

What do French Fries and Renewable Diesel Have in Common?



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1

1

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2

2



Darling Ingredients, Inc. Overview

- DAR is the largest processor of slaughtered animal by-products into clean energy in the world
- It collects and recycles animal by-products, bakery waste and used cooking oil from poultry and meat processors, butcher shops and food service establishments
 - Operates a global network of over 200 locations, including 147 production facilities, across 5 continents (North America, Europe, China, Australia and South America)
 - Transforms (recycles) these by-products into ingredients and solutions to both food and feed industries, including pet foods
 - Converts the recycled cooking oil and animal fats for into biofuel

3



Darling Ingredients, Inc. Overview

- Sells its finished products worldwide - product sales are primarily managed through DAR's commodity trading departments
- Also provides environmental services, such as grease trap collection, cleaning and disposal
- Founded in 1882 by the Swift meat packing interests and the Darling family (140 years old!)
- IPO: 1994
- Trades on NYSE: DAR
- FY'21 Revenues: \$3,571,923,000 (Medium Size Company)

4



Darling Ingredients, Inc. Overview

- DAR has long viewed themselves as an ESG company:
 - **E**nvironmental **S**ocial and **G**overnance refers to the three key factors when measuring the sustainability and ethical impact of an investment in a business or company
 - ESG factors do not pertain to financial performance – such as making sure there are systems in place to ensure accountability and managing the corporation’s carbon footprint
- Almost everything that Darling does is a carbon capture story: reducing carbon emissions

5

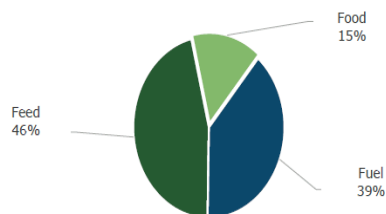


Revenues From 3 Segments: Feed, Food & Fuel

Financial Highlights

Financials (in millions)	Q3-2021	Q3-2020	% Variance	YTD 2021	YTD 2020	% Variance
Segment EBITDA						
Feed	\$161.2	\$72.3	123.0%	\$446.2	\$227.7	96.0%
Food	46.2	41.7	10.8%	145.5	117.4	24.0%
Fuel	95.6	117.1	(18.4)%	378.5	322.9	17.2%
Corporate	(13.4)	(12.6)	(6.4)%	(42.2)	(40.9)	(3.2)%
Total Combined adjusted EBITDA	\$289.6	\$218.5	32.5%	\$928.1	\$627.0	48.0%

YTD 2021 % of Total EBITDA by Segment
(before corporate)



6

Feed Ingredients Segment

- Largest revenue segment – 46% of EBITDA through Q3 2021
- Collects and recycles animal by-products, bakery waste and used cooking oil from poultry and meat processors, butcher shops and food service establishments
- Converts recycled cooking oil and animal fats into biofuel
- Provides grease trap cleaning

7

Feed Segment

US\$ (in millions)	3Q 2021	3Q2020	YTD 2021	YTD 2020
Net Sales	\$ 769,626	\$ 483,025	\$ 2,193,002	\$ 1,499,340
Cost of sales and operating expenses	553,662	361,576	1,584,667	1,117,931
Gross Margin	\$ 215,964	\$ 121,449	\$ 608,335	\$ 381,409
Loss/(gain) on sale of assets	(229)	167	(490)	293
Selling, general and administrative expenses	54,997	49,028	162,594	153,459
Depreciation and amortization	53,824	53,764	162,404	159,968
Segment operating income	\$ 107,372	\$ 18,490	\$ 283,827	\$ 67,689
Equity in net income of other unconsolidated subsidiaries	\$ 1,647	\$ 906	\$ 4,199	\$ 2,467
Segment income	\$ 109,019	\$ 19,396	\$ 288,026	\$ 70,156
Segment EBITDA	\$ 161,196	\$ 72,254	\$ 446,231	\$ 227,657
Raw material processed (mmts)	2.22	2.18	6.65	6.58

Key Drivers:

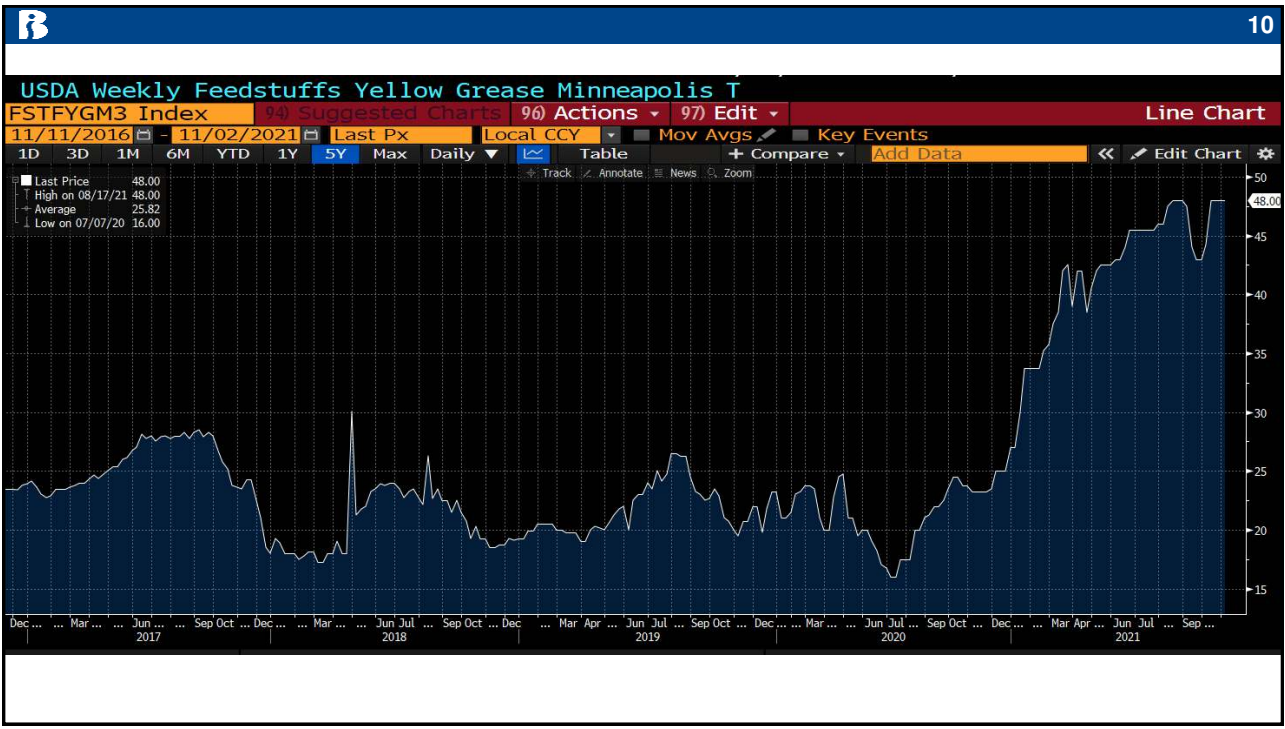
- Higher protein and animal fat prices drove the overall feed segment sales up 59.3% quarter over quarter on slightly higher raw materials processed. Gross margin increased \$94.5 million or 77.8% quarter over quarter led by higher commodity prices across all products sold
- Fat prices (BFT & YG) are up for 2021 compared to a year ago. BFT average price is 129.9% higher than 2020 and YG was up 129.5% in Q3 2021 compared to the prior year. Protein pricing (MBM) was also higher for Q3 2021 by 81.1% compared to 2020

Change in Net Sales - 2020 to 2021 Three Months Ended	Feed Segment Sales				Used Cooking Oil			
	Fats	Proteins	Other Rendering	Total Rendering	Bakery	Other	Total	
Net Sales Three Months Ended September 26, 2020	\$ 153.5	\$ 190.7	\$ 39.0	\$ 383.2	\$ 45.7	\$ 44.4	\$ 9.7	\$ 483.0
Changes:								
Increase/(decrease) in sales volumes	(7.5)	5.0	-	(2.5)	(0.7)	(0.2)	-	(3.4)
Increase in finished product prices	159.7	60.3	-	220.0	24.4	36.4	-	280.8
Increase due to currency exchange rates	2.2	2.0	0.2	4.4	0.5	-	-	4.9
Other change			4.5	4.5		(0.2)		4.3
Total Change:	154.4	67.3	4.7	226.4	24.2	36.2	(0.2)	286.6
Net Sales Three Months Ended October 2, 2021	\$ 307.9	\$ 258.0	\$ 43.7	\$ 609.6	\$ 69.9	\$ 80.6	\$ 9.5	\$ 769.6

8



9



10



Acquisition of Valley Proteins for ~\$1.1B in cash

- Valley Proteins operates 18 major rendering and used cooking oil facilities throughout the southern, southeast and mid-Atlantic regions of the U.S
 - Fleet of 550 vehicles
- Supplements DAR's global supply of waste fats and greases
- Provides DAR with additional low carbon feedstock to produce renewable diesel and potentially sustainable aviation fuel

11



Food Ingredients Segment

- 15% of EDITDA through Q3 2021
- Purchases and processes beef and pork bone chips, beef hides, pig skins, and fish skins into collagen in Europe, China, South America and North America
- Collects and processes of pig and cattle intestines into natural casings used in sausages in Europe, China and North America
- Collects and refines animal fat into food grade fat in Europe
- Processes bones to bone chips for the collagen industry and bone ash in Europe
 - 76% of (the 15%) sales due to collagen sales

12



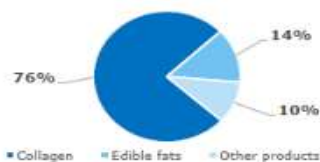
Food Segment

US\$ (in millions)	3Q 2021	3Q2020	YTD 2021	YTD 2020
Net Sales	\$ 311,856	\$ 295,842	\$ 926,952	\$ 841,070
Cost of sales and operating expenses	241,308	226,745	706,260	652,334
Gross Margin	\$ 70,548	\$ 69,097	\$ 220,692	\$ 188,736
(Gain)/Loss on sale of assets	(8)	18	(13)	(68)
Selling, general and administrative expenses	24,437	23,346	75,150	71,406
Depreciation and amortization	14,933	20,548	45,666	60,925
Segment operating income	\$ 31,206	\$ 22,067	\$ 99,877	\$ 56,435
Equity in net income of other unconsolidated subsidiaries	\$ -	\$ -	\$ -	\$ -
Segment Income	\$ 31,206	\$ 22,067	\$ 99,877	\$ 56,435
Segment EBITDA	\$ 46,139	\$ 41,715	\$ 145,548	\$ 117,360
Raw material processed (mnts)	0.3	0.3	0.8	0.8

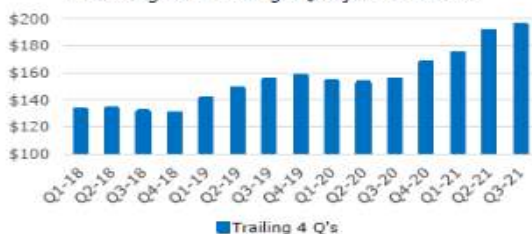
Key Drivers:

- Net sales for the food segment grew \$20.0 million or 6.9% in Q3 2021 compared to the prior year, driven by higher collagen volume sales and higher edible fat prices.
- Segment income improved \$10.1 million or was 48.1% higher driven primarily by higher sales. Slightly higher SG&A expense was more than offset by lower depreciation and amortization expenses in the quarter.

YTD 2021 % of Sales Breakdown



Food Segment Trailing 4Q adjusted EBITDA



Fuel Ingredients Segment

- 39% of EBITDA through Q3 2021
- Two Sources of revenues:
 - 1) DAR's ownership share of the Diamond Green Diesel (DGD) joint venture with Valero Energy Corporation in Norco, LA
 - Operates a Renewable Diesel (RD) plant
 - RD is a low-carbon transportation fuel that is interchangeable with diesel produced from petroleum
 - 2) The bioenergy business conducted by Darling Ingredients International in Europe

Diamond Green Diesel Joint Venture



- Commenced operations in June 2013
- Converts animal fats, recycled greases, used cooking oil and soybean oil into RD
- RD produced from animal fats has lower CI (carbon intensity) and thus higher value to end users
- Position on the Louisiana coast allows it to take in fats from South America and Europe in addition to US

15

Diamond Green Diesel Joint Venture



- 2021: Completed expansion of Norco facility
 - Currently producing 750 million gallons of RD annually
- Currently constructing new facility to be located next to Valero's Port Arthur Refinery in Port Arthur, Texas
 - Will be capable of producing 470 million gallons per year of RD
 - Expected to commence operations in the second half of 2023
 - Once operational, the new plant is expected to increase the DGD Joint Venture's total renewable diesel production capacity to almost 1.2 billion gallons of RD per year

16

DAR's Bioenergy Business in Europe

- Netherlands: DAR produces green power from biogas production out of organic sludge and food waste for combined heat plant installations
 - Largest industrial digestion operation in the Netherlands, with an output matching the annual use of energy needs of approximately 14,000 households
- Netherlands, Germany, Luxembourg, Belgium and certain parts of Germany: collects fallen stock and animal waste from farmers and slaughterhouses, and processes these materials into fats and meals, which can only be used as a low grade source of energy or fuel for boilers and cement kilns

17

Fuel Segment (Includes Diamond Green Diesel JV consolidated EBITDA)

US\$ (in millions)	3Q 2021	3Q 2020	YTD 2021	YTD 2020
Net Sales	\$ 124,434	\$ 75,702	\$ 311,247	\$ 231,674
Cost of sales and operating expenses	\$ 64,634	\$ 20,047	\$ 178,524	\$ 127,358
Gross Margin	\$ 59,800	\$ 25,655	\$ 132,723	\$ 104,316
Loss on sale of assets	(264)	(61)	(302)	(53)
Selling, general and administrative expenses	4,481	5,056	13,822	10,645
Restructuring and asset impairment charges	-	-	774	-
Depreciation and amortization	6,361	6,633	19,214	24,705
Equity in net income of Diamond Green Diesel	\$ 23,351	\$ 81,090	\$ 281,964	\$ 252,411
Segment operating income	\$ 83,175	\$ 105,144	\$ 240,265	\$ 261,430
Equity in net income of other unconsolidated subsidiaries	\$ -	\$ -	\$ -	\$ -
Segment income	\$ 83,175	\$ 105,144	\$ 240,265	\$ 261,430
Segment EBITDA	\$ 75,480	\$ 20,479	\$ 78,203	\$ 63,728
DGD Adjusted EBITDA (Darling's share)	\$ 80,828	\$ 26,425	\$ 200,227	\$ 226,177
Segment EBITDA (1)	\$ 95,408	\$ 137,133	\$ 238,629	\$ 322,901
Raw material processed (mmts) *	0.3	0.3	0.9	1.0

Key Drivers:

- Q3-2021 Combined adjusted EBITDA of \$95.6 million, with DGD earning \$1.95 per gallon on 61.7 million gallons sold
- DGD - Norco, LA expansion is running at its operating capacity, ahead of the original plan. The Norco facility now has the capacity to produce up to 750 million gallons of renewable diesel production and add approximately 30 million gallons of renewable naphtha annually.
- DGD Port Arthur continues to be on time and on budget. This new 470-million-gallon facility is now expected to be operational in the first half of 2023.



US\$ and gallons (in millions)	3Q 2021	3Q 2020	YTD 2021	YTD 2020
EBITDA (Entity) - in quarter recorded w/no BTC	\$ 56.4	\$ 112.8	\$ 377.0	\$ 307.2
EBITDA (Entity) - BTC adjusted to when earned	\$ 120.1	\$ 182.9	\$ 600.5	\$ 538.4
Pro forma Adjusted EBITDA (Darling's share)	\$ 60.0	\$ 96.4	\$ 300.2	\$ 268.2
Total gallons produced	65.6	77.3	223.5	228.8
Total gallons sold/shipped	61.7	80.0	223.7	231.2
EBITDA per gallon sold	\$1.95	\$2.41	\$2.68	\$2.33

Quarterly Avg. Prices
D4 RINS & Yellow Grease²



(1) Includes Fuel Segment EBITDA and Darling's share of DGD EBITDA.
 * Excludes feed stock (raw material) processed at the DGD joint venture.
 (2) Quarterly average prices source is The Jacobson

18

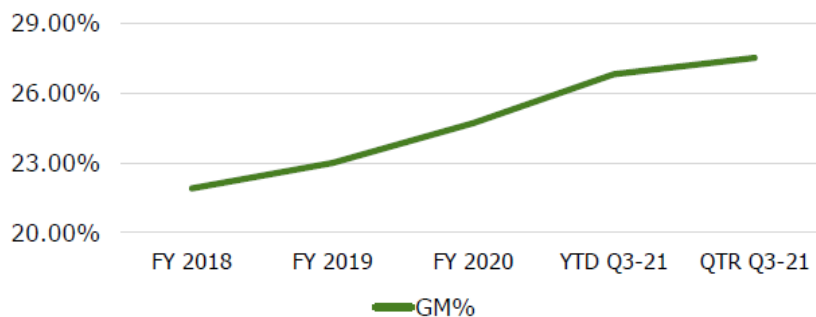
Q3 2021 Financial Results – September 2021

- Q3 GAAP EPS of \$0.88 (+\$.61 in Q3 2020)
- Revenue of \$1.19B (+39.9% Y/Y)
- Lost 17 days of renewable diesel production due to Hurricane Ida
 - Resulted in lower earnings for DGD during the quarter
- Repurchased \$22 million worth of stock (\$98 million YTD)
- Is considering starting to pay dividends

19

Gross Margins

Darling Gross Margin Trends



20

Strengths

- Only global ingredients company with products generated principally from animal-origin raw material
- Diamond Green Diesel RD plant is able to use flexible feedstock (e.g., animal fats, recycled cooking oil, and soybean oil) versus most other RD refineries that can only use soybean or other vegetable oils
- DAR's biofuel and RD result in an 86% reduction in Green House Gas emissions, exceeding the 50% requirement established by the regulation

21

Weaknesses

- Procuring raw materials (e.g., animal by-products) is the most competitive part of its business
- If the DGD Joint Venture cash flow is not sufficient to fully fund the project (\$1.1 billion) the DGD Joint Venture may need to borrow funds or the joint venture partners may be required to contribute additional funds to complete the project
- DAR relies on Valero and its refinery for many services and processes
- A significant percentage of DAR's revenue is attributable to a limited number of suppliers and customers
- DAR may incur substantial costs and liabilities in complying with government regulations

22



Opportunities

- Increasing political environmental consciousness
 - Biofuels are important way to reduce pollution
 - Biodiesel tax credit (BTC) (\$1/gal) extended through 2022 – makes the biofuel more price competitive with conventional diesel
 - Potential extension of tax incentives for BTC
 - Potential new business if sustainable aviation fuel credit is passed
- Need for food service establishments to comply with environmental regulations concerning the proper disposal of used restaurant cooking oil
 - Should continue to provide a growth area for this raw material source
- Increasing RD capacity at DGD

23



Threats

- Prices of products are volatile due to commodities market
- DAR is exposed to the health of the RD industry
- Dependent on support for biofuels from current and future administrations
- Weather (e.g., DGD was shut down for 17 days due to Hurricane Ida)
- The occurrence of any disease correctly or incorrectly linked to animals could negatively impact its business (e.g., food safety issues)
- Fuel segment (which converts fats and oils into RD) affected by world energy prices for oil, natural gas and electricity
- Fluctuations in exchange rates – transactions in many foreign currencies

24



Sales Growth Forecast (%)

- 5.7 - Manifest Investing (5 Yr)
- 8.0 - VL (3-5 Yr)
- 10.7 - Average BI Member Sentiment (5 Yr)
- 13.8 - BI ACE (2 Yr)



EPS Growth Forecast (%)

- 13.5 - Manifest Investing (5 Yr)
- 15.5 - Average BI Member Sentiment (5 Yr)
- 24.5 - VL (3-5 Yr)
- 40.9 - Schwab (5 Yr)



High P/E Forecast

- 20.1 - 5 Yr average P/E
- 21.5 - VL average annual P/E (3-5 Yr)
- 26.5 - Average BI Member Sentiment (5 Yr)
- 27.1 - 5 Yr average high P/E



Low P/E Forecast

- 13.7 - BI Member Sentiment
- 14.1 - 5 yr average low P/E
- 20.4 - Current P/E
- 20.6 - 5 yr average P/E

Low Stock Price Forecast (\$)

- _____ - Audience Selection based on low P/E
- 10.30 - Recent Market Low (2020)
- 39.00 - Average BI Member Sentiment
- 45.40 - Average Low P/E (14.1) X TTM EPS (3.22)
- 58.70 - 52-week low

29

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30

30