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Darling Ingredients, Inc. (DAR)

Q3 2025 Earnings Call

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Analyst, BofA Securities, Inc.

Dushyant Ailani

Analyst, Jefferies LLC

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Heather Jones

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the Darling Ingredients Inc. Conference Call to discuss the company's Third Quarter 2025 Fiscal 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 ahead.

Suann Guthrie

Senior Vice President-Investor Relations, Sustainability and Global Communications, Darling Ingredients, Inc.

Thank you and thank you for joining the Darling Ingredients Third Quarter 2025 Earnings Call. Here with me today are Mr. Randall C. Stuewe, Chairman and Chief Executive Officer; and Mr. Bob Day, Chief Financial Officer. Our third quarter 2025 earnings news release and slide presentation are available on the Investor page of our corporate website and it 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 important filings with the Securities and Exchange Commission. We do not undertake any duty to update any forward-looking statement.

Now, I will hand the call over to Randy.

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

Okay. Thanks, Suann. Good morning, everyone, and thanks for joining us for our Third Quarter Earnings Call. Our core ingredients business delivered its strongest performance in a year and a half, fueled by robust global demand and exceptional execution across all operations.

While the renewables market is facing some short-term uncertainty, as we wait for clarity on the renewable volume obligation, we're confident that momentum is building. We believe we're on the verge of a shift that will highlight the strength of Darling's integrated model, a competitive advantage that is unmatched in the industry. Our combined adjusted EBITDA for third quarter was \$245 million as our Global Ingredients business performed strong with \$248 million of EBITDA.

As I mentioned, the Renewables business continues to be challenged as we posted negative \$3 million EBITDA for DGD, which included a lower of cost or market expense of \$38 million at the entity level. Bob's going to discuss more details later in the call, but I will say that both LIFO and LCM were negative in the third quarter, which is unusual and does not typically happen for extended periods. In addition, uncertainty and continued delays in getting a final RVO ruling had a negative impact on the overall biofuel environment in the US during the quarter.

Now in our Feed segment or in our Feed Ingredients segment, global rendering volumes and margins were up both sequentially and year-over-year, driven by strong demand for fats and proteins and solid execution by our global operations and marketing teams. In the US, robust demand for domestic fats supported by a strong national agriculture and energy policy, helped boost revenue and margins. Elsewhere in the world, our global rendering business, particularly, in Brazil, Canada and Europe, demonstrated stronger year-over-year performance. Export protein demand is showing signs of recovery with slightly firmer pricing trends emerging. Tariff implications, primarily China and APAC countries, clearly have impacted our value-added poultry protein products, which serve to meet the needs of global pet food and aquaculture customers.

Turning to our Food segment, performance remained steady quarter-over-quarter. Sales dipped slightly in the quarter as customers responded to ongoing tariff volatility. But we offset that with strong raw material sourcing and disciplined margin management. We continue to see repeat orders for our Nextida glucose control product and early studies on new formulation look promising. We're on track to launch our new Nextida product in the back half of 2026.

In our Fuel segment, the renewables market continues to face headwinds. This quarter we saw higher feedstock costs, lower rents and LCFS pricing, which ultimately impacted margins. A scheduled turnaround at DGD 3 led to reduced volumes of renewable diesel and sustainable aviation fuel and DGD 1 remains idled until margins improve. We believe these pressures are temporary. As mentioned earlier, we're approaching the rollout of thoughtful public policy aimed at strengthening American agriculture and energy leadership, a shift that we believe will significantly enhance DGD's earnings potential.

Now with that, I'd like to hand the call over to Bob to take us through some financials. Then I'll come back at the end and give you my thoughts for the balance of 2025. Bob?

Robert Day

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

Thank you, Randy. Good morning, everyone. As Randy mentioned, core business results for third quarter improved as expected while DGD faced some challenges that we'll explain later in the call. Specifically, third quarter combined adjusted EBITDA was \$245 million versus \$237 million in third quarter 2024 and \$250 million last quarter. Adjusting for DGD, the quarter was very solid at \$248 million versus \$198 million in 2024 and \$207 million last quarter.

Total net sales in the quarter were \$1.6 billion versus \$1.4 billion while raw material volume remained steady at 3.8 million metric tons and gross margins improved to 24.7% for the quarter, compared to 22.1% last year.

Looking at the Feed segment for the quarter, EBITDA improved to \$174 million from \$132 million a year ago. Total sales were \$1 billion versus \$928 million. Feed raw material volumes were approximately 3.2 million tons compared to 3.1 million tons. And gross margins relative to sales improved nicely to 24.3% versus 21.5%.

In the Food segment, total sales for the quarter was \$381 million higher than third quarter 2024 at \$357 million while gross margins for the segment were 27.5% of sales compared to 23.9% a year ago. And raw material volumes increased to 314,000 metric tons versus 306,000. EBITDA for third quarter 2025 was up significantly compared to 2024 at \$72 million versus \$57 million.

Moving to the Fuel segment, specifically, Diamond Green Diesel, Darling's share of DGD EBITDA was negative \$3 million for the quarter versus positive \$39 million in the third quarter of 2024. While the environment for renewable fuels has been challenging, results were further impacted by two items. First, the catalyst turnaround at

DGD 3, Port Arthur, which included a pause in operations for approximately 30 days, limited SAF production and the higher average margins associated with that product. And second, end-of-quarter market dynamics led to negative impacts on earnings from both LIFO and LCM, which in most cases would move in the opposite direction and have an offsetting impact.

Regarding LIFO, rising feedstock prices throughout the quarter and higher quarter-ending values resulted in a negative impact to EBITDA while LCM was impacted by lower heating oil and RIN values in the days after quarter end, resulting in an LCM loss of around \$38 million at the entity level. After three quarters, the combination of LIFO and LCM has resulted in a wider-than-normal loss that should reverse course over time.

In addition to those two items, the biofuel market in the US has been challenged by policy delays, specifically delays in RVO enforcement dates for 2024 obligations, clarity around small refinery exemptions, SREs, SRE reallocations and the final RVO ruling for 2026 and 2027. However, the EPA made a supplemental proposal on September 18 that would be very constructive.

In the first page of the appendix, in the shareholder deck that we provided, we've shown a picture of the 2025 RIN supply versus demand showing how these policy issues have led to an oversupply for 2025 and also showing what the balance looks like considering the EPA's proposal comparing 50% SRE reallocations and 100% reallocation for 2026 and 2027. In either case, a significant amount of additional US biofuels would be needed to satisfy that RVO, suggesting higher prices for feedstocks, farm products and wider margins for biofuels.

With lower biofuel margins and late in the year timing related to receiving production tax credit, PTC, payments we contributed \$200 million to DGD during the quarter and a total of \$245 million year-to-date, which includes a \$5 million contribution subsequent to quarter close. These contributions are offset by the \$130 million dividend received in first quarter 2025 and payments from expected sales of around \$250 million of PTCs that we expect to receive in the fourth quarter.

To further clarify regarding PTCs, we expect to generate a total of around \$300 million in 2025. During the third quarter, we agreed to the sale of \$125 million. We anticipate an additional \$125 million to \$170 million of sales in the fourth quarter, and we estimate receiving payment for around \$200 million of the total \$300 million we will expect to generate by year end 2025, the balance of which we expect to monetize in early 2026. Overall, we are very pleased with how the market has developed for production tax credits. Demand is robust as potential buyers have become more familiar with the details surrounding the credit.

Other Fuel segment sales, not including DGD, were \$154 million for the quarter versus \$137 million in 2024, despite lower volumes of 351,000 metric tons versus 391,000 metric tons, which were affected by animal disease in Europe. Combined adjusted EBITDA for the full Fuel segment was \$22 million in the quarter versus \$60 million in the third quarter of 2024, the difference was primarily due to lower earnings at DGD.

As of September 27, 2025, total debt net of cash was \$4.01 billion versus \$3.97 billion, ending December 28, 2024. The increase from year end is minimal despite contributions made to DGD and a \$53 million earn-out payment related to the FASA acquisition from 2022.

Capital expenditures totaled \$90 million in the third quarter and \$224 million for the first nine months of 2025. We expect total debt to decrease by year end as we generate cash from the core business and receive payments from selling PTC credits. Our bank covenant preliminary ratio at the end of third quarter was 3.65 times versus 3.93 times at year end 2024. In addition, we ended quarter three 2025 with approximately \$1.17 billion available on our revolving credit facility.

The company recorded income tax benefit of \$1.2 million for the three months ended September 27, 2025, yielding an effective tax rate of minus 6.3%, which differs from the federal statutory rate of 21% due primarily to recognition of revenue from the production tax credits. The company paid \$19 million of income taxes in the third quarter and \$52 million year-to-date and expects to pay approximately \$20 million more in the fourth quarter. Overall, net income was \$19.4 million for the quarter, or \$0.12 per diluted share compared to net income of \$16.9 million or \$0.11 per diluted share for the third quarter of 2024.

Now, I will turn the call back over to Randy.

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

Hey, thanks, Bob. I couldn't be more excited about what's ahead for Darling Ingredients. In our conversations with the Trump administration, they've followed through on everything they've committed to. The renewable volume obligation they've drafted is thoughtful and designed to support American agriculture and energy leadership, and we believe it will be a major catalyst for Diamond Green Diesel. The pieces are in place and we believe it's only a matter of time before Darling's unmatched position in the industry becomes even more clear.

As we look ahead, we remain focused on what we can control. Given the current uncertainty around public policy and its impact on the Fuel segment, we will now provide financial guidance exclusively for our core ingredients business. For the full year 2025, we expect the core ingredients business EBITDA excluding DGD to be in the range of \$875 million to \$900 million.

With that, let's go ahead and open it up to questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the Q&A session. [Operator Instructions] We will pause here briefly to allow questions to generate. The first question comes from the line of Thomas Palmer with JPMorgan. Please proceed.

Thomas Palmer

Analyst, JPMorgan Securities LLC

Good morning and thanks for the questions. Maybe just to start out, you gave some helpful scenario analysis for RIN balances and how that might proceed over the next couple of years in the earnings presentation. I wonder about what you think the most likely timeline is that we might start to get clarity on some of these outstanding regulatory items, the RVO, the exemptions, and then the reallocation. Thank you.

Robert Day

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

Thanks, Tom. This is Bob. Obviously, a difficult question to answer. As everyone's aware, the government is shutdown. At the same time, we've heard that the RVO is considered an essential process. We have people there at the EPA that are working on this. So we're optimistic based on that view and the things that we're hearing. We expect sometime in the month of December to have the comment period closed or the EPA to submit to the Office of Management and Budget their proposal and to have something approved by the end of the year. But like I said, that's amid a lot of things going on and that's our view.

Thomas Palmer

Analyst, JPMorgan Securities LLC

Q

Okay. No, thanks for that. I know it's a unique situation. And then I just wanted to clarify on the feed outlook for the fourth quarter, the midpoint of the core ingredients EBITDA guidance implies for the kind of three combined segments that 4Q is comparable to what we saw in 3Q. At the same time, it does look like the price of waste fats and oils have dipped a bit in September, so do we need prices to rebound in order for 4Q to look similar to 3Q or are there other things we should be considering as we move from 3Q to 4Q? Thank you.

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

A

Yeah, I mean, Tom, this is Randy. I mean, the \$875 million to \$900 million, the reason we put the range on there was exactly as you laid out. We have seen, given the uncertainty on policy, waste fat prices come down a little bit here. Most of our material in North America is going to DGD but remember, there's still Brazil and Canada and prices remain strong there.

So ultimately, it's kind of a – it's a fairly narrow range for the business. As I look around the [ph] horn (00:24:14) non-DGD, I expect the Food segment to be stronger a little bit in Q4, maybe a little consistent, maybe a little on the Feed segment. But I think we'll come in close to that range and, hopefully, we can surprise you one day and be above it.

Thomas Palmer

Analyst, JPMorgan Securities LLC

Q

Right. Thank you.

Operator: Thank you. The next question comes from the line of Conor Fitzpatrick with Bank of America. Please proceed.

Conor Fitzpatrick

Analyst, BofA Securities, Inc.

Q

Hi. Thank you for taking my question. It looks like your RIN supply and demand table in the slides calls for significant biomass-based diesel feed imports through 2027. As a coastal operator, DGD may import feed and receive the RINs penalty on those gallons, but could you maybe walk through the benefits to RINs policy protectionism on the Feed side and maybe explain how that nets out within your US fuel and Feed businesses? Thanks.

Robert Day

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

A

Yeah, thanks, Conor. This is Bob. If I don't answer your question directly, let me know. I think the first thing I would say is it's still not totally clear how the EPA is going to treat foreign feedstocks. That's a part of this process. As to whether foreign feedstocks are needed to meet the production and the obligations, it's going to depend on a lot of things. We do have a lot of crops and crop oils in United States and overall North America that could be used as feedstock for biofuels.

So until some of the rules around what – if there are penalties for foreign feedstocks and how some of the crop oils are going to be treated, it's really hard to answer that question. I will say that I think when you look at overall supply and demand for fats and oils in North America and you include biofuels and food and this picture and this

proposed RVO from the EPA, then probably some foreign feedstocks will be required to meet that mandate. And we're just not clear yet on how that will be accommodated.

Conor Fitzpatrick

Analyst, BofA Securities, Inc.

Thanks. That's all I had.

Operator: Thank you. The next question comes from the line of Dushyant Ailani with Jefferies. Please proceed.

Dushyant Ailani

Analyst, Jefferies LLC

Hey, guys, congrats on the quarter. I also wanted to note that we really appreciate the change in guidance approach, that does help us. My first question was on the TQ DGD margins. The capture was significantly better than expected. What are some of the drivers there?

Robert Day

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

The third quarter capture was better. Is that what you said?

Dushyant Ailani

Analyst, Jefferies LLC

Yeah. Yeah. For the DGD margins, it just came in better than expected. Was it of like SAF production or any export ARB that we can think of?

Robert Day

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

Yeah, I think the – so I'm not sure I fully understand the question because the DGD result was maybe not as good as we hoped it.

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

Yeah, I'll help Bob here a little bit. I think, Dushant, you're referring to, the capture that Valero reports?

Dushyant Ailani

Analyst, Jefferies LLC

Correct. Yes. Yes.

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

And keep in mind here, this is a bit awkward in that they net their LCM against their other segments. So they have the same LCM we have, they just didn't put it against the Renewables or DGD segment. So that's what makes the capture rate look better.

Dushyant Ailani

Analyst, Jefferies LLC

Got it. Okay, that's helpful. And then maybe just staying on topic for the 4Q DGD margins. While we understand the nuance on removing the DGD guidance, it seems like fundamentals are still improving nicely. Indicator margins are up. Again, Valero's indicator margins seem to be up \$0.36 quarter-over-quarter. What are you seeing in 4Q and how are you going to think about that? What are some of the puts and takes if you can share?

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

A

Yeah, I mean, this is kind of the challenge that's out there. I mean, clearly the two big units, Port Arthur and Norco, we're going to be operating at capacity. SAF's going to be at capacity. Yeah, the capture indicator is stronger right now. The challenge for us is we thought, by this time, we would have RIN values kind of starting to reflect the restarting of the industry and they really haven't yet. So it's kind of hard.

I mean, we're the low-cost operator. We have enough feedstock to run our units. Our SAF margins are better than classic renewable diesel. And what else you want to add, Bob?

Robert Day

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

A

Well, I think we have seen an improvement in margins so far in the quarter. The question is just – or the point here is, until we get clarity on the final ruling on the RVO for 2026 and 2027, it's hard to say with certainty that those margins are going to continue. But thus far in the quarter, yeah, we've seen some improvement, that's for sure.

Operator: Thank you. The next question comes from the line of Manav Gupta with UBS. Please proceed.

Manav Gupta

Analyst, UBS Securities LLC

Q

Yeah, good morning. My first question is, we saw a good improvement in your Feed segment margins. I think, Randy, over the years, you had indicated that eventually those acquisitions coming in, you would be able to drive improvement in those fronts. So help us understand some of the factors that drift, help you drive improvement in the Feed segment margin. And also to an earlier questions, yes, imported feedstocks might be needed, but domestic feedstocks will price at a higher premium because they'll get 100% RIN. So what would be the outlook for the Feed segment going into 2026? If you could talk a little bit about that?

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

A

Yeah, I mean, clearly, as we've talked in Q1 and Q2, we've used the word building momentum. We were seeing feedstock prices come up. What we've seen mostly is feedstock prices are flowing through now. Although they've come off a little bit for Q4 but we're seeing protein prices improve around the world. It's – I call it there's a tariff on one day, a tariff off one day. China needs to buy poultry proteins to feed aquaculture. And whether it's China or Vietnam, when the window opens, they trade. And so we've seen a pretty nice improvement. You can look sequentially, you can look year-over-year in the appendix of the supplier or the shareholders deck there and ultimately see the pricing movement.

Clearly, fat prices were up sharply. The products we use at DGD, and the protein prices were up 10%. So I think we're going to carry into Q4. Remember, we're always about 60 days sold ahead. And so we'll carry some pretty strong prices into Q4. And I'm hoping that as we move into next year, we'll have kind of the same momentum. There's always a little bit of seasonality here, but really that's kind of what I'm expecting as I look out there.

Manav Gupta

Analyst, UBS Securities LLC

Q

Perfect. My quick question on the table that you have created, it's very helpful, but help me understand, here you're assuming a flattish capacity. We know there are facilities which are heavily dependent on foreign feedstock at this point of time and they are still struggling. I think they will struggle even more next year if you decide to give only 50% RIN to imported feedstocks. So is there a possibility this RIN balance would look even more attractive if some of those facilities that are heavily dependent on imported feedstock actually decided to call it a day and shut down?

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

A

Yeah, I think Bob and I will tag team this. My answer is we went into 2025 with the belief that the DGD margins would be no lower than they were in 2024 and we were wrong. And where we were wrong? Well, we didn't understand that the big oil guys would actually run at such significant losses to produce their own RINs.

We believe that's changing as we come into 2026 and 2027. The losses at those plants are substantial. I mean, it clearly shows how efficient and operationally effective DGD is. The RIN balance that Bob will talk about here in a minute, yeah, it actually gets even more constructive if people behave rationally.

Robert Day

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

A

Yeah. And I'll just add, I think what – all of that is true. In addition, the proposed RVO for 2026 and 2027 is substantially larger than 2025. So even if we had similar production, as you noticed from the grid that we provided, then we will ultimately have a deficit in 2026 and 2027. And what this is intending to show is specifically that. And then beg the question, how much do margins need to improve in order for production to increase so that we can satisfy the mandate for 2026 and 2027?

You add a layer of complexity with the imported feedstock. And if imported feedstock only generates half a RIN, I think that some of that is going to depend on what is the origin tariff placed on that feedstock. If a feedstock – if a foreign feedstock only is penalized by getting half of RIN and then not being eligible for the PTC, then it's reasonable to expect a decent amount of foreign feedstocks to competitively come into the United States. It would just come in at a discount to the US feedstock prices, which again is constructive to the Feed business and our core rendering business in the United States. But it would allow for satisfying the mandate for the RVO, but it would – again, it suggests that margins need to go up quite a bit in renewable diesel in order for that to happen.

Operator: Thank you. The next question comes from the line of Pooran Sharma with Stephens Inc. Please proceed.

Pooran Sharma

Analyst, Stephens, Inc.

Q

Good morning and thanks for the question. I just wanted to maybe just peel into that last answer you gave there, Bob. I know, in the past, you have kind of walked through different RIN pricing scenarios and there are a little moving pieces here just with how foreign feedstocks will get counted. But just as it stands now, no PTC, half of RIN for the foreign feedstocks, are you able to quantify like what range RINs should be at in order for the industry to run to meet the mandate in 2026?

Robert Day

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

A

So this is going to be somewhat of a swag here because like you said, there are a lot of moving pieces. And if we assume that there's – we have access to origin feedstocks that don't face a significant tariff and the primary source of the penalty is the half RIN and lack of access to a PTC then we probably need RINs to go up \$0.40 or so in order to incentivize enough production to satisfy the mandate for 2026 if the SRE reallocation is only 50%.

Pooran Sharma

Analyst, Stephens, Inc.

Q

Great. Great. Appreciate that. My follow-up, I just kind of wanted to focus on the balance sheet more specifically, your debt and leverage. I want to revisit what your plans are to pay off debt and also wanted to ask what are your restrictions, like what leverage ratios do your debt restrictions and the covenants start kicking in at?

Robert Day

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

A

We're nowhere near breaking any covenants. I think we've said before, we're committed to paying down debt. We've got a lot of headroom in our revolver due to circumstances around receiving cash payments from selling production tax credits. We will be receiving more cash in the fourth quarter. And we didn't receive any cash from production tax credits in the third quarter.

And so by the end of the year, we expect our debt coverage ratio as it's viewed by the banks to be right around 3 times. So that's really – that's our position on that.

Robert Day

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

A

And long term, Pooran, we're – we've got a financial policy agreed in the board room to go down to 2.5 times. It doesn't take much for the restart of DGD to start to do that. We've not been in a capital deprivation or starvation mode of any of the factories globally. So, we're in good shape here to continue to build this thing out and grow and de-lever at the same time.

Operator: Thank you. The next question comes from the line of Ryan Todd with Piper Sandler. Please proceed.

Ryan M. Todd

Analyst, Piper Sandler & Co.

Q

Great. Thanks. Sorry. I know you talked a lot about this, but maybe one more follow-up on, on some of the regulatory uncertainty. I mean, as we wait for the final RVO, I mean, you've talked about the uncertainty around reallocation and a couple of other things. What are some of the other topics that you think are still being kicked around? Is there a possibility of any change in the approach to import of foreign biofuels? Are they still – is there still consideration in terms of the treatment of domestic feedstocks, in terms of carbon intensity, like land use penalties and stuff like that, and whether some of the potential risks or positive things you think could come out of the final ruling there outside of just kind of the high-level RVO and the reallocation?

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

A

Well, I think, Brian – this is Randy, and Bob and I will kind of tag it again here if I leave anything out. I mean, clearly, American agriculture is at the forefront of the discussions in DC right now. Clearly, when you lose your

largest customer for soybeans, when you get beef prices as high as they are, you've got a lot of people in the room that have ideas on how to fix the situation.

And so what we've been part of is many of these discussions is what's the easy button? The easy button here is a large SBO or RVO with a 100% reallocation. Now, if you go back and you look, really the EPA gave you a multiple choice test. It said either 50% or 100% but if you're really inclined, you can talk about something else you'd like. And so they've set the table there.

Clearly, the PTC out there is – doesn't encourage foreign feedstocks. So I mean, that's a block in itself with a tariff on top of that even makes it more difficult. We've had discussions in DC and we said, well, the easy button is that. But just remember, if you don't allow foreign feedstocks in here because they can't generate a credit, then, oh, by the way, where are those feedstocks going to go? And the room goes silent.

They finally got it. They realize those stocks are going go back to other processors. You can probably name who they are around the world, in Singapore, in [ph] Rotterdam and Port of Finland (00:41:24) and then they're going to move finished RD on top of us. And that's disruptive to what they're trying to accomplish. So they're trying to figure out right now how to manage that under the tariff code. So you've got the US trade along with the EPA collaborating, trying to figure out how to put this together to accomplish the needs that are going to produce energy and be constructive to the US farm community.

Robert Day

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

A

Yeah. And I'll just add that as we sit here today, the EPA has already proposed a 50% RIN generated for a foreign biofuel, no access to PTC. So that in and of itself makes it more difficult. But as Randy said, there's a lot of momentum to preventing foreign biofuels to come in and participate in US support programs. So we're pretty confident that that's going to work out well. As it relates to feedstocks, that is another thing that we're waiting for clarity on and whether they're going to enforce the 50% RIN concept or if foreign feedstocks are simply going to be limited by origin tariffs.

Ryan M. Todd

Analyst, Piper Sandler & Co.

Q

Okay. Thank you. And then maybe just – I mean, you've talked about – you provided a little bit of clarity around PTC monetization. You've had a couple of – you're a couple of quarters into the experience of – or a few quarters into the experience of production under the PTC regime. You're getting more consistency. Can you talk about how the monetization market seems to be working there? Have the discounts been fairly stable? And how should we think about the general ratability of the process at this point? Is the \$125 million this quarter, \$150 million at the midpoint next quarter, is that like a – are you in a fairly ratable place now in terms of monetizing the majority of your production?

Robert Day

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

A

Yeah, I think so. I think the context here is that there were two things that made it difficult earlier in the year to sell production tax credits. One is that not many counterparties were familiar with the credit itself. So there was lots of questions. The value of the credit is determined in part by carbon intensity. So you can just imagine for industries looking to buy tax credits that aren't familiar with our biofuel industry trying to understand all that is not an easy thing. And then the other is that most companies had a – it was pretty cloudy what their tax liabilities were going to look like at the end of 2025 because of the Big Beautiful Bill and a lot of things that went on around that. So

early in the year, it was difficult to get a lot of traction. That's obviously changed significantly. Both of those pictures are a lot more clear. And so, yeah, I think that for us, we're confident in our ability to sell a majority of the credits that we will generate in 2025. And then it should be a pretty ratable process through 2026.

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

A

Yeah, I think it's just one last piece to that is I would characterize the environment is there is more interested parties now than there were earlier in the year. So it's now getting a chance to define terms, refine terms and pick the counterparty that we want to deal with, with timing respected to when to receive the cash. So it's a very constructive environment now.

Operator: Thank you. The next question comes from the line of Derrick Whitfield with Texas Capital. Please proceed.

Derrick Whitfield

Analyst, TCBI Securities, Inc.

Q

Good morning, all, and thanks for taking my questions. Regarding guidance, I appreciate decisions you guys are taking with the more volatile DGD business segment. With that said, you are seeing better spot margins in 4Q for most feedstocks and specifically for tallow and yellow grease. Would it be fair to highlight that DGD could post the best quarter in 2025 at current margins, which again would be a positive element as you enter 2026?

Robert Day

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

A

Yeah. Thanks, Derrick. I think that would be fair. I think one of the things we're sensitive to is just how uncertain policy has been and the impact that that's had on margins. I mean, look, we're very optimistic about improvement in the fourth quarter and the outlook for next year. But we realized that the market at large really wants to see proof of that before estimates, believing a lot of what estimates are out there.

So I think that we are encouraged by what we've seen so far in the quarter. And we think the outlook is good, but we're just hesitant to define that with a lot of precision just given the lack of clarity around policy that we're still facing.

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

A

Bob, can you comment on what it takes to trigger RIN and obligations and when that would happen?

Robert Day

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

A

So with enforcement dates in that?

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

A

Yeah.

Robert Day

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

A

Yeah, I mean, I think one thing that has caused a real – a delay in the reaction of the RIN has been the movement of the 2024 enforcement date from March 31 to December 1. Until we get the final ruling on the 2026 and 2027 RVO and clarification as to when the 2025 enforcement date is going to be, it's difficult for obligated parties to feel that they're incentivized to go and buy all their RINs, especially when so many small refinery exemptions were granted. For the small refineries out there that are wondering whether they should buy RINs, they have an incentive to wait when the obligation date is set at a later time in the event that they get an exemption.

And so, what Randy is alluding to is until some of those things are clarified, which we do think is going to happen around the end of the year, but until those things are clarified, the incentive to buy RINs and tighten up the RIN S&D doesn't exist the way that it's intended. And so it's just – it gets a little bit difficult to forecast. But we – to your point, Derrick, we have seen an improvement in margins so far in the quarter. The outlook is better and we're very optimistic about 2026.

Derrick Whitfield

Analyst, TCBI Securities, Inc.

Q

Great. Understood. And as my follow-up, we've seen the RD market in Europe strengthen in recent months. As you guys work through the complex math of spreads, shipping and tariffs, to what extent could you access this market if it remains robust?

Robert Day

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

A

We can access that market, but we pay a duty to access that market. So – and that duty can fluctuate a bit. But it's typically over \$1 a gallon. So we are selling consistently to that market or Diamond Green is. But it just – we're looking at it as a net of duties and comparing that to other markets we have available.

Operator: Thank you. The next question comes from the line of Matthew Blair with TPH. Please proceed.

Matthew Blair

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

Q

Thank you and good morning. I was hoping you could talk a little bit about the feedstock mix at DGD. And I know that you're always looking to optimize and some of this is commercially sensitive. But just on a big picture basis, it looks like some of the indicator margins for RD made from vegetable oil are trending a little bit better than RD made from low CIPs. So just overall, has DGD shifted to more of a veg oil mix or is it still pretty much all low CIPs? Thank you.

Robert Day

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

A

Yeah. Thanks, Matthew. This is Bob. So I wouldn't – DGD hasn't materially shifted its mix. As I think you're aware, DGD 1 is still down. If DGD 1 were to go back up and run and that mix would shift more towards soybean oil. But as we sit here today, the mix hasn't changed a lot. Our best margins are on UCO and yellow grease and animal fats. And so we're going to maximize the opportunity we have to use those products.

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

A

Yeah. The only thing that I would add, Matthew, is that clearly in Q1 and Q2, as we were trying to figure out the rules around the PTC and 45Z, redomesticating our supply chain was a pretty, pretty significant challenge. DGD

is heavily reliant now on Darling's UCO and Darling's yellow grease and animal fats supply. And so we've got that up and running at full speed now and it's really visible now that you can see it in the earnings of our core ingredients business and ultimately, it will translate into a better sales value within DGD.

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

Thank you. That's helpful. And then apologies if I missed this, but the contributions that Darling is making to DGD, is that to help fund the DGD 3 turnaround? Or why is Darling sending money back to DGD?

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

Yeah, and it's hard. So the answer to that question, some of that's timing, some of that is turnarounds. Some of that's just the margin structure. So remember that the PTC revenue that we will get as Darling that flows directly to the partners. So that money doesn't stay inside of Diamond Green Diesel. That's number one. The other is, as you pointed out, in 2025, we've completed three catalyst turnarounds. And so our maintenance CapEx is higher in 2025 than normal. So it's really the timing of all those things that's led to the contributions that we've made.

Operator: Thank you. The next question comes from the line of Jason Gabelman with TD Securities. Please proceed.

Jason Gabelman*Analyst, TD Cowen*

Yeah. Hey, morning. Thanks for taking my questions. I want to go back to something else that Bob had mentioned just around companies complying with their RIN obligations and that perhaps catalyzing stronger RIN prices. Can you talk about, I guess, more specifically the timeline around that? I think 2024 RINs are due December 1 and then at that time, the balances for 2025 should become more visible to the market. So do you expect that December 1 deadline to hold? And do you think that could be an initial catalyst to move RIN prices higher before we get the final RVO for 2026 and 2027?

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

Yeah. Thanks, Jason. So I do think that that deadline will hold. I don't know that it will have much of an impact on RIN prices because all the RINs that have been procured so far in 2025 can ultimately be used to satisfy the obligation for 2024. And that's quite a long time and a lot of RINs. There may be some refiners who are waiting until the last moment to buy their RINs, but because we've had so much time in 2025 to do that, we're not expecting that that's going to result in a significant lift to RIN prices at that time. If we have clarity around enforcement dates for 2025, going back to the March 31, 2026, as they normally would be, that would be a time when we would expect RIN values to probably see a lift.

Jason Gabelman*Analyst, TD Cowen*

Got it. That's helpful. And then my second one is hopefully a simpler question just given on the screen DGD margins have improved. It seems like it could be that the margin signal could be there to restart DGD 1. So wondering what exactly you need to see to have confidence to restart DGD 1? Thanks.

Robert Day

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

A

So we've talked about this before. DGD 1 went down for a catalyst turnaround early in 2025. Given the changes in the PTC and the origin tariffs on so many of the feedstocks, our view is that DGD 1 only makes sense to restart, at least in the current environment with the current RVO under the current rules, when soybean oil can be profitable and profitable means a margin that's good enough for a long enough outlook that justifies burning up a catalyst. And so I think certainly we're a lot closer to that than we have been. We may get there, but it's definitely looks a lot better than it did a few months ago.

Operator: Thank you. The next question comes from the line of Andrew Strelzik with BMO. Please proceed.

Benjamin Mayhew

Analyst, BMO Capital Markets Corp.

Q

Hey, guys, this is Ben on for Andrew. My first question is around the Food segment and just the commentary there that pointed to maybe some weakness exiting third quarter and into fourth quarter. So I was just hoping you could just walk us through your outlook for the next few months in the Food segment?

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

A

Yeah, I think what we were trying to put in the narrative is clearly tariff on, tariff off, up to 50%, [ph] Santanol (00:55:39) tariffs trying to figure out the supply chain was very confusing for our customers in Q3. And so the choice was to pull down domestic inventories. You remember most of our Brazilian production comes into the US. That's in the hydrolyzed collagen peptide form, very successful product for us. And so we had some delays in orders there. We think it'll pick up and build a stronger Q4. That's about all the color that I can give you today on it.

And what we've seen is, is a continued rebound of the hydrolyzed collagen business. And while our new Nextida products are making a foothold in the industry, they're still relatively minor in the contribution of that segment. But they are – as we quoted in there, we get repeat orders, which is a great thing. By next summer, we're going to launch what I think will be called Nextida Brain, and that'll be a brain health product and it's got a really great outlook too. So.

Benjamin Mayhew

Analyst, BMO Capital Markets Corp.

Q

That's great to hear. And then on my next question, something that kind of, I think gets lost in the weeds sometimes, or at least lately California LCFS credit values. They've been generally stable at weak levels. Can you remind us of the expected timeline of triggers that should propel these values higher eventually?

Robert Day

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

A

Yeah. Thanks, Andrew. This is Bob. I think as we all know, there was quite a bit of a delay in the implementation of their step down to increase the greenhouse gas obligation – reduction obligation in California. And so as a result of that, that bank got built up so large that most of the obligated parties, from our perspective, had a sufficient number of credits where they – even with the change in the ruling, they didn't need to go out and immediately buy credits.

Our view is that they are working their way through those credits and that sometime in 2026, we'll start to see that S&D come more into balance and steady increases in the LCFS credit premium. But it's hard to – I think we believe it'll be more steady than sort of a step up in value.

Operator: Thank you. The next question comes from the line of Heather Jones with Heather Jones Research. Please proceed.

Heather Jones

Analyst, Heather Jones Research, LLC

Q

Hi. Good morning. Thanks for the question. I wanted to – I had a question on your Feed segment and just thinking about the protein pricing. I know in the past that you have put in place some of your – and some of your fats pricing contracts, you had like minimum levels. And if it went below that, what Darling received wouldn't go below that. And I was just wondering if you all had put any of those kind of things in place for your protein business in the US?

Robert Day

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

A

Heather, this is Bob. So all of our – every contract is somewhat unique and it really has to do with our approach towards accommodating our suppliers and trying to work with them on terms that make sense for their business. As you're – I think what you're pointing out is that do have some contracts where Darling collects a minimum processing fee. And if prices get above a certain threshold, then we participate in some of the value of those prices. There are certain instances where protein prices are part of that as fat prices are.

I think generally speaking now we see, as you're well aware, we see a lot more volatility in fat prices and a lot more upside from time to time in fat prices. And so we tend to focus more on that than we do on the volatility in the protein markets.

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

A

I think to augment Bob said is the thing that happened is the United States was heavily reliant on shipping low ash poultry meal into the Asia countries, predominantly China, for aquaculture. The offset was a strong domestic pet food demand in the US. And what we've seen twofold is, one, with the tariffs on, tariffs off with China and Vietnam, they're unable to take the risk, if you will, to buy that product. So it has defined, as all commodities do, the next-best market.

What you're seeing in the pet food business is post-COVID, you've taken [ph] Fluffy (01:00:34) back to the other shelter and then you're not seeing a growth that's very significant right now on the pet food side. And then you're seeing that the consumer, the CPG companies took prices up pretty drastically, making those bags a brand name products with meat in them really, really pricey. And you're watching strong growth now in the grain-based alternatives, namely Ol' Roy.

So it's essentially a disruption scenario right now, Heather. And we're off from where traditionally poultry high end, low ash poultry products have traded. Although they're coming back, the second that Trump relieved the tariff on Vietnam for 30 days or whatever, big shipments and sales went out of here. That's our Eastern Seaboard plants that are heavily reliant on those products. So I think we've got a pretty good outlook. They've come back now and have improved quarter-over-quarter. And I think we're cautious on next year, but we think it's a – we think everything looks much better.

Heather Jones

Analyst, Heather Jones Research, LLC

Q

Okay. Thank you for that. And then my follow-up is on Europe. So recently, they extended the tariffs on RD imports and biodiesel imports, they extended to SAF. So as we're thinking about Q4, you'll have a full quarter of SAF production and SAF pricing in Europe is really strong. So we'll have a four quarter of production more than offset the impact of them now imposing these tariffs on US SAF? Just wondering how to think about those moving pieces.

Robert Day

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

A

Yeah, thanks, Heather. I think the way to look – to think about that is it will have – if it's going to have an impact, the impact is going to be felt a bit later on. SAF is not – we aren't selling SAF in a spot market. The SAF that we're producing today was sold a while ago. And most of the SAF that we will produce in 2026 is already sold. So the tariff impacts will affect new contracts as they come about. And we'll just have to see what those markets look like and supply and demand. But we still have access to voluntary markets in the United States. So we're optimistic about where we stand with SAF and SAF sales.

Operator: Thank you. The next question comes from the line of Betty Zhang with Scotiabank. Please proceed.

Betty Zhang

Analyst, Scotiabank

Q

Thank you. Good morning. Thanks for taking my question. For my first question, I wanted to ask about broadly the core EBITDA guidance. It's been updated to that \$875 million to \$900 million range and that's a bit lower versus the first number that you gave out at the beginning of the year. So I'm wondering if you could reflect on how the year played out and where it didn't quite meet your earlier expectations. And then looking forward to 2026, do you think that this year's 12% to 13% growth is somewhat comparable to what you're seeing for next year?

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

A

Yeah, Betty, this is Randy. I mean, the \$875 million to \$900 million is the amalgamation of all three segments net of DGD. Clearly, we're two-thirds of the way through October. We don't know really where October is going to finish. We don't have that type of visibility on a day-to-day basis here.

So, it's just – this business when prices are steady and volumes are steady around the world, you can give some guidance there. What we have tried to do is it's just too difficult to put a number out on DGD, either for Q4 or next year. The core ingredients right now looks similar to stronger in 2026, but we won't know that and be able to give guidance on that until around till an RVO is published and then, when we do our probably our February earnings call.

Betty Zhang

Analyst, Scotiabank

Q

Okay. Fair enough. And my follow-up question, I wanted to ask about the Fuel Ingredients business, the portion excluding DGD, the margin there looked a bit – the gross margin looked a bit higher quarter-over-quarter. And also the segment earnings came in higher versus what we saw in the first half. Could you please share maybe some of the drivers there?

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

A

Yeah, that business is made up. Well, Bob described it in his comments of disease, it's really mortality disruption, predominantly in Europe today. And then that's our green gas business, reminding people that the green gas or green certification business in Europe we're the one of the largest in all of Europe today producing gas over there and those are our digester businesses. And we added a small one in Poland now. So, ultimately that business ebbs and flows with what we call the Rendac business predominantly. And that's the seven rendering plants in Europe that are geared towards mortality disruption. Anything you want to add there, Bob?

Robert Day

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

A

I mean, I think it's – what you're alluding to is just sometimes the inputs, the prices, the costs will change for the inputs. Energy prices and that we're selling there remain strong. And so that's what you're seeing with these gross margins.

Operator: Thank you. There are no additional questions left at this time. I will hand it back to the management team for any further or closing remarks.

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

Okay. Thank you again for all the questions today. As always, if you have additional questions, feel free to reach out to Suann and stay safe, have a great holiday season and we look forward to talking to you after the first of the year.

Operator: That concludes today's conference call. Thank you. You may now disconnect your line.

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