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# Darling Ingredients, Inc. (DAR)

Q1 2026 Earnings Call

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### Randall C. Stuewe

*Chairman & Chief Executive Officer, Darling Ingredients, Inc.*

### Robert Day

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

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### Heather L. Jones

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### Thomas Palmer

*Analyst, JPMorgan Securities LLC*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning and welcome to the Darling Ingredients Inc. Conference Call to discuss the First Quarter 2026 Financial Results. After the speakers' prepared remarks, there will be a question-and-answer period, and instructions to ask a question will be given at that time. Today's call is being recorded.

I would now like to turn the call over to Ms. Suann Guthrie, Senior Vice President of Investor Relations. Please go.

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### Suann Guthrie

*Senior Vice President-Investor Relations & Global Affairs, Darling Ingredients, Inc.*

Thank you for joining the Darling Ingredients first quarter 2026 earnings call. Here with me today are Mr. Randall C. Stuewe, Chairman and Chief Executive Officer; and Mr. Bob Day, Chief Financial Officer. Our first quarter 2026 earnings news release and slide presentation are available on the Investor page of our corporate website and will be joined by a transcript of this call once it is available.

During this call, we will be making forward-looking statements, which are predictions, projections, or other statements about future events. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could materially differ because of factors discussed in today's press release and the comments made during this conference call and in the Risk Factors section of our Form 10-K, 10-Q, and other reported filings with the Securities and Exchange Commission. We do not undertake any duty to update any forward-looking statements.

Now, I will hand the call over to Randy.

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### Randall C. Stuewe

*Chairman & Chief Executive Officer, Darling Ingredients, Inc.*

Thanks, Suann. Good morning, everyone, and thanks for joining us. Over the last few years, public policy uncertainty and deflationary and volatile commodity markets created a challenging operating environment. During that time, Darling Ingredients remained laser-focused on controlling what we could control. We prioritized operational excellence by maintaining strict, disciplined capital allocation with a goal to achieve a meaningful debt reduction. Headwinds have now shifted, and the results we share today confirm a much more favorable operating environment. We're moving forward with significantly improved earnings power, stronger cash flow potential, and a more robust foundation for long-term value creation.

For the first quarter of 2026, we saw the operating environment allow for expected EBITDA growth and sequential gross margin improvement. Darling's core ingredients business really delivered this quarter with improved global operations, margin expansion, and focused commercial execution. Combined adjusted EBITDA for first quarter was \$406.8 million, including \$255.6 million from our global ingredients business and \$151.2 million from Diamond Green Diesel.

Our Feed Ingredients segment had a fantastic quarter. We saw steady volumes with a strong global poultry volumes offsetting stagnant North American cattle herd. Operational excellence remained a key focus this quarter, driving improvements in throughput, cost reduction, and product quality that translated into stronger gross margins. At the same time, our commercial agility allowed us to pivot sales to higher-priced markets. While fat

prices were softer earlier in the quarter, our disciplined risk management approach, combined with spot sales, helped us mitigate the typical lag impacts we would see in that environment.

The Renewable Volume Obligation announced at the end of March has been extremely constructive for Darling and DGD. We're already seeing a favorable movement on fat prices as renewable diesel demand grows. DGD overcame a shutdown at Port Arthur that briefly interrupted our supply chain. As those dynamics continue to play out, we anticipate this to be a nice tailwind for our Feed segment for the remainder of 2026.

Turning to our Food segment, we're seeing nice growth in collagen, particularly in Europe and Asia. Sales in both collagen and gelatin improved year-over-year, reflecting not only increased customer demand, but new applications for collagen in food, nutrition, and health products. Our Nextida glucose control product is currently pending a patent in both in the US for production processes and the use as Nextida as a dietary supplement ingredient, offering a non-pharmaceutical option, targeting lower blood glucose. With an interest in food as medicine and increased demand for protein, collagen continues to be positioned well for growth.

Now, as you can see in our results, our Fuel segment is at an inflection point as renewables margins turned a corner with finalization of the Renewable Volume Obligation. With a very constructive RVO and now a clear path forward, we expect DGD's results to continue to strengthen throughout the year. Diamond Green Diesel delivered a strong quarter with \$151.2 million of EBITDA, or around \$1.11 EBITDA per gallon. Our non-DGD green energy businesses continue to deliver stable earnings and will have the opportunity for a slight tailwind due to increased energy prices in Europe.

Now with that, I'd like to hand the call over to Bob to take us through some financials. Then I'll come back and discuss my thoughts on the second quarter. Bob?

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## Robert Day

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

Thank you, Randy. Good morning everyone. As Randy said, first quarter was very strong across all measures, and the Darling platform is poised to move forward with significantly improved earnings power. For the quarter, combined adjusted EBITDA was \$407 million versus \$196 million in first quarter 2025 and \$336 million last quarter. Core ingredients non-DGD improved both year-over-year and sequentially. For first quarter 2026, core ingredients EBITDA was \$256 million versus \$190 million in first quarter 2025 and \$278 million last quarter. Total net sales were \$1.6 billion versus \$1.4 billion. Raw material volume was 3.8 million metric tons, essentially unchanged. Meanwhile, gross margins for the quarter improved to 26.1%, compared to 22.6% in the first quarter last year and from 25.1% last quarter.

Looking at the Feed segment for the quarter, EBITDA improved to \$169 million from \$111 million a year ago, while total sales were \$985 million versus \$896 million, and raw material volume was flat at approximately 3.1 million metric tons. Gross margins relative to sales improved nicely to 25.3% in the first quarter, versus 20.3% in the first quarter from last year and 24.6% in the fourth quarter of 2025. In the Food segment, total sales for the quarter were \$405 million, compared to \$349 million in the first quarter of 2025. Gross margins for the Food segment were 28.9% of sales, compared to 29.3% a year ago. And raw material volumes were flat at around 330,000 metric tons compared to the same time last year. EBITDA for first quarter 2026 was \$81 million versus \$71 million in first quarter of 2025.

In the Fuel segment, starting with Diamond Green Diesel, Darling's share of DGD EBITDA for the quarter was \$151 million, which includes a favorable LCM inventory valuation adjustment of \$97 million at the DGD entity level, and sales of around 272 million gallons and average EBITDA margin of \$111 per gallon. Darling contributed

approximately \$190 million to DGD during the quarter, mainly to provide short-term working capital, most or all of which is expected to be returned in subsequent quarters. In addition, during the quarter, Darling monetized \$45 million in production tax credit sales, the proceeds of which will be paid in the coming quarters.

Other Fuel segment sales, not including DGD, were \$160 million for the quarter versus \$135 million in 2025 on strong energy and biogas prices in Europe, and relatively flat volumes of around 370,000 metric tons. Combined adjusted EBITDA for the full Fuel segment, including DGD, was roughly \$180 million for the quarter versus \$24 million in the first quarter of 2025.

As of quarter-end, total debt, net of cash, was approximately \$4 billion versus \$3.8 billion ending fourth quarter 2025. The increase in debt results from contributions to DGD mentioned earlier and timing of production tax credit payments, some of which will come in the second quarter. Capital expenditures totaled \$95 million in the quarter. Our bank covenant preliminary leverage ratio was 3.17 times as at quarter-end versus 2.9 times at year-end 2025. In addition, we ended the quarter with approximately \$1.1 billion available on our revolving credit facility.

We recorded an income tax expense of \$38.6 million for the quarter, yielding an effective tax rate of 22%. That rate, excluding the impact of the production tax credit and discrete items, was 32% and we paid \$20.5 million in income taxes in the first quarter. For 2026, we expect the effective tax rate to be around 25% and cash taxes of approximately \$60 million for the remainder of the year. Overall, net income was approximately \$134 million for the quarter, or \$0.83 per diluted share, compared to a net loss of \$26 million, or negative \$0.16 per diluted share, for the first quarter of 2025.

Last quarter, we mentioned that we have some assets held for sale that are not considered strategic for our business. Those asset sales continue to move forward but have not yet closed. Of those, we have signed an agreement to sell the majority of our grease trap environmental service assets. The sale is pending some permitting transfers, which we expect to be completed in the next few months. We'll have more to say about the trap and other businesses for sale at a later date.

With that, I will turn the call back over to Randy.

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## Randall C. Stuewe

*Chairman & Chief Executive Officer, Darling Ingredients, Inc.*

Thanks, Bob. In closing, the progress we shared with you today reflects the discipline and focus we have maintained through a challenging cycle. By controlling what we could control, driving operational excellence, prioritizing capital, and focusing on balance sheet strength, we positioned Darling Ingredients to emerge stronger. With improved the volatile market conditions and a much improved regulatory framework, we believe the company is entering its next phase with momentum that we expect to build as the year progresses.

We believe that as the year progresses, we'll drive improved earnings, stronger cash flow, additional debt reduction, and long-term value creation for our shareholders. Ultimately, our improved performance will once again provide the company with many opportunities. This confidence is reflected in our core ingredients EBITDA guidance for Q2, which we are now setting at \$260 million to \$275 million for the quarter.

With that, we'll go ahead and open it up to Q&A.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We will now begin the Q&A session. [Operator Instructions] Our first question comes from the line of Heather Jones with Heather Jones Research, LLC. Heather, your line is now open.

**Heather L. Jones**

*Analyst, Heather Jones Research, LLC*

Q

Good morning. Thank you for the question. I was just wondering, first of all, on Diamond Green, should we expect the hedging and LIFO losses, do you expect that to reverse in Q2; or will that take longer throughout the year?

**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Thanks, Heather. This is Bob. So, we did realize a lower cost or market benefit in the first quarter. And just to make sure everyone's aware, in order to have the opportunity to realize the benefit of lower cost or market, you have to have previously taken a loss from that. This quarter, that \$97 million at the DGD entity level, that exhausts all available lower cost or market. So, going forward, as long as the business is profitable, we do not anticipate any lower of cost or market benefits.

And so then to your question of the LIFO, the LIFO will be based on an average cost paid for feedstock during the period. And as the average price increases, if it increases, then we would realize a LIFO loss that is embedded inside of the results. If feedstock prices on average decrease, then there would be a LIFO gain. So, really, the answer to your question depends on your view of feedstock prices and the average cost of feedstocks paid in the period in question relative to the period prior.

And hedges...

**Heather L. Jones**

*Analyst, Heather Jones Research, LLC*

Q

And what about on the hedging side? Yeah.

**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Yeah. So, hedges, I guess what I can say about that is, at DGD, we do hedge. We're very disciplined about hedging. There is some flexibility in terms of which instruments we use to hedge our risk. And we don't disclose that for competitive reasons. I think what you can point to this quarter is that, clearly, we had a significant increase during the period in heating oil futures and crude oil futures and soybean oil, whatever sort of instrument you're looking at. And we managed to absorb the cost of whatever hedges we had and still put out a very positive result. And I think it just speaks to the risk management capabilities of the business.

**Heather L. Jones**

*Analyst, Heather Jones Research, LLC*

Q

Okay. And then my follow-up is just, given the volatility we're seeing in the energy markets and the feedstock markets, this question seems pretty particularly relevant. So, I was wondering if you could update us on how we should be thinking about the lags in your model, both core DAR and Diamond Green. I remember at one point it

was more like 30 to 60 days. Then, I think it increased to 60 to 90. But if you could just update us on how we should be thinking about that?

**Randall C. Stuewe**

*Chairman & Chief Executive Officer, Darling Ingredients, Inc.*

A

Yeah. Heather, this is Randy. So, clearly, you've kind of framed it pretty well. I mean, what we saw in Q1, remember as we came out of Q4, remember, we had forward sales into DGD getting ready to run full that were put on in October as we anticipated the RVO. And then we saw prices soften as the RVO kept getting kind of delayed and delayed. And so, ultimately, as we came into Q1, cash prices, FOB, most of the North American factories were actually flat or lower than Q4. Those have now accelerated. They started to accelerate in, really, here in March for us. That'll start to flow through very nicely in Q2.

When we look at our global rendering business, what we've seen is the tariffs have impacted Brazil pretty sharply. We've had to adjust all of our formulaic or our pricing models down there, what we procure raw material from. That takes 30 to 60 days. So, I think we've righted that now. So, overall, the ingredients business will have a stronger Q2. How much of the acceleration and prices flow through, that would be reflected in kind of our conservative approach to guidance there.

Remember, as I was telling the team here, this is the first call we've done where we haven't ever seen period one of the next quarter. And we won't see those numbers through here for another week or two, a week-and-a-half. And ultimately – so, really, we're looking at basically a March run rate and extrapolating that with some improvement. And so you'll see that. Conversely, DGD has done a very nice job of getting out in front of this. I mean, we've had a strong bias that feedstock prices would accelerate once the industry wakes up. And so, that should flow through in much better margins in DGD as we go through Q2 and through the balance of the year.

**Operator:** Thank you. Our next question comes from the line of Tom Palmer with JPMorgan. Tom, your line is now open.

**Thomas Palmer**

*Analyst, JPMorgan Securities LLC*

Q

Sorry. Was on mute. Hi. It's Tom. Good morning and thanks for the question. Maybe start out with an industry question, especially when we, I think, think about the biofuels side, there's probably a good amount of idle capacity. I wonder what you think the US biofuels industry is capable of producing currently and then once kind of it fully ramps. And whether that's going to be enough to kind of fulfill mandates, or if we do need to kind of shift to imports, even with the maybe less favorable tax treatment? Thanks.

**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Yeah. Thanks, Tom. This is Bob. I mean, look, the first thing I'd say is, we do believe that quite a bit of biofuel capacity is back online. Margins are attractive enough to bring a lot of that back. There's still an opportunity to bring some more. Ultimately, to answer your question about what we're capable of, it's going to depend a lot on run rates as well as just kind of bringing idle capacity back on to market. And I think, as everyone knows, keeping a renewable diesel unit up and running, it's got its own challenges to it and circumstances. So, it's going to depend a lot on that.

Bottom line is, we think that the industry is capable of meeting the mandate of the – or the demand of the RVO. It probably is a combination of some of the things you talked about. It will include some imports of fuel, probably

fewer exports as the [ph] US margins (00:30:43) need to just incentivize US production to stay in the United States. When you put all those things together and adding capacity and running hard as an industry, and you look at what we did in 2024, it's reasonable to expect that we can we can meet the demands of the RVO.

**Thomas Palmer**

*Analyst, JPMorgan Securities LLC*

Q

Thank you for that. And a follow-up on second quarter expectations. When we think about 2Q, what are kind of the key drivers of the increase in terms of EBITDA and the base business? Is it mainly just higher market prices in terms of fat? And does that range contemplate where prices are today, or that there are any changes relative to that run rate? Thanks.

**Randall C. Stuewe**

*Chairman & Chief Executive Officer, Darling Ingredients, Inc.*

A

Yeah. There's always a bit of seasonality in the business here. I've always said when the ballpark's open, at least in North America, you'll see a few more in barbecue season. So, really, at the end of the day, raw material volumes globally are strong and very strong in South America. Poultry volumes in the US are exceedingly strong, while the downside of that is the cattle herd is really stagnant and at a 75-year low. Now, what's relevant about that, Tom, is that, remember, it's just like the red meat, white meat discussion here. Red meat has more fat. And so, we can we can process more poultry and still not make as much fat as we were when we were running all the beef. So, a little less fat into the discussion.

As far as the modeling of guidance here, like I said, that's really March extrapolated with some improvement that's out there clearly towards the – fat prices are exceedingly much higher than they were in Q1 cash prices right now, and we're out there selling it. So you'll see that flow through. How much goes into Q2 versus Q3, we will see, but we're clearly picking up some speed there. The Rousselot business is doing quite well around the world right now. Gelatin and collagen margins are good. Remember that, that business – remember, 80% of that byproduct that comes out of that business is fat and protein. And so, it's filling a benefit.

We're seeing – the tariffs had their impacts on what we're going to call our specialty proteins business, and those markets are back open again with the lower tariffs. And so we're seeing a nice improvement in protein prices. But, clearly, fat prices that are – I think the DGD bid right now today is close to \$0.80 a pound. Those are big numbers that are down there right now. And those are up anywhere from \$0.20, \$0.25 from where they were in October, November. So that will start flowing through very nicely here as we get towards the end of the quarter.

**Operator:** Thank you. Our next question comes from the line of Pooran Sharma with Stephens. Pooran, your line is now open.

**Pooran Sharma**

*Analyst, Stephens, Inc.*

Q

Good morning and thanks for the question and congrats on posting really strong results. Maybe just on fuel here, and DGD and really just RD. What are your thoughts on kind of diesel prices in regards to kind of what extent you think there are structural constraints, whether infrastructure, refining capacity, or even just intermediate-term logistics that could keep diesel markets tighter for maybe longer than people were anticipating?

**Randall C. Stuewe**

*Chairman & Chief Executive Officer, Darling Ingredients, Inc.*

A

Sounds like a question for our partner, Valero, than us. But Bob, you'll take a shot at it.

**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

I mean, look, I think we're not really qualified to answer questions about diesel capacity and constraints and things like that. But I think what we can point to is just an increased cost of the raw material inputs that everyone is using to make fuel, energy products. I think what's interesting from our perspective is just how much tighter today renewable fuels are and total cost relative to conventional fuels. And sort of what this conflict has done in terms of bridging the compliance gap in the RVO. I mean, ultimately, I think we fully expected that we would see the margins that we're seeing today in the market, but we thought that it would perhaps take a little bit more time until compliance date sort of force convergence and cause that margin to occur.

This conflict and the higher energy prices underlying all of this is allowing margins in renewable fuels to sort of move to what they probably should be as a result of a strong RVO, and it's just allowing it to happen more quickly. It's also, I think, showing the world that renewable fuel is an important component of total supply, and without it today we'd have much higher prices of conventional fuels.

**Randall C. Stuewe**

*Chairman & Chief Executive Officer, Darling Ingredients, Inc.*

A

Yeah. I think the other thing that Bob highlights there is, I mean, and as most of you know, I mean, fossil diesel or conventional diesel in Scandinavia is \$10 a gallon, and in the Netherlands it's \$12 a gallon; and RD is actually cheaper by almost 25% today. So, the industry is going to run as hard as it can and what's special about RD is that it can be used neither at 100%. So you're going to see anybody that can produce RD running at full capacity right now.

You're also seeing a lot of other countries in the world that have or producers of fats and oils that can use fats and oils within their energy system, meaning the palm oil, you magically start to see palm oil disappear back into energy when the price per barrel gets to where it's at right now. Usually it starts when it's about \$80 a barrel, and clearly there's a huge incentive right now globally to continue to move fats into energy. And that's going to keep the world feedstock markets pretty constructive until things back off.

**Pooran Sharma**

*Analyst, Stephens, Inc.*

Q

Great. Appreciate the color. And maybe just shifting to the balance sheet. Wanted to understand with – I know you're not guiding to DGD, but just kind of the implied step-up in EBITDA and just the overall business, I think that leverage should just come down naturally. And so, wanted to get a sense of how you're thinking about actively deleveraging versus allocating capital elsewhere?

**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Yeah. This is Bob. So, I think we've been pretty clear in recent quarters that we're focused on paying down debt. We've talked a lot about trying to get our debt down below \$3 billion. We're still committed to that. We do have an Investor Day on May 11. And at that time, we're going to be able to talk more about what our capital plans are, but I think what I'll just summarize right now is just to say that we're focused on getting that debt number down to about \$3 billion. At that point in time, that opens up a lot of potential options for Darling in terms of what we do going forward.

It'll depend on what our outlook is when we get there, but we're certainly very encouraged by the EBITDA run rate that we see from the first quarter and what we're expecting for the balance of the year. And we think we'll get

down to that \$3 billion number relatively quickly. And at that point in time, we think the outlook is still going to be very strong.

**Operator:** Thank you. [Operator Instructions] Our next question comes from the line of Manav Gupta with UBS. Manav, your line is now open.

**Manav Gupta**

*Analyst, UBS Securities LLC*

Q

Good morning. I actually wanted to ask a little bit of a policy question. So, you know how [indiscernible] (00:39:32) is proposing starting 2028, you get 50% RIN on foreign feedstock. And I'm just trying to understand whether it's positive for DAR if that goes through. I mean, your domestic UCO and tallow would price higher. Also, I think some of the other competitor facilities which are overly dependent on foreign feedstock might be forced to quit the business. But at the same time, I think you are also importing a little bit of tallow through FASA for some of your plants. So, I'm just trying to understand the puts and takes, if this policy change does go through and you only get 50% RIN for foreign feedstock.

**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Yeah. Thanks, Manav. This is Bob. I think to be able to answer that question, we'd also need to understand what the tariff structure is at that point in time. I think if we're looking at a 50% RIN and there are no tariffs, no origin tariffs on any of the feedstocks that we're importing, then it's going to depend on what is the demand for those feedstocks outside the United States, and does the value of those international feedstocks adjust for that 50% RIN and the 45Z credit.

Ultimately, if the US is the strongest market at that point in time and international feedstocks discount themselves so they can be competitive coming into the United States, then we see all of it as a pretty big positive for Darling, because it would be very supportive to our US and Canadian feedstock prices and the DAR core business; but it would also give DGD access to international feedstocks to be able to make fuels, sell those into the United States, or re-export for anywhere else.

So, it's going to really depend on the dynamics and what's happening with fuel markets and feedstock markets outside of the United States. But, overall, we don't see it as a negative.

**Manav Gupta**

*Analyst, UBS Securities LLC*

Q

Perfect. My second quick question on 2Q guidance and where the Street is. When we look at the Street numbers, I think they're closer [indiscernible] (00:41:40) your guidance. To get to the guidance – Street estimate versus your guidance, DGD would have to give you about [ph] \$170 million (00:41:48). That's roughly my calculation and given where the margins are on DGD, it seems very possible that DGD could easily give you [ph] \$170 million (00:41:59). So, if you could talk a little bit about your guidance versus where the Street is on 2Q, I'll be very grateful.

**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

I think, Manav, we won't guide DGD. I think, we did say we expect 320 million gallons for the quarter. We are willing to say that we think that second quarter at DGD will be stronger than first quarter. So, if you kind of put all

that together, I think what you're saying and backing into is doesn't sound unreasonable, but there isn't a lot more we can say about that in DGD's numbers.

**Randall C. Stuewe**

*Chairman & Chief Executive Officer, Darling Ingredients, Inc.*

A

Yeah. I mean, Manav, this is Randy. Bob said it really well. I mean, the DGD margin environment is constructive right now. It's still sorting its way out. We're running at capacity 320 million is the gallon that we're going to put out there for Q2. And then I suspect Q2 earnings power is greater than Q1, and Q3 will even be stronger. Life is pretty good there right now. But we've just kind of opted to kind of stay away from trying to guide because it's very, very difficult because of timing, et cetera, of sales and then feedstocks.

**Operator:** Thank you. Our next question comes from the line of Derrick Whitfield with Texas Capital. Derrick, your line is now open.

**Derrick Whitfield**

*Analyst, TCBI Securities, Inc.*

Q

Thanks. Good morning, all, and congrats on the strong quarter. For my first question, I wanted to start with feed. Since March, we've seen a near \$0.20 per pound increase in waste FOGs, as I think you highlighted earlier, Randy. While I understand your rendering contracts include purchase price considerations for downstream value. How should we think about the strength of waste FOG realizations flowing through to higher EBITDA from a price sensitivity perspective over the course of the year, if prices remain elevated?

**Randall C. Stuewe**

*Chairman & Chief Executive Officer, Darling Ingredients, Inc.*

A

Yeah. I think we've kind of, Derrick, tried to address that. I mean, clearly, obviously I'm reverting back to I haven't seen April yet to see how it's truly flowing through. What I can tell you around the world is Europe has been truly lagging from where the US run-up has happened because it's now a domestic feedstock game. South America got impacted very hard due to the tariffs and also higher ocean freight. And so, that's trying to – we always look back. We've always tried – why we built DGD was to own the arbitrage between animal feed and fuel. And animal feed value today is less than \$0.30 a pound and fuel prices are north of \$0.70 a pound FOB. So, clearly, we've made the right decision there.

What we're going to see is, as we go into May and June, you will start to see a lot of that flow through. I think we're calling a bottom now in Brazil. We've kind of figured that one out. We had to adjust our spreads. It's a spread management game. In Europe, much more resilient, but it's starting to move up. I've seen South America move in the last 3 or 4 sales up \$50, \$100 a ton from the start or mid – really, start of April. So, that'll start to flow through. That's where I would categorize the guidance that we're putting out there on the core business as potentially somewhat and very conservative right now. But we'll see how it flows through. It's kind of hard to call right now.

Protein prices have improved. Rousselot, because the tariffs are down, so we're having some improvement all across the line. Our biogas businesses in Europe are very strong right now. So, I mean, really, the tailwinds are building right now. We're just trying to – maybe we're a little gun shy would be is what I'd say right now from the last couple of years. So, we'll see what they flow through here.

**Derrick Whitfield**

*Analyst, TCBI Securities, Inc.*

Q

Perfect. And then maybe shifting over to DGD. Given the higher diesel and jet crack spreads we're seeing really outside of the US but across the world, how are you viewing the international markets relative to what you can net in the US? And if favorable, what degree of flexibility does DGD have to further increase sales into those markets?

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**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Yeah. Thanks, Derrick. This is Bob. DGD has always maintained a lot of flexibility and agility in terms of markets it can sell to. We have seen very attractive opportunities all around. I think DGD has been a consistent exporter. We expect that to continue. But I think when you look – looking forward and the strength of the RVO and the US, it really points to a US market that should continue to increase in margins and keep barrels inside the United States. And I think, over time, we'll see the market create that. It won't be because of – it'll be market driven, and that's what we're expecting to see.

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**Operator:** Thank you. Our next question comes from the line of Dushyant Ailani with Jefferies. Dushyant, your line is now open.

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**Dushyant Ailani**

*Analyst, Jefferies LLC*

Q

Good morning, everyone. Thanks for taking my question and congrats on a strong quarter, guys. Maybe, I know the focus has been on RVOs. I just want to pivot a little bit to LCFS. We know pricing has been weak [indiscernible] (00:47:57) a little higher. Want to just get your thoughts on how you're seeing the California market evolve through the course of the year, maybe?

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**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Yeah. Thanks, Dushyant. This is Bob. So, LCFS, it's an interesting market. It's dynamic and hard to understand, quite frankly. But I think what we saw initially, immediately after the RVO was an increased amount of production and more sales into California. So, on a very short-term basis, we created some more credits there than at least at a rate that was a little bit higher than what we had. But the reality is California has only got around 3.6 billion gallons of total diesel demand. 300 million or 400 million of that is going to be satisfied with biodiesel, and there's probably a little bit of conventional diesel that's going to always stay there.

So, you're looking at kind of a 3 billion gallon demand market for renewable diesel. And the RVO essentially mandates more production than that. And so if you add up all the LCFS programs in the United States, the RVO is larger. And certainly when you include imports as well, it's larger than all those LCFS programs. So we do think we're going to have a lot of supply into those states, but we can't satisfy all of the requirements from the California Air Resources Board just with renewable diesel. So, what we expect is we're going to see LCFS credits continue to increase in value, and we'll probably see renewable diesel trading at a discount into California, because it's going to be offset by LCFS premiums. So it's a complicated one though, but it's a long way of saying we think LCFS credit premiums are going to increase.

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**Dushyant Ailani**

*Analyst, Jefferies LLC*

Q

Got it. Thank you. And then my follow-up, maybe just going back to the core business. I know you guys have been – margins have been strong and, one, can you guys give some thoughts there; but maybe how do we think about, obviously, pricing. Expectations are expected to be elevated. But how do we think about margins across

the board, Feed, Food as well, how does that kind of shake out? And maybe operationally if there are any tweaks that you guys are making, if you can talk to that?

**Randall C. Stuewe**

*Chairman & Chief Executive Officer, Darling Ingredients, Inc.*

A

Yeah. If you look across the Ingredient portfolio, kind of a little bit right to left, in the Fuel segment, non-DGD, very much an annuity business, but it's going to get a little bit of lift from the biogas business in Europe and as we move forward through the year. Rousselot, very much predictable, more closer to consumer-type business. We're getting some tailwind there now as global collagen demand is really picking up. And when you do the extraction, you make a raw material or a feedstock, then you can make gelatin or collagen. And as you defer [indiscernible] (00:51:17) to the collagen pipeline, you then take it away from the gelatin. And so, ultimately, we're seeing some improvement there because gelatin margins came under some pretty significant pressure the last couple of years due to some capacity additions in South America and China.

So, ultimately, we look at that segment as pretty stable, maybe a little bit of improvement. Clearly, the Feed segment has the most commodity exposure. It's really just, as we say, a timing exercise right now on how the better proteins and fats on the three big rendering continents of North America, Europe, and South America all start to flow through. So, you'll see some additional what I'm going to call margin expansion there. I think that, that's really the thing that Bob and I feel so proud about is, is the businesses in the rendering side are really operating at a high level of capacity and efficiency right now. Any of the challenges that we had in the prior years, I think are behind us now, or I believe – I know they're behind us and we're really starting to do well.

The only downside, if we look back at years when there were commodity uplifts like this, we've got less beef in our system today than we've had in the past. And like I said, a chicken is less fat than red meat. So, you won't get 100% of what – if you're trying to extrapolate prior years, but it's still going to be darn good. And it should accelerate throughout the year here.

**Operator:** Thank you. Our next question comes from the line of Andrew Strelzik with BMO Capital. Andrew, your line is now open.

**Andrew Strelzik**

*Analyst, BMO Capital Markets Corp.*

Q

Hey. Good morning. Thanks for taking the questions. I just wanted to follow up on the point that you were just making on kind of the internal improvements in the base business. Is there a way to kind of frame or quantify how much better your plants are running? How much more margin opportunity there is relative to the last time we saw fats prices at these levels, kind of net of what you're saying on beef versus chicken?

**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Thanks, Andrew. Yeah. This is Bob. I think probably when you think about, like, the operations of our business and you point back to 2022 and 2023 and the large acquisitions that Darling made with Valley Proteins, FASA, and Gelnex, the operations and sort of understanding how these assets all fit together are probably manifesting themselves most right now in the form of the high-quality proteins that we're making and the premiums we're able to capture because of the markets we're able to reach, whether it's high end pet markets or high end international markets.

As those operations have come together and we understand the quality and demonstrate the consistency that we're able to produce, we're able to hit those markets more consistently. Same is true for the Gelnex acquisition and Rousselot. This is a very complex global supply chain and our ability now to really leverage the value of these assets by consistently meeting customer needs, moving product internationally from Brazil or wherever in the world to Europe and the United States, we've really been able to identify what are the right origins and destinations and get maximum value out of that. The value that you see, it's really incremental quarter-to-quarter. But a lot of what's sort of underpinning the strong results that we've had and what we're expecting as we go forward is improvement in our own operations and coordination. It isn't just market tailwinds.

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**Andrew Strelzik**

*Analyst, BMO Capital Markets Corp.*

Q

Okay. Excuse me. That's helpful. And then, I also wanted to ask on kind of the RIN outlook generally. And I appreciate that there's a lot of focus in the market on the near-term right now. I would just be curious to kind of get your perspective on the RIN landscape beyond 2026 now that we have the RVOs. And kind of how you're thinking about comparing what the environment could look like then versus what we're seeing today, how much of a kicker that could be versus kind of where we stand today now that we have formal policy in place? Thanks.

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**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

I mean, right now, what we can see out, as far as through to the end of 2027, that's the RVO that's in place, a lot of the answer to your question, it's going to depend on global prices of fuel energy, conventional energy. It's going to depend on tariffs. It's going to depend on how well the industry performs in the United States and the amount of production and supply that we create for the market. All of those things are – I'd really have to know the answers to those to answer the question about where RINs are going to go.

But what we do see when we look at this RVO through 2027 is that the industry needs to produce, it needs to run really hard. And even when it does, margins need to remain very strong in order to continue to incentivize all the players to make enough product to meet that RVO. That's the picture we see. And so bottom line is RINs need to play their role in all that to be the great equalizer that creates a good renewable diesel and sustainable aviation fuel margin.

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**Operator:** Thank you. Our next question comes from the line of Ben Kallo with Baird. Ben, your line is now open.

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**Benjamin Joseph Kallo**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Hey, guys. Thanks for all the information. Just a couple of questions. On the Food business, could you just talk about progress there with JV and then just like with a larger partner for the peptide side of the business? And then, Randy or Bob, just on the acquisition front, you guys commented last quarter, there are some smaller acquisitions, but just use of proceeds of cash. Can you give an update there? Thanks, guys.

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**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Yeah. So, starting with the joint venture agreement that we've signed with Tessengerlo and we're hoping to close sometime soon. I think, we've been pretty clear that we're in an antitrust review process. And that's really what we need to get through before we're able to close on that deal. Look, we've never been more excited about the potential of forming that joint venture than we are right now. We continue to see significant increases in demand for hydrolyzed collagen. We continue to develop science and technology around the Nextida portfolio of products.

What PB Leiner, the Tessenderlo business, would bring the overall Darling collagen business is added capacity that enables us to really efficiently utilize what they have and be very cost effective in production and continue to increase sales to really feed into this strong and growing collagen market.

They also offer the opportunity to originate product and raw materials in a couple of countries where we don't have presence. And so it allows us to continue our growth without having to invest a lot of new capital, which also takes time to add that capacity. So, that's still going forward. We're still in this process and we hope to conclude it sometime soon. The proceeds that we use before I think you're referring to is we participated in an auction to buy three rendering assets from the Patense group in Brazil. This was a really fantastic opportunity through a Chapter 11 process for us to add assets that fit very well with the FASA network of assets that we previously acquired in 2022. Those are the kinds of things that we really look forward to and hope will continue to arise, essentially buying assets at a discount to full value that fit very well with our network.

**Operator:** Thank you. Our next question comes from the line of Conor Fitzpatrick with Bank of America. Conor, your line is now open.

**Conor Fitzpatrick**

*Analyst, BofA Securities, Inc.*

**Q**

Good morning, everybody. Feed prices continue to run up. [indiscernible] (01:00:20) soybean oil is in the mid-70s right now. And I guess the question is how much more room do feed prices have to run up from here? And to answer that, I think we need to know why the ramp in biodiesel utilization appears to be lagging a bit in March. It's possible that higher pricing for physical delivery in parts of the Midwest, or cash constraints on realizing 45Z credits, or general hesitancy to restart facilities could explain it. Are you seeing any of those factors weighing on marginal biodiesel production and overall feed consumption in the market?

**Randall C. Stuewe**

*Chairman & Chief Executive Officer, Darling Ingredients, Inc.*

**A**

Yeah. I think Bob and I can tag-team this. I mean, clearly, in the Gen 1 biodiesel business, restarting those plants coming out of winter just takes a little bit of time here. There's a seasonality of demand of that product. Trying to rebuild supply chains that have been shut down for a year-and-a-half take a little bit of time. So, I think you'll see that industry start to ramp up from where it was. Interest rates are higher, too. So working capital, people forget that when you don't have that blender's tax credit, you've got to have a working capital line to run those plants. Clearly, the integrated guys, that's an easy switch for them. And you're seeing that, but the free standard takes just a little bit longer to get there would be my read on it. I don't know, what do you think, Bob?

**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

**A**

Yeah. I think the other thing a lot of people miss on this one is for the small independent biodiesel producer, they really don't have access to the production tax credit, practically speaking. Ultimately, they can get it. They certainly can generate the credit. They can eventually find a way to sell the credit. It would come at a pretty big discount [indiscernible] (01:02:13) dollar. But in the near-term, they're not going to have access to that revenue. And so, margins need to really increase from where we are today in order to incentivize all these guys to come back online. It's just going to take a little bit more time. But eventually that capacity is going to be valuable, in our opinion, because margins are going to move to levels that cause it to be.

**Conor Fitzpatrick**

*Analyst, BofA Securities, Inc.*

**Q**

Okay, great. And I guess, relatedly, since a lot of those biodiesel producers are kind of constrained on the feed optionality side, not having pretreaters, what's kind of the split between opportunity for veg oils, which require less pretreating and fats, oils, and greases that Feed Ingredients produces. The entire complex should run up but veg oils might have a chance to run up a bit more.

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**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Yeah. I mean, look, I think the reality is, there's enough demand out there that can now utilize the non-veg oil feedstocks where we're probably going to just continue to trade at sort of their CI score adjusted values. So, we're not really expecting to see vegetable run up relative to the other products just because, like I said, there's enough capacity that can utilize that. The thing with biodiesel is that it doesn't – as long as it can buy refined oil or it's able to pretreat or clean the oil from that standpoint, then it doesn't need as much pretreat capability, and biodiesel can run on 100% soybean oil.

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**Operator:** Thank you. Our next question comes from the line of Matthew Blair with TPH. Matthew, your line is now open.

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**Matthew Blair**

*Analyst, Tudor, Pickering, Holt & Co. Securities LLC*

Q

Thanks and good morning. Can you talk about the feedstock slate at DGD? I know in the past you ran 100% low CI feed. Has that changed? Are you running more soybean oil in 2026 with just some of the changing credit values around 45Z and providing more of a subsidy for veg oil-based feeds?

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**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Yeah. Thanks, Matthew. DGD is well setup to maximize opportunities depending on what is the lowest cost net of CI score feedstock and run for that barrel. That implies that there's an increase in the utilization of veg oils in the mix. I think it's fair to say that, that's occurring. But it's just going to depend on – these markets are – they move around quite a lot. And so, as they're just going to be able to take advantage of the opportunity, whichever it is.

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**Matthew Blair**

*Analyst, Tudor, Pickering, Holt & Co. Securities LLC*

Q

Sounds good. And then the comments earlier I thought were pretty interesting. You mentioned that the RVO will basically require more RD than what the West Coast LCFS markets can handle. And so, the implication to us is that the marginal US producer will actually have to sell into non-LCFS markets, but of course the market will still need the RINs from those marginal producers. So, overall, it just seems like a steepening of the cost curve and something that should continue to be pretty supportive for margins probably likely come through in stronger RIN prices? Is that your take as well? Do you agree?

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**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Yeah, I think that is how we see it. Ultimately, yes. I think that's how we see it. RIN, at the end of the day, like I said earlier, RINs will need to be the great equalizer that creates the margin that we need to make enough volume to satisfy the RVO. And the extent to which it needs to go is going to depend on all these other factors; feedstock costs, global fuel prices. Certainly, the environment that we're in today, it eases the burden of the RIN. But even with that, we're seeing very strong RIN values.

**Operator:** Thank you. Our next question comes from the line of Betty Zhang with Scotiabank. Betty, your line is now open.

**Betty Zhang**

*Analyst, Scotiabank*

Q

Thank you. Good morning. I wanted to ask on DGD, the 2Q guidance, 320 million gallons. Is that essentially you're running at maximum levels; and if not, is there any reason to not run at max?

**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Thanks, Betty. It's close to max. I think right now – yeah, you look at the margin environment, we are incentivized to run as hard as we can. 320 million is pretty close to max. I don't know what else there...

[indiscernible] (01:07:46)

**Randall C. Stuewe**

*Chairman & Chief Executive Officer, Darling Ingredients, Inc.*

A

...slightly positive, Bob. But that is pretty close to full out.

**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Yeah. I mean, we're going to do our best to run full out in this environment.

**Betty Zhang**

*Analyst, Scotiabank*

Q

Okay. Perfect. And then I wanted to ask on kind of the differential between SAF and renewable diesel. I know in the past, SAF has had a bit of a premium over RD. But given a lot of moving pieces, including the RVO and so on, can you just speak to maybe the economics of producing SAF versus RD currently?

**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Yeah. So, I think the short answer is for sales into the United States and the voluntary markets, there's more of a fixed premium to RD; whereas SAF continues to be a better opportunity and better margin. In Europe, it is more dynamic than that. Europe is based on mandates and we see times when margins in Europe for RD are better than SAF. We expect that to continue to be kind of volatile, or up and down. But we're really happy with the voluntary market we have in the US and the premiums that we can consistently get from SAF. So, overall, we're still meeting our commitments from the investment we made in SAF at Port Arthur.

**Operator:** Thank you. Our next question comes from the line of Jason Gabelman with TD Securities. Jason, your line is now open.

**Jason Gabelman**

*Analyst, TD Cowen*

Q

Good morning. Thanks for taking my questions. Given Darling is uniquely-positioned running domestic feedstocks and then not only producing but importing feedstocks to DGD from the international market. I was wondering if

you could provide some color on, if RIN prices today are sufficient enough to attract those international feedstocks to be run in the US market, especially given those feedstocks no longer qualify for the producer tax credit?

**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

Yeah. Good question. So, the answer to that is going to depend on who's making the fuel for Diamond Green Diesel and, given our cost of production, the efficiency, the logistics that are available to us when it comes to importing those international feedstocks, we can make renewable diesel with those products and sell into the United States and make a good margin. I don't think everyone's able to say that. And so, for that reason, we do think we'll continue to see margins strengthen. And we expect to see a difference in feedstock prices in North America relative to the rest of the world.

**Jason Gabelman**

*Analyst, TD Cowen*

Q

And do you expect that biodiesel producers are going to ultimately need to rely on international feedstocks as well, in order for the industry to meet the RVO?

**Robert Day**

*Executive Vice President & Chief Financial Officer, Darling Ingredients, Inc.*

A

No. I think biodiesel producers should see a sufficient amount of US veg oil, or US and Canadian veg oil to supply their needs.

**Operator:** Thank you. There are currently no more questions waiting at this time. So, I would like to pass the call back over to the management team for any closing remarks.

**Randall C. Stuewe**

*Chairman & Chief Executive Officer, Darling Ingredients, Inc.*

All right. Thanks, everybody for your questions today. As you know, we'll be hosting an Investor Day on May 11 in New York. It will be simultaneously webcast. It's an exciting time for us as Suann and Bob, Carlos, myself, and Dave Van Dorselaer will lay out a lot of these topics that we discussed today, in addition to what our future looks like and a three-year road map as we see it today. So if you have any questions, follow up with Suann. And stay safe and have a great day. Thanks again.

**Operator:** Thank you. That will conclude today's conference call. Thank you for your participation. You may now disconnect your lines.

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