

12-Feb-2026

# Darling Ingredients, Inc. (DAR)

Q4 2025 Earnings Call

## CORPORATE PARTICIPANTS

**Suann Guthrie**

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**Randall C. Stuewe**

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

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**Robert Day**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, and welcome to the Darling Ingredients, Inc. Conference Call to discuss the company's Fourth Quarter and Fiscal Year 2025 Financial Results. After the speakers' prepared remarks, there will be a question-and-answer period and instructions to ask the question would 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, Investor Relations. Please go ahead.

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### Suann Guthrie

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

[audio gap] (00:00:30-00:00:35) fourth quarter and fiscal year 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 fourth quarter and fiscal year 2025 earnings news release and slide presentation are available on the Investor page of our corporate website, and we'll 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 and other statements about future events. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could materially differ because of factors discussed in today's press release and the comments made during this conference call and in the Risk Factors section of our form 10-K, 10-Q and other reported filings with the Securities and Exchange Commission. We do not undertake any duty to update any forward-looking statements.

Now, I will hand the call over to Randy.

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### Randall C. Stuewe

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

Thanks, Suann. Good morning, everyone. As we close out 2025, I want to acknowledge our employees for continuing to execute on our vision of being the world's largest, most profitable and most respected processor of animal byproducts. For every end, we believe there is a new beginning as 2025's performance clearly demonstrates.

Our 2025 results reflected the uncertainties created by evolving renewables public policy, along with the turbulent globalization related to tariffs and trade. Yet, our team remained committed to the fundamentals that matter the most. We meaningfully improved our debt leverage, took steps to rationalize and improve our portfolio and focused on our core strengths and advanced our operational excellence. These actions throughout the year strengthened our platform, assisted in generating concrete results and position us for continued growth and profitability in the future.

In the fourth quarter, we delivered solid EBITDA growth and sequential gross margin improvement. Despite a challenging year for Diamond Green Diesel, our best-in-class operations, led the industry in results. Darling's combined adjusted EBITDA for Q4 was \$336.1 million and our global ingredients business performed strong with \$278.2 million of EBITDA.

In our Feed Ingredients segment, exceptional operational execution drove meaningful margin expansion for the fourth quarter in a row, a clear sign of the momentum our operations team continues to build as they remain laser-focused on driving efficiency and delivering strong results each quarter. The additional week in our fiscal year, combined with a favorable lag in fat prices, supported higher volumes and sales in the fourth quarter for the year.

In the US, demand for domestic fats remains robust as we continue to operate within agricultural and energy policy direction that is increasingly favorable to Darling, to American agriculture and to American energy independence. Internationally, our global rendering business in Europe, Canada and Brazil delivered solid year-over-year growth.

Turning to our Food segment, global collagen and gelatin demand continues to rebound and our previously announced joint venture with PB Leiner and Tessenderlo is advancing as planned with regulatory reviews now under way. Across the business, we're seeing positive global demand trends that give us a very encouraging outlook for 2026.

In our Fuel segment, Diamond Green Diesel delivered its strongest quarter of the year with \$57.9 million of EBITDA, or \$0.41 per gallon. For the full year 2025, DGD earned \$103.7 million of EBITDA, or \$0.21 EBITDA per gallon, and sold approximately 1 billion gallons. This performance reinforces DGD's position as the lowest cost operator with an unmatched supply chain and superior logistics. Even in an uncertain time for the industry, DGD continued to generate positive EBITDA and consistent operations, highlighting the strength of our people and the deep expertise behind our operations.

Now looking ahead, we are increasingly optimistic. The policy backdrop is moving in a direction that we believe will soon enhance DGD's earning potential and create a more constructive environment for domestic renewable fuels. Now, as I mentioned earlier, we have taken steps to sharpen our portfolio and focus on our core strengths, which may result in some asset sales in the near future.

At the same time, we are open to opportunities that strengthen and expand our core business where it makes sense. Darling was identified as a stalking horse bidder in the bankruptcy proceedings for three rendering facilities from the Patense Group in Brazil, the second largest rendering company in Brazil. Bob will share more details on the financials and timing, but these are high quality assets with strong operational capability and fits naturally alongside our existing footprint. This is an incredibly strategic acquisition of assets that offers important synergies with the rest of our network in Brazil.

Now with this, I'd like to hand over the call to Bob, to take us through the financials, then I'll come back and discuss my thoughts for 2026. Bob?

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## Robert Day

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

Thank you, Randy. Good morning, everyone. As Randy mentioned, third quarter momentum continued nicely into the fourth quarter as combined adjusted EBITDA was \$336 million versus \$289 million in fourth quarter 2024, and \$245 million last quarter.

Core ingredients improved both year over year and sequentially. For fourth quarter 2025, core ingredients EBITDA was \$278 million versus \$230 million in fourth quarter 2024, and \$248 million last quarter. And for all of 2025, core ingredients EBITDA was \$922 million versus \$790 million in 2024. While 2025 was a 53-week year for Darling, the added week's impact added only around \$20 million EBITDA, so by any measure, 2025 for the core business realized significant improvement over the previous year.

For the fourth quarter 2025, total net sales were \$1.7 billion versus \$1.4 billion in 2024. Raw material volume was 4.1 million metric tons versus 3.8 million tons from the fourth quarter a year ago, and for the full year, raw material volume was 15.4 million metric tons versus 15.2 million tons in 2024. Meanwhile, gross margins for the quarter improved to 25.1% compared to 23.5% in fourth quarter of last year.

Looking at the Feed segment for the quarter, EBITDA improved to \$193 million from \$150 million a year ago. While total sales were \$1.13 billion versus \$924 million, and raw material volume was approximately 3.4 million tons compared to 3.1 million tons. Gross margins relative to sales improved nicely to 24.6% in the quarter versus 22.6% in the fourth quarter from 2024.

As Randy mentioned earlier, we successfully participated in an auction to acquire three assets formerly owned by the Patense Group in Brazil. We are currently working through terms in the purchase agreement and expect to close later this quarter. The cost of acquiring those assets translates to around \$120 million and we expect to fund that with cash flows generated in first quarter of this year.

In the Food segment, total sales for the quarter were \$429 million, a significant increase over fourth quarter of 2024 at \$362 million. Gross margins for the segment were 27.2% of sales compared to 25.7% a year ago, and raw material volumes increased to 350,000 metric tons versus 320,000 tons. EBITDA for fourth quarter of 2025 was up significantly compared to the fourth quarter of 2024 at \$82 million versus \$64 million.

Moving to the Fuel segment, specifically Diamond Green Diesel, Darling's share of DGD EBITDA for the quarter was \$58 million, which includes an unfavorable LCM inventory valuation adjustment of \$24 million at the DGD entity level. This was the best quarter of the year for DGD as confidence in policy and more disciplined market behavior led to an improved margin environment. For fiscal year 2025, Darling's share of DGD EBITDA was approximately \$104 million, which included a favorable LCM inventory valuation adjustment of \$140 million at the entity level.

Darling contributed approximately \$328 million to DGD in 2025. These contributions were offset by \$368 million in dividends received, a significant amount of which came from \$285 million in production tax credit sales, \$255 million of which were paid during 2025, and the balance will be paid in 2026. Other Fuel segment sales, not including DGD, were \$153 million for the quarter versus \$132 million in 2024 on relatively flat volumes of around 390,000 metric tons.

Combined adjusted EBITDA for the full fuel segment including DGD, was \$85 million for the quarter versus \$84 million in the fourth quarter of 2024. For fiscal year 2025, combined adjusted EBITDA was \$192 million versus \$374 million a year ago.

As of January 3, 2026, total debt net of cash was approximately \$3.8 billion versus \$4 billion ending December 28, 2024. Capital expenditures totaled \$156 million in the fourth quarter 2025 and \$380 million for the fiscal year. Our bank covenant preliminary leverage ratio at year end was 2.9 times versus 3.9 times at year end 2024. In addition, we ended the year with approximately \$1.3 billion available on our revolving credit facility.

For the three months ended January 3, 2026, we recorded an income tax benefit of \$11 million, primarily due to the net impact of production tax credits and we paid \$6.9 million of income taxes during the quarter. For the 12 months ended January 3, 2026, the company recorded an income tax benefit of \$9.4 million. Similar to last year, the company's effective tax rate when including production tax credit sales was negative 15.3%, and we paid a total of \$58.4 million of income taxes in 2025.

Overall net income was \$57 million for the quarter, or \$0.35 per diluted share, compared to net income of \$102 million, or \$0.63 per diluted share, for the fourth quarter of 2024.

As we continue to evaluate each business and position the company to maximize value, we restructured and impaired some of the portfolio in the quarter, resulting in charges of \$58 million. Adjusting for the restructuring and impairment charges and to provide some perspective regarding earnings per share in the fourth quarters from 2025 and 2024, an adjusted non-GAAP earnings per share would have been \$0.67 per diluted share in the fourth quarter of 2025 and \$0.66 per diluted share in the fourth quarter of 2024.

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

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## Randall C. Stuewe

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

Hey, thanks, Bob. In 2025, we focused on executing for today so we can build for tomorrow. That discipline has put us in a strong position as we move into a period of meaningful opportunity. We're beginning to see tailwinds forming across our markets and public policy is on the cusp of becoming tangible and beneficial for our businesses. We believe we are at an inflection point, one where the foundation we have built and the momentum we have created will move us forward. We're excited about 2026 and believe we are well-positioned to deliver long-term value for our shareholders.

Now, looking forward to first quarter, we estimate that DGD will produce about 260 million gallons at improved margins. For the core business, when you adjust for our fourth quarter performance for the 13-week period and exclude some minor year-end cleanup, the quarter was solid. In January, severe weather in the Southeast and Eastern shore created some moderate operational challenges. Even with that, when considering fat prices and volumes, we only expect a modest pullback relative to Q4. As a result, I'm estimating our core ingredients adjusted EBITDA to fall in the range of around \$240 million to \$250 million for first quarter.

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

## QUESTION AND ANSWER SECTION

**Operator:** Certainly. [Operator Instructions] The first question comes to the line of Derek Whitfield with Texas Capital. You may proceed.

**Derrick Whitfield**

*Analyst, TCBI Securities, Inc.*

Hey, good morning all, and congrats on a strong close to the year.

**Suann Guthrie**

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

Thanks, Derek.

**Derrick Whitfield**

*Analyst, TCBI Securities, Inc.*

So, maybe just start now with guidance. So, while I understand why you're not guiding DGD for 1Q, it seems like to us that the margins are materially stronger than where you were in 4Q, given the strength of recent credit prices and the softness of fats and UCO relative to SVO. So, that's kind of part one. And then part two is, as you guys look forward and let's assume we get a constructive RVO, would you likely then put DGD back in guidance at that point? Would love your thoughts on those two.

**Robert Day**

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

Yeah. Hey, Derek, this is Bob. I guess to answer the first, the last question directly, it's going to depend. I mean, I think that it's just going to depend on the kind of clarity and certainty we have. But as we look at the first quarter, first of all we saw strong results in the second quarter or fourth quarter of 2025, much better, and we continue to see that momentum carry forward into the first quarter. But yeah, we aren't providing guidance. And we'll reconsider that after we get a final ruling on the RVO.

**Derrick Whitfield**

*Analyst, TCBI Securities, Inc.*

Terrific. And then, maybe just one follow-up, perhaps for you, Bob. When we think about the Feed business, it is clearly sensitive to the final absolute RVO. But how would you characterize your business's potential sensitivity to the half-RIN concept for imported products and feed stocks?

**Robert Day**

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

Yeah. I think, it's hard to answer as it relates specifically to the half-RIN concept, because there's so many other factors. We've got origin tariffs on feed stocks that are already having a big impact. I mean, I think the bottom line is, if policy is supportive to US or even just broader North American feed stock values, that's certainly constructive to our rendering businesses in the United States and Canada. And based on what we've heard, we're likely to see it manifest in some way that's supportive like that.

**Operator:** Thank you. The next question comes from the line of Thomas Palmer with JPMorgan. You may proceed.

**Thomas Palmer**

*Analyst, JPMorgan Securities LLC*

Q

Good morning, and thanks for the question. Given where you sit in the biofuels supply chain, I wondered if you might have some insight into what's happening so far in 2026 versus maybe how it might evolve here as we get clarity on the RVO? And specifically, to what extent maybe we're starting to see more production from biofuels operators that maybe had pulled back and to what extent you're starting to see increased pull in terms of feedstocks from the biofuels industry? Thank you.

**Robert Day**

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

A

So, if I didn't understand the question correctly, Tom, let me know this. This is Bob again. I think, we haven't seen a significant increase in biofuel production yet in the United States. And despite better margins, which suggest to us that margins need to get better in order to incentivize more, and so if we if we have an RVO, ultimately that has resulted in an increase in demand, we're going to need to see better margins in order for that to happen. But if I – let me know if I didn't answer your question.

**Thomas Palmer**

*Analyst, JPMorgan Securities LLC*

Q

No, no. You understood it, right? I was really just trying to understand if we're seeing anything kind of happening in the background versus what we're seeing with pricing so far. Second, I did just want to touch on the Food business, there was some constructive commentary in the prepared remarks. This is maybe less tethered to the RVO, so I wondered if you would be comfortable maybe talking at a high level about expectations for EBITDA as we think about the coming year? Thanks.

**Randall C. Stuewe**

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

A

Yeah. Tom, this is Randy. I mean, the collagen and gelatin business globally is performing very nicely at a really nice fourth quarter, carries that momentum into Q1 right now. As we look around the world, the demand, a year ago today, we were talking of destocking of people that have built too much inventory. The industry, they added quite a bit of capacity through new players and the only thing the new players knew how to do was to reduce price, to try to move the product and it built inventories, those have been worked through pretty much around the world.

And so ultimately, we look for a year similar to this year, if not better. It'll depend on really how – it really comes down to trade flows again. Keep in mind, there's still there's still lots of tariff issues around the world and we're a heavy Brazilian producer. And at the end of the day, we were able to navigate that with our customers and suppliers. And I think we'll be in better shape as we come on into the year 2026 here. Also, our Nextida product line has been launched. The GLP-1 alternative, glucose moderation product is getting a lot of repeat orders now, building momentum. And then this spring, we were hoping summer to bring on our brain health Nextida product. So we're getting momentum with the higher value products here and then the commodity gelatin part has what I'd say, leveled off and improved from where it was a year ago.

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



**Manav Gupta**

*Analyst, UBS Securities LLC*

Q

Good morning, guys. My first question is going to go a little bit on the policy side first. As this RVO comes out, net of SREs, what would be looked as a constructive number from the perspective of Darling, like is that an absolute number, [ph] 5 (00:20:45) plus or whatever, which if it's the net number, you would say, okay, that is constructive. And then on the LCFS part, finally, things are moving in absolutely the right direction and I'm just trying to understand, based on the revise, the mandate going in, there you actually see that carbon bank deplete, which would be a major positive for you?

**Robert Day**

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

A

Thanks, Manav. This is Bob. So, I'll go on record saying we support an RVO for advanced biofuels that translates to 5.25 billion gallons or 5.61 billion gallons, those are kind of the numbers that have been thrown out there. We'll go on record, continuing to support those numbers. I think what we would add to that is just anything that resembles anything close to that is extremely supportive and we believe results in higher margins than what we see in the market today. So I guess I'll leave it at that.

On LCFS question, it's an interesting situation, because we have the greenhouse gas emission requirements that are more stringent than they were, we're seeing the bank come down considerably and we expect that we'll continue to see that happen. One interesting aspect about that market is over the last several quarters, we've actually seen less renewable diesel going into California despite better margins. And so that tells us that in order for California to satisfy its mandates, either LCFS credit prices have to go up or RIN prices have to go up, but it's got to incentivize more domestic production to eventually go into California. So the rate at which we're drawing that bank down starts to slow down. We haven't we haven't talked about it in those terms for a long time, but it's absolutely constructive what we're seeing there.

**Manav Gupta**

*Analyst, UBS Securities LLC*

Q

Thanks, Bob. I'm just going to quickly ask a question on the Food JV side, obviously, you've highlighted multiple benefits of that JV but you've also in the past said, look, once the JV really takes off, there could be a re-rating for the stock, right? Can you talk about the multiple expansions that can happen as the JV comes to fruition and some of those benefits which will lead to a higher re-rating for Darling Ingredients?

**Robert Day**

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

A

Yes. Thanks, Manav. So I think, first of all, we're in a process there. We've signed definitive agreements, we've done our regulatory filings and we can't predict exactly when this joint venture will close. But it's sometime we expect in the next 12 months or so. Once that happens, we will focus on integrating plants, maximizing synergies and opportunities. And then as Randy talked about, throughout all of this, we are very focused on increasing the sales volume of the Nextida portfolio products, which really move that business into the health and nutrition and wellness segment of the market that trades at significantly higher multiples.

We believe this is a business that can move into a space that's trading 12 to 16 times EBITDA and if we accomplish that and when we accomplish that, we'll have to evaluate what's the best way for us to monetize that if we're not being recognized for that kind of a multiple for that business.

**Operator:** Thank you. The next question comes from line of Heather Jones with Heather Jones Research. You may proceed.

**Heather L. Jones**

*Analyst, Heather Jones Research, LLC*

Q

Good morning. Thanks for the question. So just thinking about the RVO and the probable impact on DAR's Feed business, so just setting up the expectations for 2026, have there been any changes in how you price the lag, etcetera, that we should be aware of as we're thinking about the potential impact later in the year?

**Randall C. Stuewe**

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

A

Heather, just to clarify the question, so how we price the – did you say the lags are the legs?

**Heather L. Jones**

*Analyst, Heather Jones Research, LLC*

Q

The lags. So like in the past, it's been like a 60 to 90-day lag between what we see – yeah, have there been any changes in that or how you pay your suppliers as far as like your formulas, not to give us specifics, but just things like that that we should be aware of as we're trying to figure out the impacts for Darling?

**Randall C. Stuewe**

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

A

No, not at all, Heather. I mean, what we saw in fourth quarter was the team executed well, they had some forward sales on, prices came down here and we benefited it as we were kind of lagging all the way up all year in 2025 here. And so, got a little bit of a downturn that was kind of the reason for the guidance in for Q1 here at \$240 million to \$250 million, fat prices are lower, it's winter time, but they're going to come back sharply here as the industry powers back up. Bean oil's back showing near \$0.58 on the board today, and I'm starting to see sales now back of fats FOB the plants with them, in a \$0.50 plus range now. So, it's coming back for us right now, but there's no change in how we do business there.

**Heather L. Jones**

*Analyst, Heather Jones Research, LLC*

Q

Okay. Awesome. And then I was wondering, just given the recent 45Z proposals from the Treasury and then just, I guess, a more liquid market as far as monetizing those credits, is there any update that you would give as far as what we should be assuming for the average credit values for Diamond Green?

**Robert Day**

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

A

Yeah. This is Bob. I would say, we've seen a maturation somewhat of that market where there's this recognition of the validity of the credit. It's making it easier to have discussions and make sales. There are is some more supply on the market, so that maybe counters that a little bit. All in all, we don't expect any significant change to the value of the credits that we're able to sell in 2026 versus what it looked like in 2025.

**Heather L. Jones**

*Analyst, Heather Jones Research, LLC*

Q

Okay. Thanks so much. Appreciate it.

**Operator:** Thank you. The next question comes from line of Pooran Sharma with Stephens, Inc. You may proceed.

**Pooran Sharma**

*Analyst, Stephens, Inc.*

Q

Hi. Good morning and thanks for the question and congrats on posting some strong results here. I wanted to maybe start off and get a sense as to Q1 fuel production. I think in the deck you have it at 260 million gallons, it seems kind of low just given your capacity utilization? And I thought you're going to have DGD 1 back online, so I was hoping to maybe get some color on the volume expectations for fuel?

**Robert Day**

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

A

Yeah. Thanks, Pooran. I guess we've been opportunistic in terms of the way we've managed capacity of Diamond Green Diesel over the last several quarters. In certain cases, we've been able to run at less than full capacity and increase our distillate yields there. There we've seen wider spreads in some cases and so a benefit to doing that. I think that as we look at the first quarter and what we're really doing is anticipating ultimately a final ruling on the RVO, which would impact the markets second quarter and beyond. So we just really want to position the business to maximize production as we get into the second quarter and through the end of the year.

**Pooran Sharma**

*Analyst, Stephens, Inc.*

Q

Okay. Makes sense. Thanks for the color there. And in the past, I think you've given a percentage split on the core business guide. Of that \$245 million at the midpoint, are you are to give us a rough sense on the split between Feed, Food and Fuel for the core business?

**Randall C. Stuewe**

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

A

So, this is Randy. So let's do Randy math here. If you were \$278 million in Q4, remember there was an extra week in there, so you got to divide by 14 and times 13. So you come up with \$250 million something there, \$258 million, \$259 million. We had a few balance sheet cleanup items that you always do at year end. So that's where we kind of came in at the \$250 million mark for the quarter, \$240 million, \$250 million. Remember, that does not include the DGD. DGD margins are improving from Q4, volumes are pretty steady, down a little bit here as we get ready to run harder for the balance of the year, so that's really. But trying to split it between Food and Feed kind of impossible at this time. Food for the most part is very, very consistent, so you can kind of back into it yourself.

**Operator:** Thank you. The next question comes from line of Conor Fitzpatrick with Bank of America. You may proceed.

**Conor Fitzpatrick**

*Analyst, BofA Securities, Inc.*

Q

Good morning. Thanks for taking my question. In fourth quarter, Feed ingredients processing volumes set a record and Feed revenue per ton and gross margin percentage were the best prints since 2023. Could you maybe breakdown what has been driving this momentum in the Feed Ingredients segment and help us understand which drivers are more ratable?

**Randall C. Stuewe**

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

A

Yeah. Connor, this is Randy. Bob can help me out here if I leave something out. I mean, clearly tonnage around the world, raw material tonnage is very strong. If we look at it there's no surprise, beef tonnage in the US is at a relatively low point in my career right now, but it feels like it's rebuilding. But offsetting that is very, very strong poultry tonnage in the east and southeast. Now you go south to Brazil, beef tonnage is large, very large now, we're extremely full at all plants down there. Europe is very consistent as we look around the world. So, tonnages is really kind of as expected and doing very, very well.

Margin management is what we pride ourselves on in the business and really spread management to try to deliver returns that reflect what it costs to both operate and replace these plants. And so, it was a 2025 kind of focus for us and it was one that it's kind of hard to talk about, to get out there because there's no specific thing. It's each customer, whether it's freight, whether it's the products we're making at plants, the markets that we're selling.

The 2025 year was very challenging, because especially on the protein side, you didn't know was China open, was China closed, and so it becomes very difficult for some of the high-end proteins or fats. Remember, a lot of fat was moving up out of Brazil to Diamond Green Diesel and with the Trump tariffs that makes it pretty much impossible now at this time. So we've had to move spreads and raw material cost around there. So, it's a whole bunch of little things that are that are out there that the team really executed well on.

**Conor Fitzpatrick**

*Analyst, BofA Securities, Inc.*

Q

Okay. Thanks. And going back to the LCFS, you talked about credit prices needing to rise in order to redirect renewable diesel and biodiesel supply back into California. Well, maybe could you help us understand what credit price would be required for DGD specifically to redirect product toward California and away from other current end markets?

**Robert Day**

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

A

Yeah. Hey, Conor, this is Bob. It's hard to answer that because all these markets around the world that we're selling into are consistently changing. And so it's really a relative question. What I would say is, I guess in a static environment, how much would the credit price have to increase in California for us to sell into California. I'm not really sure, exactly. I think that – but it would have to be – yeah, I can't, it's hard to answer that exactly just because the markets are so dynamic and they're moving around so much. But what it has demonstrated is that it's going to have to be higher than where we are in order for it to happen. There are better alternatives today for Diamond Green Diesel at least, in order to sell into California.

**Operator:** Thank you. The next question comes from line of Dushyant Ailani with Jefferies. You may proceed.

**Dushyant Ailani**

*Analyst, Jefferies LLC*

Q

Good morning. Thanks for taking my question. My first one is just wanted to touch on the Brazil rendering facility, the stalking horse bid, could you talk about the rationale for that some more? And then, maybe how do you think of deals like these going forward? Is it going to be a one-time thing that is an opportunity or could we see more of

these? And then, also just one last piece and that is also, how much do you think that could add to the capacity and the margin profile for the Feed segment changing going forward?

**Randall C. Stuewe**

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

A

Yeah. Dushyant, this is Randy. The Patense Group, the [ph] Goncalves (00:35:08) family has, we worked closely with over the years. They founded – we thought we had them acquired years ago and then it fell apart. It's somebody we've always had our eyes on. These are really first-rate world-class facilities that long story short is, he spent too much money and was unable to maintain his balance sheet which is the most important thing in this business through the volatility that happened and happens in Brazil. So these three, we're doing a combination of things in Brazil. As I said, the tonnage is very large. We're doing a lot of organic expansion and debottlenecking at our current facilities and these facilities were just perfect within our footprint to bolt-on and give us some arbitrage and margin enhancement opportunities. So, we were excited to get these and we're excited to get them closed and integrated.

**Dushyant Ailani**

*Analyst, Jefferies LLC*

Q

Awesome. Thank you. And then just a quick follow-up. I think in your prepared remarks, you talked about potential for incremental asset sales, could you maybe talk a little bit about the magnitude of those asset sales and then from which segment we could see that?

**Robert Day**

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

A

Yeah. Thanks, Dushyant. This is Bob. We're intentionally vague about that as we negotiate different options. I think that what we've said previously is that, when we look back at where we've been most successful, it's clearly in areas that where we've got core capabilities in our core business and some of those peripheral areas where we're operating, we can look at it a bit more opportunistically. With some of the impairment that we did, it repositions our balance sheet so that we're really valuing things based on fair market value and that allows us to be more agile if we choose to do so. But we're not forced to do anything in any case and I think that's an important position that we need to have as we look at different opportunities.

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

**Andrew Strelzik**

*Analyst, BMO Capital Markets Corp.*

Q

Hey. Good morning. Thanks for taking the questions. My first one, Randy, I appreciate you're not giving the usual guidance and certainly understand that, so I'm not looking for numbers. But I guess, I'm just wondering, when you think about kind of a post-RVO environment, is there anything, any analogous year that that setup kind of feels like, is there anything from your career in the past from a supply/demand perspective that maybe kind of feels like the set-up we could get into in kind of a post-RVO environment?

**Randall C. Stuewe**

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

A

Yeah. We look historically at DGD as having a first mover capability and the success that it had. I mean, I think everybody knows that the machine is capable of making 1.3 billion gallons plus out there. As I look back at 2025, as Bob and I sat here and tried to give and what we thought the business would do, we looked at it and said, well,

we don't think 2025 can be any worse than 2024. And we were very, very wrong with that belief and assumption. We didn't get an RVO soon enough, we didn't get an LCFS, increased guidance soon enough.

If we think of this time last year to kind of give the courage in the industry, and then then we had some competitors, oil company competitors out there, some have shut down now that decided to, as I call it, run for fun. And so, pretty interesting environment that we were in last year. Clearly, people are tempering their kind of behavior now, which you would expect, I mean, and all business school things, when you get below variable cost, it just takes longer for rationalization and improved behavior.

As we look at 2026 here, clearly we can make you a case for an easy \$0.50 a gallon, we can make you a case for a \$1 a gallon at that, but it all hinges on like we said, on the RVO, which as Bob said, [ph] 5.2 gallons to 5.6 gallons (00:39:51), so we think anything with a 5 is very positive and constructive. And ultimately, you got the drawdown and the LCFS coming back and you've got robust world demand for RD right now.

So, it's a hard thing to sit here and say you can you can say \$0.50 a gallon or a \$1 a gallon. You know, we ran \$0.41 in Q4, we said we think Q1 is better and so that's the \$0.50 and then to go on up to a \$1, we'll see what happens. It's going to take behavior in the industry and it's also going to take a very robust RVO around the world.

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**Andrew Strelzik**

*Analyst, BMO Capital Markets Corp.*

Q

Okay. That's helpful perspective. And then I just wanted to ask capital allocation question. You've done a nice job from a leverage perspective this past year, not too far off from some of the targets, I guess. How are you thinking about the timeline to achieving the leverage targets and then kind of capital allocation priorities once you get there? Thanks.

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**Robert Day**

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

A

Thanks, Andrew. Let me say first, I think capital allocation priority continues to be paying down debt. How quickly we sort of achieve our goals is going to depend in large part on how much cash DGD generates, and so we'll see what that picture looks like once we get a final ruling on the RVO. And once that happens, I think we can be a bit more specific about what our plans are. But as we sit here today, we like the trend and the direction we're headed. We're going to continue to pay down debt. We'll reassess as we have a little bit more clarity on what the cash flow situation looks like going forward.

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

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**Matthew Blair**

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

Q

Thanks and good morning. Hopefully you can hear me okay. I had a question on the SAF market. So, one of your major European competitors talked about how European SAF prices are actually below European RD prices and they're kind of pulling back on their SAF production. What's the picture like on SAF for DGD, you have term contracts to, I guess essentially like stabilize that SAF contribution. What are seeing on US SAF prices versus US RD prices? Thank you.

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**Robert Day**

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

A



Yeah. Matthew, this is Bob. I think, to answer the first part of your question first, in Europe, we've seen SAF trade at a premium, we've seen it trade at a discount, it's fluctuated. As I think everyone knows, DGD has some countervailing duties in order to get into that market, so it isn't as readily accessible to us, although we do have sales into Europe and we can be opportunistic when that market is good and we've been able to take advantage of that.

We still have sales on the books in 2026 that we had made previously, our book is healthy. The market, I think is starting to – well, it is starting to rebound a bit in the United States. In the United States it's primarily a voluntary credit market. And we've seen more and more interest materialize and we think we're going to continue to see that as just overall demand for energy continues to increase. So, our book is solid today, there's room to make more sales, we're having really good constructive discussions about that. And I don't think that – I think SAF will – we'll be happy with SAF sales volumes and margins as we look at 2026.

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**Matthew Blair**

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



Sounds good. And then, regarding the contributions to DGD, I believe in 2025, Darling sent DGD \$328 million, which of course was more than fully offset by the dividends received back. I think 2025 was a pretty heavy turnaround year for DGD, but do you have an estimate in 2026 how much Darling might be sending DGD? Would it be lower than the \$325 million number? Thanks.

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**Robert Day**

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



Yeah. It's a good question. We don't have a precise estimate, but I would say, we expect it will be less and you're right, we had three catalyst turnarounds in 2025. We did some design work, there were some things that – some cost items that needed to be paid for. As we look at 2026, yeah, we anticipate that the contributions will be less. It's going to depend a little bit on the market environment, but based on where we sit here today in the first quarter, we expect it would be considerably less than what it was in 2025.

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

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**Ryan M. Todd**

*Analyst, Piper Sandler & Co.*



Maybe just a couple of follow-ups on earlier comments or questions, I mean, we're getting closer to some – at least hopefully we're getting closer to some regulatory clarity on some of the renewable fuels issues. Randy, can you maybe talk about, are you hearing anything on the timing of the RVO or anything you might be hearing out of Washington on some of the gives and takes that may be going on in that discussion? And then, maybe on the 45Z, the preliminary rules that we talk about, can you – it's generally positive and maybe mixed in some regards in terms of [indiscernible] (00:45:44) and the relative benefits of running at advantage low [ph] low CIC (00:45:46)? Can you talk about kind of what you see is the pluses and minuses for you of the proposal?

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**Robert Day**

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



Hey, Ryan. This is Bob. I think, first question around timing, we've spent a lot of time in DC. I think that our perspective is that all key stakeholders had to get comfortable with what the plans and policies were, and in our view, that's happened. The EPA has a heavy administrative burden to get through, and as it pertains to responding to comment letters prior to them sending over a proposal or a final proposal to OMB, we believe that's

likely to happen soon. And so, hard to say exactly what that means, but probably it's got a February date to it in our view.

As far as 45Z and what we're seeing from that, there's really nothing that was unexpected. We expected some positive things and we're seeing those positive things. So, we've got to do our due diligence and get our legal opinions and make sure that everything is as it's perceived. But as far as it relates to Darling and Diamond Green Diesel, we're seeing what we thought there and that's positive. I think, the biggest thing that could affect us is just what determines a qualified buyer. DGD was the fastest in the market to convert to producing R100, so that it ensured that it was selling to qualified buyers and that was one of the things that allowed us to sell the production tax credits faster than everyone else and at a higher cents on the dollar.

If we can go back to making R99 and qualify, that just creates some flexibility that we appreciate, but we don't depend on. So all in all, we see the changes as positive but either way, not having a significantly -wouldn't have a negative impact on our business.

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**Ryan M. Todd**

*Analyst, Piper Sandler & Co.*

Great. Thanks.

Q

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**Operator:** The next question comes from the line of Ben Kallo with Baird. You may proceed.

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**Benjamin Joseph Kallo**

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

Hey, guys. Thanks for taking my question. Just to follow-up on a couple of things. One, in the prepared remarks, you talked about, maybe M&A opportunities outside of Brazil, could you just talk to us about kind of if you have a size limit on them and how you would see a limit to adding debt on the balance sheet for that? And then, you talked about SAF a bit, but could you just talk about any more you can on volumes that you're seeing there and any kind of pricing trends there? Thank you.

Q

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**Randall C. Stuewe**

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

Thanks, Ben. This Randy. From an M&A perspective, I would still say we're on an M&A holiday. We're working the world, we see what's out there. Nothing that really turns us on at this time per se. The Patense opportunity was one we were very, very familiar with and given that it was a forced liquidation, it was something we couldn't turn down. I think, more of our focus around the world is on organic expansion, whether it's in Brazil, Paraguay, China and the US with the construction of the Mt. Olive new rendering plant and then some additional expansion of the poultry site continues to expand here, and we're going to have to use our capital dollars to debottleneck and expand some of our facilities here. So not much there.

A

Bob, you want to comment on the SAF?

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**Robert Day**

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

Yeah. I think, one interesting development in the SAF market in the United States is, at the end of the day, the buyers for SAF credits are large companies, oftentimes tech companies, banks. The airlines act more as a broker in that case. And so, the discussions that we are having a really about how a tech company obtains Scope 3 credits through the acquisition of SAF that obviously goes through an airline.

A



So, the discussions are more strategic in nature, long term, potentially higher volume. They take longer to put together, it's harder to predict exactly when they come together. But as those discussions continue to advance, it's exciting because there's a potential for more of capacity to be dedicated towards future contracts. And it's hard to say more than that right now today, other than the discussions are constructive and we're encouraged by the direction they're going.

**Benjamin Joseph Kallo**

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

Thank you guys.

Q

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

**Betty Zhang**

*Analyst, Scotiabank*

Hi. Good morning. Thanks for taking my question. I wanted to ask about expectations for core EBITDA for the rest of the year. First quarter is looking a little bit softer, but then it seems 2Q is set up to be better with SAF prices recovering. What about in the second half, what could that look like?

Q

**Randall C. Stuewe**

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

Betty, this is Randy. So, I did the math earlier. First quarter is not looking softer because of 13 weeks. Winter time rendering is always a challenge in North America and to a degree, Europe's had some challenges. South America is in the midst of a hot summer. So we're very solid for Q1. We're still trying, if you sit there, we think that the year will improve as we go forward. We're being a bit cautious, because until we see that RVO, it's hard to really put your finger on it. But at the end of the day, you're seeing the futures market for soybean oil really try to project a very strong RVO here. So that that will only provide us tailwinds as we go forward. So, hopefully Q1 as we build momentum through the year and so hopefully we'll continue to build momentum and even have a better year than we had last year.

A

**Betty Zhang**

*Analyst, Scotiabank*

Okay. Great. And then, if you could give us a bit more color on the restructuring and impairment, does that reflect a change in your strategy? And would you say there are other businesses that could also be reviewed?

Q

**Randall C. Stuewe**

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

No, I wouldn't say a change in operating strategy. I would say that every so often we look at our portfolio and say, can we deliver the returns that we want to in different businesses? Do we have the number one or two position in it? And we have a couple of businesses out there where we don't have that position and we can't get to that position. And so, the challenge in this business is always that we're the largest and biggest and best in the world is finding then a fair price to let go of an asset we can't be the best at. And so, that just takes time and I think I just say, stay tuned and be patient and you'll see them materialize here over the -hopefully here in the first quarter, if not very early second quarter.

A

**Operator:** Thank you. The next question comes from Michael Jason Gabelman with TD Securities. You may proceed.

**Jason Gabelman**

*Analyst, TD Cowen*

Q

Yeah. Hey. Good morning. Thanks for taking my questions. The first one just on CapEx. 4Q was a step up from 3Q, wondering what drove that and then your expectations on spend for 2026?

**Robert Day**

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

A

Yeah. Thanks, Jason. This is Bob. It's not unusual to see a higher spend in the fourth quarter. Some of this is just the teams wanting to make sure that they get certain things done by the end of the year and paying for the cost of doing that as bills come due. So it's really it's really not more than that. As we look at next year, we think it might be a slight increase in terms of total maintenance capital versus this year, but it would be consistent with sort of the range of normal on that. So, I'd call it in that ballpark of \$400 million.

**Jason Gabelman**

*Analyst, TD Cowen*

Q

Got it. And then my follow-up is just on the international renewable diesel markets, and you mentioned that there are other markets that are advantageous to sell into versus California. So wondering what you're seeing out of places like Canada and Europe and other markets that are making them more attractive at the moment? Thanks.

**Robert Day**

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

A

Yeah. I think that just generally speaking, we were seeing year-on-year increases in demand in those markets. We really haven't seen a lot of increase in supply and capabilities come online to compete for that. So, it's just proven to be – those proven to be good markets for DGD and we think that we'll be able to continue to do that. We also think that we're going to have a good market here in the United States and we'd love to supply more into that market as well. So it's hard to say more than that. The S&Ds are balanced and strong and that's the case for a lot of these markets outside the United States.

**Operator:** Thank you. This now concludes the Q&A session. I would now like to pass the call back to Randy for any closing remarks.

**Randall C. Stuewe**

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

Thanks, John. Thanks to everybody for all your questions today. I think, we feel very good about how we finished the year and we feel really good about the momentum we carry into 2026. And if you have additional questions, feel free to reach out to Suann. Stay safe, have a great day and thanks again for joining us for the call.

**Operator:** Ladies and gentlemen, thank you for attending today's conference call. This now concludes the conference. Please enjoy the rest of your day. You may now disconnect.

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