8%	4.2%	2.3%	2.8%	2.5%	3.0%	4.7%	4.7%	4.0%	2.9%	4.1%
Net income margin	6.8%	5.9%	5.3%	1.7%	2.5%	1.7%	4.3%	0.6%	2.3%	3.3%	1.9%	1.8%	1.8%	2.2%	3.5%	3.3%	3.0%	2.1%	3.0%
Adjusted net income margin	7.1%	6.1%	5.5%	2.2%	2.7%	1.7%	4.3%	0.5%	2.3%	3.3%	2.0%	1.9%	1.8%	2.2%	3.5%	3.5%	3.0%	2.1%	3.1%
Tax rate	25.4%	20.1%	22.0%	16.9%	28.6%	44.7%	-10.7%	-36.4%	16.7%	20.1%	17.7%	34.4%	28.0%	24.7%	26.0%	26.0%	26.0%	26.0%	26.0%
<b>Growth Rate Analysis YY</b>																			
Total revenues	0.6%	25.5%	18.2%	-16.1%	-15.4%	-4.1%	-2.7%	-1.2%	-6.3%	7.6%	6.9%	7.9%	9.6%	8.0%	12.2%	9.0%	7.6%	5.9%	8.7%
Total cost of revenues	-2.2%	31.2%	20.3%	-12.7%	-16.7%	-5.2%	-4.0%	0.7%	-6.8%	7.6%	7.4%	10.2%	7.5%	8.2%	11.2%	7.1%	6.5%	6.6%	7.9%
Operating income	34.8%	-0.4%	21.4%	-71.7%	-4.2%	4.8%	22.7%	3245.7%	20.2%	40.3%	-3.8%	-9.0%	158.5%	24.8%	28.3%	98.8%	39.4%	11.4%	41.6%
Operating income - adjusted	20.2%	0.5%	21.0%	-67.2%	-1.2%	9.0%	7.3%	-40.8%	0.1%	31.0%	1.5%	-8.7%	173.1%	24.1%	31.5%	91.4%	39.5%	15.3%	42.7%
EBITDA	19.5%	4.9%	17.5%	-43.6%	4.0%	2.5%	17.5%	38.6%	5.6%	15.7%	5.6%	5.8%	51.3%	14.9%	21.5%	38.3%	15.2%	4.2%	19.3%
EBITDA - adjusted	14.6%	3.9%	15.2%	-43.2%	5.3%	4.0%	10.6%	-6.9%	6.2%	12.3%	7.7%	5.9%	53.3%	14.4%	23.0%	36.6%	15.3%	5.5%	19.8%
Pre-tax income	35.9%	0.9%	9.4%	-74.4%	-2.2%	5.5%	34.6%	167.0%	24.9%	26.7%	-19.9%	-22.5%	492.0%	15.0%	26.1%	122.8%	54.7%	20.3%	50.9%
EPS	23.2%	8.6%	7.8%	-23.5%	-13.8%	-24.9%	87.8%	380.8%	25.4%	42.2%	19.4%	-54.0%	212.4%	4.1%	16.5%	99.7%	73.7%	23.1%	47.7%
EPS - adjusted	10.8%	8.5%	7.8%	-66.8%	-10.6%	-22.0%	60.7%	-63.2%	-0.4%	32.1%	27.5%	-53.7%	266.7%	3.8%	19.8%	90.8%	73.5%	29.1%	49.0%
Share count - fully diluted	-0.3%	0.1%	-1.0%	-0.5%	-0.2%	0.0%	0.0%	0.0%	-0.1%	-0.3%	-0.2%	-0.1%	0.0%	-0.2%	0.2%	0.4%	0.4%	0.4%	0.3%

(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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