

Company Name: Darling Ingredients Inc. (DAR)  
Event: Jefferies Renewables & Clean Energy Conference  
Date: December 03, 2025

<<Dushyant Ailani, Analyst, Jefferies>>

Today we have CEO of Darling Ingredients, Randy Stuewe. It's a pleasure to have you with us today, sir. Maybe just to kind of start off any opening thoughts, remarks as we enter 2026, and then we can dive into questions.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

Yeah, it's glad to watch 2025 go away. If you kind of reflect back on 2025, it was a year of an administration transition. Clearly, this is a clean energy renewables what we're talking about a little bit here. We've got a couple businesses here, but clearly the one that has eyes focused on. It is our big three renewable fuel factories on the Gulf coast. And they've been waiting all year on policy clarification. It almost feels as I would leave the audience today were really close. And I think it's – yeah, I think it's a really positive outlook for 2026.

I mean, but I'll reflect a little bit and with Bob and Suann here, we do our little whiteboard. We do a cash planning exercise for the company for the year. And it was a – if you went into our room, we said, well, 2025 earnings at Diamond Green Diesel can't be worse than 2024, has to get better. Well, that was – that would have been true if we would have gotten any policy clarifications. But clearly mandated businesses really only work when that mandate is adequate for them. And the ultimate economic lesson is you produce one more gallon than the mandate, it's not worth much.

<<Dushyant Ailani, Analyst, Jefferies>>

Yeah, yeah, that's fair. Maybe to like touch on the policy piece first, I guess, timeline seems to be again getting pushed out a little bit. We have to shut down. And yeah, maybe if you could share what you're hearing on the ground from folks.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

There we go.

<<Dushyant Ailani, Analyst, Jefferies>>

Sorry about that.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

No worries. All right. Now we're better. Yeah, I mean, we've been deeply involved as a company with trade organizations in trying to shape policy. Remember, the policy side here is not about

green energy or climate change. That narrative has kind of been muted. And it's always been about, at least in our view, about ag policy. Half of the corn crop, half of the bean crop go into green energy in the USA and North America.

And so getting clarity on an improved renewable fuel standard or renewable volume obligation was priority one this year. I think clearly farm prices, and we live in the livestock ag community, the farmers hurt and then you play the Trump game with all the Tariffs. And it just exacerbated that issue all the way back to the farm. And when you lose your number one customer in China, and not only China for soybeans, but China for a lot of products, especially even from our industry, from pet food grade products and other trades that we make to them. And so, clearly the message was, you can fix the farm community with a larger RVO.

Okay, that resonated. We got complete alignment all the way through the EPA. And that, believe it or not, you got to go down another level. It's called the Office of Air and Radiation is in charge of making that rule. And so, we – obviously you always ask much higher, knowing that you're going to get something lower, but we actually got closer to the higher ask now. And so that seems to be really, really positive, 5.6 billion gallons. Then the EPA has gone through this, trying to get rid of this backlog through the court system of all these smaller binary exemptions which were designed to not penalize, I don't know, under 75,000 or whatever barrel per day units.

And they've done a really remarkable job of getting rid of that backlog. And there were some winners. There are some losers there. And now they're out to what is the new process for granting a small refinery exemption and what's the impact on the gallons made here. They threw out a rule here, I don't know, into September or something like that, or a proposed rule, 50% small refinery exemptions or 100% reallocation. And they put it out for public comment. And what I hear is they had three piles, 50, 100 and all other. And if you had to be a handicapper on it, you'd probably guess 50% small refinery exemptions. Don't know why it wouldn't be 100, don't know why it wouldn't be a zero, but that seems to be.

We keep saying that they're trying to create a win for everybody. And a win is across the broad spectrum of, you hear the word in the administration, affordability, okay, that's the cost of food, right? And then you hear all of this industry being attracted through these trade deals. They need a lot of energy. They need water. They need natural gas. They need electricity. They need infrastructure. And so you've got keep it – keep it safe to the consumer and don't let energy prices go up. So you've got this middle piece here called the farmer and the ag community that's caught a little bit in the crossfire of what the impact or the unintended consequences of a much larger RVO, some small refinery exemptions and then the lobby in D.C. that got the higher volume obligation, their pitch to was throw out all the foreign feedstocks, throw out all the foreign fuels, build a wall, make the U.S. Like Europe.

What they didn't understand was, well, if you build the walls high enough and feedstocks can't trade freely in the world, where are they going to go? They're going to go to the next best home, they're going to be converted into the highest value product, biofuel, and then they're going to come in and so then it's an unintended consequence. We kind of fundamentally believe that they're trying to thread the needle right now and balance the SRE. What – how are they going to

handle imported feedstocks and then how do they handle imported biofuels? Now, if you look at it today, between Trump's tariffs and then not qualifying for 45Z, it really – it's kind of immaterial. So at the end of the day, this thing is and has been bullish since it's been announced in July.

But what's your indicator that it's real? Well, RINs, RINs are – if you looked at 2026 RINs today, they're up to \$1.18. So they're starting to move. But the – I guess if you're an obligated party, you say until we know the rule, don't do anything. And clearly there is a lot of money and D.C. is still running around trying to shape policy. But I think we're there. I think we're within – whether it's, this week, next week or the first week of January that I think – well, I think everybody is going to get what they had hoped for here.

<<Dushyant Ailani, Analyst, Jefferies>>

Got it. That's a good overview. Thanks for that story. So – okay, so basically sometime the next few weeks, potentially first week of January, we could hear something on the RBO. In terms of reallocation, you are suggesting that it could be – I think we'll go down the line of that 50%, not to put words in your mouth. Is that kind of what you're hearing? 50%, okay. And then on the 50% RINs, I know that you guys have a view, you guys have brought your comments there as well. And I think to your point, you're saying 45Z has already kind of – already made an impact. So that doesn't necessarily impact the complex. Is that a fair way to kind of summarize it?

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

Yeah, it is. I think the one piece that's got some hesitation about it is how do you enforce the 50% RIN on imported feedstocks or biofuels. And so how they get there and how they play in the meetings that I would say we've participated in. We said as we taught them about how feedstocks trade around the world. We're the largest waste oil trader in the world and we're the largest importer of waste oils in the world to the United States. And so when we started saying, well, if you don't let Malaysian, Indonesian, Vietnamese, Chinese, Yuko, Argentine, Brazilian, Colombian tallow in here, it's just going to go to another conversion point and come in here.

Clearly the administration didn't – doesn't understand commodity economics. Once you showed them that and they said, well, what's your solution? I said, well, just don't give a RIN to foreign generated biofuels unless it's made with U.S. feedstock. And so I don't know if a light bulb went on, I don't know if we met the right people that get it, I'm hoping they do something there.

<<Dushyant Ailani, Analyst, Jefferies>>

Got it. That's helpful. That's helpful. Okay. And then maybe moving on to the other kind of market there, LCFS. We haven't – I think it came into effect in late June. We have – we don't – I think we just have two key data right from CARB. So we haven't necessarily seen a lot of movement in LCFS pricing. Could you maybe share some thoughts there on what is the market potentially waiting for? Is it the 3Q data or how does – how do you think that's going to involve?

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

Clearly as I started the earlier comments of 2025, we came into the year believing that by February or March we'd have LCFS, the new accelerator program. It would kick in June 1 and then it got delayed and delayed. Now it's – really it's a 2026 program. Ultimately, there is limited obligated parties there that truly have to trade that. But at the end of the day you're starting to see the bank come down. Prices the last time we got to a surplus, they didn't react until we started to get – break that kind of equilibrium line. So I think we would say that LCFS prices, which are meaningful especially to the big RD maker, probably the back half of the year of 2026 will start to react.

<<Dushyant Ailani, Analyst, Jefferies>>

That's helpful. And then on 45Z, before moving on to sort of the core business I guess just want to touch on that. Obviously you guys have started monetizing 45Z credits. That's great for the balance sheet. How do you kind of see that shifting in 2026? I think SAF 45Z comes off a little bit. What other avenues you're looking at in terms of feedstock use where you can squeeze more 45Z per gallon basics.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

Yeah. And I think 45Z for the audience, I mean, clearly it's a very complicated tax rules. We felt very clear and along with our partner Valero, and how we were generating – accounting them and then as we decided or we needed to take them to market to sell, while it's a market that's been around for a long time, there hasn't been really in the accredited space of RD and an RD producer out there. And so the first trade was, I told Bob, our CFO, I said, just get it done. You've seen the proceeds there. It was in the low 90%. Had to have insurance. Why? We're not investment grade. Well, okay, we could be, but we chose not to be now. And that's the first monetization.

This, I think, is 125, and I think we'll get another 125 or 150 done this year. And those discounts keep improving. And I see 2026 because you kind of had to build the straw man and you had to teach people how it worked and you had to figure out what guarantees did they need. And if there was a government audit and all this noise that's out there, I think that's really behind us now. And so, clearly the market is trading out there. The other issue we ran into was no one really knew what their tax liability was, June, July of this year. But by September now we're seeing people scrambling and we have a great lineup of interested parties.

<<Dushyant Ailani, Analyst, Jefferies>>

Got it. So do you think that kind of – I guess the discount shrinks over time from like low 90s? Because, for example, if you look at other credits, like 45x, for example, those trade at like \$0.95 on the dollar.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

Yeah.

<<Dushyant Ailani, Analyst, Jefferies>>

So do you think 45Z could kind of hit that range as buyers get more comfortable with it, or do you think it's still going to be in the low 90s?

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

I think it'll – I think you've got – always you've got counterparties and brokers involved. I think if you get towards that 93% to 95%, that's about the best you're going to do.

<<Dushyant Ailani, Analyst, Jefferies>>

Got it, got it. That's great, Randy. And then just kind of wanted to pivot to SAP real quick. I think going into 2026, in the 3Q call, you had mentioned that a lot of your SAP has already been sold out. How do you – maybe if you can broadly talk about how your contracts are structured in terms of how do you manage? Is it all volumetric based? Is it price based? How do you account for the movement in credit pricing? If you can, share some thoughts there.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

With SAF?

<<Dushyant Ailani, Analyst, Jefferies>>

Yes.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

Yeah, I think first thing is the SAF business has been far more complicated than we probably anticipated. I always look back a couple years ago, we would have thought that there would have been an open bidding war for every gallon or physical gallon. And what you learned as you started to build your book was it's airport by airport, in wing distributor by in wing distributor and then ultimately to the carrier. So there is several parties, three or four people that have to be involved. While you may sell Shell or you may sell Exxon, but Exxon has to sell World Fuel and World Fuel has to sell JetBlue or United. And so fairly complicated trade.

We went into it believing that SAF would earn somewhere between \$1 and \$3 premium to RD, we're there. We've got a very significant book on already for '26. It's a blend of voluntary, it's a blend of export to Europe and other parts of the world. I think the mandates continue to grow. It's a good business as we go forward. There is few senators and representatives in the Midwest have now signed on to take that premium back up to \$175 a gallon.

Well it's starting to – what's interesting to us is we've been invited now to be part of a narrative in D.C. on SAF. And so this is the first time that the Trump administration or at least the staffers have shown trying to learn what it is.

<<Dushyant Ailani, Analyst, Jefferies>>

Got it. Because even in states, you're seeing states have their own incentives for SAF as well. Are you – is that where you are focused on in terms of marketing SAF? I just want to figure out where else are you shipping SAF in the U.S. and in Europe. Talk more about where your allocation is, or your focus is?

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

It's really just – it's depending on who you're selling, it's just a blend of it. And there is some that's going into Europe, some into the UK, some to Canada and some to the U.S. I always laugh back and I know I get in trouble sometimes for this, but, I was on the – Suann got me on the White House roundtable, and the United CEO said he was going to buy 1.8 billion gallons of SAF. I think we've sold him 10,000 gallons. I'll call him out on it.

<<Dushyant Ailani, Analyst, Jefferies>>

Good. Fair enough. Okay, perfect. Maybe, I guess sticking to RD real quick in terms of – so, like, DGD1 is still idle, right. How do you kind of think about what margin levels do you need to see for that to kind of come back?

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

Breaking news, all three units are operating.

<<Dushyant Ailani, Analyst, Jefferies>>

Okay, perfect.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

We might be turned down a little bit from full capacity yet, but we wanted to get the supply chain ready. Once again showing our confidence that we're going to get a positive RVO and trying to bring up a mothball facility.

Now, remember, why was it mothballed? This is a catalyst game. Why burn up catalysts and make zero?

<<Dushyant Ailani, Analyst, Jefferies>>

Yeah.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

So, the margins have improved in the business, and we think coming into 2026, they could move pretty quickly, and we wanted to be ready to take advantage of it.

<<Dushyant Ailani, Analyst, Jefferies>>

Got it. And then maybe thinking about 2026 maintenance and downtime, I know that you have some downtime in, like, DGD3, DGD1. How do we think about maintenance in 2026? Or do you think it's going to be running at full capacity if, assuming, the RV kind of comes through at your guns blazing?

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

Yeah, I think we have possibly one turnaround scheduled in 2026. We did all three this year. I think it's unit number two, and we'll depend on that. But remember, we have the ability, it's a game of fluids and hydraulics. You can turn up the other two to offset most of your downtime. So, if you said, what are we – it just depends on how the RVO comes out. Could be a 1.1 billion gallons, it could be a 1.2 billion gallons next year.

<<Dushyant Ailani, Analyst, Jefferies>>

Got it. Okay, that's helpful. Maybe just moving on to feed real quick, could we kind of before obviously we can look at fats, fat pricing, eco pricing. But maybe before that you can touch on how your proteins complex is shaking out a little bit, maybe some color there in, so far in 4Q and then also just thoughts on 2026 as well.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

Yeah, I think as we gave kind of a forward look into Q4, it felt pretty similar to Q3. Fat prices came down just a little bit, \$50 a ton here, \$100 a ton in Brazil, and a little bit in Europe, and Europe is pretty steady. What you saw in Q3 was once again an ambition or an expectation that the RVO was going to get published and these facilities were going to want to restart, they wanted to rebuild their supply chain. So as the demand came, the price moved up, slaughter moved down, summertime, et cetera. So it's backed off. Remember biodiesel and other users of waste fats in the renewable business, winter is a little difficult because of infrastructure to melt the raw material. Typically that picks up.

So I think from a fat complex, next year is – right now if as we're at and expecting we're at the floor is what I would call it, the RVO, how we determine feedstock availability, meaning foreign biofuels and foreign feed into our system and the tariffs around them, I think, feedstocks could be explosive next year. So I think we feel pretty confident in where we're at, at the current run rates, in Q3, Q4 is carrying into next year. I always caution people there is seasonality in our business. Q1 is a little weaker, Q2 picks up, around the world because it's a little easier to run a plant when it's not really cold. And so that's kind of the fat side.

You're starting to see – it's just going to come down to really at the end of the day, if that RVO is in that \$5 billion, \$5.6 billion with a 50% reallocation, it is very, very bullish. And so we've

been saying that since June or July. The protein side a little more complicated in the sense because of trade flows. It's probably the one piece that's been most impacted by the tariffs and really a significant portion of the poultry byproduct meals, chicken meal as we call it ends up in aquaculture in Asia.

Tariff on to China, tariff off to China, tariff on to Vietnam and it's off, and so we've got a little bit of a backlog in both those and the feather meals, they're down significantly from prior year. If those come back, we're setting up for a really great year next year. And it kind of feels like the trade with China is starting to head the right way here.

<<Dushyant Ailani, Analyst, Jefferies>>

Yeah, that's fair.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

Because every time the window, 90-day extension or 30-day immediately, the traders step in again. So we know they need protein. You've seen the strength in the soy complex. So the crushing capacity and the world is running at record levels and soybean meal prices are fairly strong.

<<Dushyant Ailani, Analyst, Jefferies>>

Yeah. Yeah, that's fair. Maybe just going back to the fat pricing, obviously we're seeing it kind of come off right from 3Q it's down like I think 10%, 15% if I'm not mistaken. But also I know that you guys have a lag in your system as well, right. So if I'm thinking about 4Q, it's not going to be especially for the Feed segment, I guess because it has offsetting with DGD. But how do you think about lag, I guess, in terms of, in the Feed segment and then also how that goes into DGD?

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

Yeah. I think Q4, remember, we're the supply chain or pipeline to DGD out of our system, at least in North America it's a 60-day, train turn if you will. And so that was sold in September or October and October for November and then – so any type of that will play out in December, January. And Q1 could be a little weaker, but then at the end of the day, you're always playing catch up. If you get in a market that's spiking, you're paying your raw material suppliers more and you've got forward sales at less. So there is a little bit of a zigzaggery here, lagged, as you call it.

<<Dushyant Ailani, Analyst, Jefferies>>

Got it, that's helpful. And then maybe just kind of to touch on food real quick. I think you have seen steady kind of improvement in margins, like over the few quarters. And also you've talked about Nextida, and then you're introducing a newer Nextida grain I believe in 2026.

Can you talk a little bit more about these products? And then also just any updates that you have on the JV that you've announced earlier this year.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

Yeah. The collagen business is a natural extension of our feedstock supply of raw materials around the world. From the slaughterhouse that's a skin or a bone. It's comprised of really three product lines today, maybe four, gelatin being the largest in the world, confectionary, some industrial in there, pharmaceutical in there, then hydrolyzed collagen which is water soluble for predominantly health and wellness. And then taking the hydrolyzed collagen and separating the individual peptides, that would be the next title line. Each one has a different value proposition. We're about 60:40, gelatin-collagen today, 10 years ago that was about 99:1, margin structure is significantly better, although it's come down because of more supply in the world.

And ultimately the next title line which was designed to create a health and wellness protein. The first one we launched is a GLP1 alternative called Nextida GC glucose control or glucose moderation. We have just finished the second round in a very significant clinicals, hopefully we'll put some press out on that shortly. But really at the end of the day it's got, as you eat, your body converts things to sugar, you go up insulin or glucose spikes and goes down. This moderates that, I think, about 42%. So it levels you up.

Pretty fascinating stuff. We did the first initial clinicals probably, really not our expertise. So we were learning along the way how big these clinicals needed to be, how long they take and how many – what's your sample size. And we think we're at a level now where the, we can truly get the CPG guys to take a super serious look at this. We're selling the product today, but we're selling it into supplement distributors today. We need, if you think of behind our hydrolyzed collagen business, there was the Vital Proteins was the brand that built us. And there is a long story there, but at the end of the day that company was bought out by Nestlé. And you put the Nestlé marketing machine, health sciences behind this and I think you got some pretty fascinating growth.

Second one clinicals are wrapping up here is on brain health, hopefully later this summer, I'm already in 2026, like I said, I wanted 2025 behind me, in 2026 that product will be launched and each one has a different category it goes to, each one has a different margin structure. Bob and I try to always describe it to people say well, how big can it be? And we said, well, if we're half as successful in the peptide business as we were in the hydrolyzed collagen, we'll double the earnings in the food sector. That's a big number.

And so then that leads into the joint venture. Why do the joint venture? And number one, there was a willing deal seller. Part of my life is traveling the world and meeting all these private owners and hopefully breaking bread, having wine and one day when there's this succession issue, then my phone rings. And this has been 10 years in the making and it's the number three producer in the world. They have factories where we don't have factories, two in China. We have three in China, but they have two. One in fish collagen that we want to be in. Santa Fe, Argentina up in Northern Brazil; Davenport, Iowa; Nienburg, Germany, so, ultimately it's a nice fit for us.

As we looked at our model and we said we believe so deeply in these peptides that we're out of extraction capacity. The cost to build in our business today, whether it's rendering or collagen, is tripled in the last five years. And so, a build versus buy analysis and here was a non-cash deal that allowed us to go, if you think about it from a capacity standpoint, 75/25. So we're going to pick up another 50,000 tons of global capacity, most of it gelatin. But they also make some specialty products we don't.

And then ultimately the deal was done at 85/15. That was not a pleasant conversation to get to that. But that's representative of the value add that we have in our portfolio that we think we can bring to their factories around the world. And then ultimately, the pitch that I have and I always ask people be patient. We're trying to unlock value here. This is a business that is – there has been a lot of opportunities for ingredient companies to acquire gelatin and collagen manufacturers in the world. They never traded. We've been the only buyer.

It's because why 80% of the product is fat and animal feed. The other 17% to 20% is this nice value added stuff. And then you've got to have access to beef skins and pork bones and beef bones and fish skins and it's kind of a nasty business. While it qualifies as a food grade business, the front end is pretty interesting. And so ultimately, we think that as we wanted to create a bigger company, we wanted to get the next title line launched out there. So it's going to take us a year or two, and then we'll see if it makes sense to IPO part of it and unlock value for our shareholders.

It gives us the opportunity this time and really that's – it's – we're excited about it and we've done a lot of iBanking and we've had every tank, some of the parts, everything you've ever wanted to see work done on it. It should trade with its comps out there anywhere from 12 to 16 times. And so it could ultimately be a \$4 billion to \$6 billion business and valuation on its own. And we want to own it. We want to continue to own it because we think it has a nice fit. But we also want to have a chance to let the shareholders enjoy owning part of it too.

<<Dushyant Ailani, Analyst, Jefferies>>

That's good. And then what would you – what do you think the timeline could be for that? Is it few years, 2, 3, 4 or 5?

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

Statutorily, okay, just stay tuned and very shortly you will see an announcement on the JUV being formed. That will trigger then two events. One will be the all the antitrust filings that have to happen in the world. There's no secrets today in the world. We have market share about 30%. That's a big number. But we're in different products and there's always competing products against these products out there.

So we'll have to clear that. That could be six months to a year. And then once – then you form the joint venture formally and then alongside that, one of the gating processes is, we're having to break a very big unit off of the Darling system from a tax structure standpoint and restructuring

the tax entity is that you're dealing with not so motivated governments around the world. And so that has to happen. And that could be – we could have antitrust clearance and still be waiting on tax restructuring to going forward. And then from there, you pretty much have to have three quarters.

<<Dushyant Ailani, Analyst, Jefferies>>

Yeah.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

And then Bob's got to have it SOX compliant. And so you're really looking realistically late 2027 to go public with it.

<<Dushyant Ailani, Analyst, Jefferies>>

Got it. And then what would you potentially do with the cash flow at that point in time? I know that the focus has always been and maybe we can talk about that now also even focuses on balance sheet deleveraging, right? I mean, how do you think about year-end some of your leverage and then 2026?

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

That's going to be a high class problem. I think clearly, our goal financial policy is to get the 2.5 times. After that, then we'll kind of evaluate buybacks, dividends and M&A. And clearly, you take 15% of a \$6 billion company forward or whatever, 10% of our share, you can come up with some pretty big numbers here. That gives us a lot of opportunity.

<<Dushyant Ailani, Analyst, Jefferies>>

And there would be a preference for M&A versus buybacks or like how do you rank them in a...

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

It just depends on where the equity reacts now, I mean.

<<Dushyant Ailani, Analyst, Jefferies>>

Yeah.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

I think we want to be in a position even in 2026 here. We would have loved to been in the buyback category this year, but we wanted to really get the leverage down. And we'll be very close to 3 times. We did series of refinancings this year. The balance sheet's very, very strong.

But buybacks have to be meaningful and consistent. They can't be a 100,000 shares or 1 million shares here once every other quarter.

<<Dushyant Ailani, Analyst, Jefferies>>

Yeah.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

And so when you commit capital to that, we want to be able to consistently do that. The M&A world, we don't see – we see a little bit out there, but most of it for us is just organic growth or delayed expansion growth. We're out of capacity in Brazil today. The animal numbers are increasing rapidly there. We're out of capacity on the East Coast of the United States and we're out of capacity on gelatin collagen in China today. So I mean, we see a lot of opportunity for internal organic reinvestment too, not big player acquisition type deal.

<<Dushyant Ailani, Analyst, Jefferies>>

Got it. And then maybe if you can kind of talk about – so we talked about the margin profile for the Food segment. Maybe if you can touch on Feed real quick, in terms of, since the Valley acquisition, there has been some optimizations that have been ongoing. I know that there has been some renegotiation of contracts. How have that played out so far? And then how do you think about, obviously, it's dependent on where fat you go, protein prices take us. But outside of that, optimization internally, where are we on that program?

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

Yeah. We've made good progress. Each quarter has been better than the prior quarter sequentially and year-over-year. And so I think you'll continue to see that tick up. When you have 260 or 270 plants in the world, you always have kind of the – I always call it the 12 cylinder engine and you're hitting on 11 of them. And so we've still got some challenges in our rendering system globally, some in Brazil, some in North America, some in Germany.

We're working on them. And every time we do that, it helps out. Clearly, the message back to our raw material suppliers, and I like to call them customers, partners and suppliers is our cost to do business are no different than yours. They've gone up since COVID. I think the amount of raises given the cost of employees has gone up almost 23%. And then the cost of steel, the cost of concrete used to be you could build a tip up building, it's tripled, wired all your type of control system. So the cost of a rendering plant when we built Grapeland, Texas about seven, eight years ago was probably \$65 million. That plant would cost easily over \$100 million now.

And it's – you start putting returns on that with a newer cost of capital out here. This is the first time and for many generations, they've seen inflation. They didn't know that an interest rate was 7%. And so trying to incorporate returns on what kind of we look at as our true cost of capital is forcing our team, our rendering and Rousselot and renewables team, to make sure that we're making the right investments out there and getting the returns. And those make for sometimes

difficult conversations with suppliers because it was an old industry, we especially on the rendering side, that had a hurdle return rate that, that, that doesn't work. And so as we taken over the Valley Proteins part of it was getting these contracts renegotiated. And I think we said it'd be 2025. We're in the last two right now, so.

<<Dushyant Ailani, Analyst, Jefferies>>

Okay. Now that, I guess, yeah, we're getting close to time. But I just wanted to touch on two things primarily. I guess, one, maybe, like, I'll be remiss if I didn't ask, how do you kind of think about for the core business? What would your crystal ball say for 2026? Any kind of thoughts there? I know that obviously RVO is still waiting on that. So I won't ask you to kind of comment on DGD, but how do you kind of think about the core ingredients business there leaning software?

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

I think we're comfortable with what we see today. And I always want to give the Safe Harbor there.

<<Dushyant Ailani, Analyst, Jefferies>>

Yeah.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

That carrying the run rate that we had in Q3 and Q4 enter into next year give you a \$950 million to \$1 billion, if you get any type of movement from the RVO and fat prices are moving up. That's pretty much what we would say is a safe floor today, the way we look at it. But once again, the Safe Harbor statement is that doesn't mean we get shutdown with all of our premium pet food products trading in the world or proteins. We were waking up the other day with a significant portion of our collagen comes out of Brazil and the Trump-Lula per for here and the tariff, I mean that's giant money to the consumer of our product here.

And so as long as we can keep tariffs down, raw material supplies in the world are strong. People are still eating meat. You're going to eat a little more chicken next year than beef. Probably take your Brink's armored car to go get your steak next year. But the cattle herd is showing signs of starting to rebuild, but that's an 18-month deal here. But if you think back, it's no different than COVID where Brazil slaughtered all their animals to feed the world and that's why U.S. margins ran up because there wasn't any supply in the world there, now it's here.

Brazil has the excess animals and we're down. So that's the global balancing of the business. So what you're going to see us do for next year. And we're not 100% set on this, but we'll guide, we'll talk about quarter to quarter and try to talk about what it takes to achieve the year. And then Diamond Green Diesel, we'll talk about it in the moment. What we see right now and ultimately, it's just been too difficult to try to guide Diamond Green.

<<Dushyant Ailani, Analyst, Jefferies>>

Of course. Yeah, definitely get that. Yeah. Maybe kind of last – one last part on just kind of what kind of keeps you up at night or what are you looking forward to in 2026 besides hopeful positive RVO.

<<Randall C. Stuewe, Chairman and Chief Executive Officer>>

Yeah. I lay, awake at night right now still wondering why it's taken so long to get an RVO. I just think that obviously sitting in my chair, the pressure has been extreme this year. Trying to create opportunities and look at our portfolio and rationalize things and do this and that. It's difficult in commodity oriented and exposed businesses to, we to do much that really is material or matters. I think the one thing that is starting to wake me up right now is, the different diseases in the world.

As animal numbers pick up, we're seeing more and more disease. Whether we've got Spain now showing some swine fever this morning we had high path avian influenza. You got – I didn't even know what screw worm disease is coming out of Mexico right now. So those things create then trade barriers and disruptions but none of them ever seem to be material, but kind of keeps me awake at night wondering what's the next thing, as you enter winter, that's the time when the avian influenza and you've got – we've just started to rebuild the turkey flock. We started at the chicken side is still recovering a little bit from that side. But ultimately, I think the world's in seems like it's in pretty good shape. Demand is good in the world.

People want to eat, people want – people need two things. They need food and energy. And if you say what changed from a year? It's my last piece, the world we were living in, I go back and look at my slides and we own the low carbon CI oil field in the world. We were the ExxonMobil. And nobody in any meeting didn't mention the word decarbonization. No one knows how to spell that. And so the climate narrative, at least in the U.S. is muted, but we're seeing it pick back up around the world. And that's the SAF discussions, that's the RD discussions and the mandates are continuing to grow and people realize that it's a way of helping the ag community. So I'm pretty optimistic about 2026.

<<Dushyant Ailani, Analyst, Jefferies>>

Awesome. Thank you so much for your time, Randy, really appreciate it.