

News or Noise – Hold or Fold



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Agenda

- **News or Noise**
- **Doing a Deep Dive Research**
- **Hold or Fold**
- **My Conclusion**

Objective: Learn to sift through enough sources to make a conclusive evaluation judgement

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or


News or Noise?

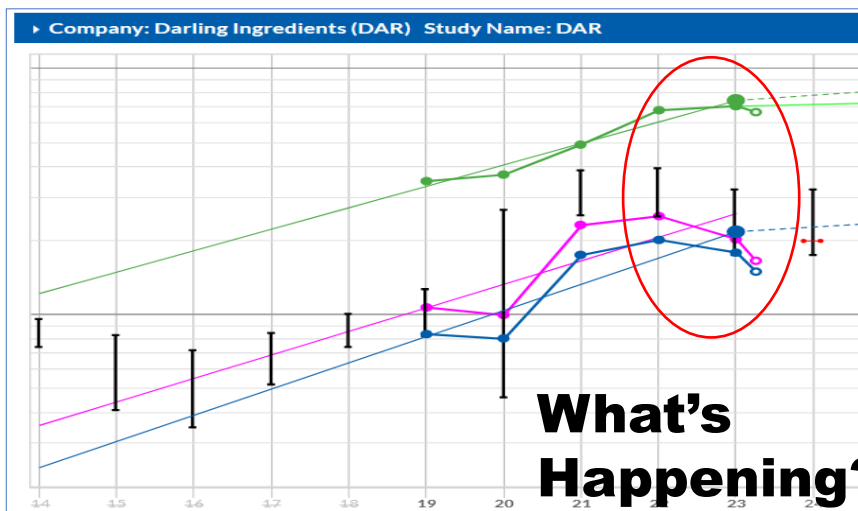
- **DAR Fell as it Refrained From Providing Full-Year Guidance**
- **Insider Sale: CEO Randall Stuewe Sells 34,960 Shares of DAR**
- **US Renewable Fuel Maker Defends Used Cooking Oil From China**
- **DAR First Quarter 2024 Earnings: EPS Beats Expectations, Revenues Lag**

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Darling Ingredients – 1st Q 2024



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Darling Ingredients – 1st Q 2024



Company: Darling Ingredients (DAR) Study Name: DAR

3. PRICE EARNINGS HISTORY as an indicator of the future

CURRENT PRICE (05/07/24): 44.52 52-WEEK HIGH: 71.60 52-WEEK LOW: 38.97

Year	Price		Earnings	Price Earnings Ratio		Dividend	% Pay
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C*
2019	28.3	18.2	1.86	15.2	9.8	0.00	
2020	59.0	10.3	1.78	33.1	5.8	0.00	
2021	85.9	56.2	3.90	22.0	14.4	0.00	
2022	87.6	55.7	4.49	19.5	12.4	0.00	
2023	71.6	39.0	3.99	17.9	9.8	0.00	
5 YEAR AVERAGE		35.9		18.7	11.6		
CURRENT/TTM			3.34	21.4	11.7	0.00	
5 YEAR AVERAGE PRICE EARNINGS RATIO: 15.1				CURRENT PRICE EARNINGS RATIO: 13.3			

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Deep Dive Research

- Company Website
- Value Line and Morningstar
- CFRA on Broker Website
- News
 - Finviz, BI Online Tools
 - Internet news sites

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Questions to Think About

- What has happened?
- Is the reason acceptable?
- What are the company plans to grow?
- Is the plan adequate?
- Is the timeline acceptable?

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DAR – company presentation

In millions, except per share	Q1-2024	Q1-2023	% variance
Net Sales	\$1,420.3	\$1,791.2	(20.7%)
Gross Margin	\$303.6	\$424.2	(28.4%)
Gross Margin %	21.4%	23.7%	(9.7%)
Net Income	\$81.2	\$185.8	(56.3%)
EPS Diluted	\$0.50	\$1.14	(56.1%)

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Company Presentation- 1st Q 2024

- **Decrease in net income** due to a sharp year-over-year **decline in fat prices and lower earnings within Diamond Green Diesel (DGD)**
- **Feed Segment** – SC rendering plant operational after 481 days **off line** providing much need capacity in Eastern US
- **Food Segment** – lower due to decline in selling price, margins remain solid given lower raw material input prices
- **Fuel Segment** – weaker and a lower of cost-of market valuations adjustment impacted earnings

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Internet – Motley Fool (DAR) May 2024

- **Revenue** in the quarter jumped 31% to \$1.79 billion, **easily beating estimates** at \$1.62 billion
- Growth came from the **feed ingredients** segment, **revenue up 40%** to \$1.24 billion, with inflation in feed prices and strong volumes
- Gross margin fell from 25.3% to 23.7%, still **saw solid adjusted earnings** before interest, taxes, depreciation, and amortization (**EBITDA**) of \$330.6 million to \$418.3 million, or **26.5% growth**
- Finished the **quarter with flat earnings** due to **increase in interest expense** from \$15.6 million to \$50.3 million
- **EPS** at \$1.14 **topped estimates** at \$0.99

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Internet – Motley Fool (cont.)

CEO Randall Stuewe

- Enthusiastic about the Diamond Green Diesel business, saying: DAR is off to a very solid start in 2023
- Raw material volumes are in line with expectations
- Global collagen and gelatin business remains robust
- Diamond Green Diesel is expected to gain tremendous momentum in the second quarter
- Lower fat prices will boost renewable diesel margins on expected higher volumes

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Internet – Motley Fool (cont.)

Now what

- **Clear leader** in its industry
- Exposure to the **growing renewable fuel market**
- Management guided adjusted EBITDA at \$1.875 billion
- Stock **trades at less than 6 times** adjusted **EBITDA**
- **Price looks great**

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EBITDA is a handy tool for normalizing a company's results so you can more easily evaluate the business

EBITDA

Earnings Before Interest + Taxes + Depreciation + Amortization



Image source: The Motley Fool

EBITDA is useful for comparing two similar businesses or trying to determine a company's cash flow potential

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Internet - Yahoo Finance (DAR)

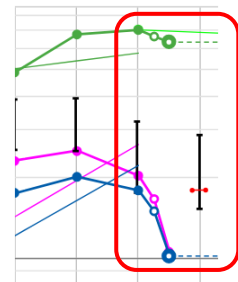
- **Net Margin:** excels beyond industry benchmarks, reaching **5.71%**
 - Signifies efficient cost management and strong financial health
- **Return on Equity (ROE):** 1.76% stands out, surpassing industry averages
 - Demonstrates effective use of equity capital and strong financial performance
- **Return on Assets (ROA):** financial strength is reflected in its exceptional **ROA of 0.74%, which exceeds industry averages**
 - Showcases efficient use of assets and strong financial health
- **Debt Management:** debt-to-equity ratio 1.02 surpasses industry norms
 - Suggests posing potential financial challenges

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Value Line – August 16, 2024

- Ended the 2nd quarter on a low note
 - Revenue fell 17% Y-o-Y
 - Earnings per share dropped 68%
 - Impacted by lower finished product pricing
 - Soft earnings from Diamond Green Diesel (DGD)
- Annual earnings to decline due to weaker earning in 1st half of year



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Value Line – August 16, 2024

- Profit recovery probable 2nd half of year
- Bottom-line looks better for next year and beyond
 - Earnings to recover 39% over the previous year's figure, to nearly \$3.55
 - 3-5 year, project earnings per share of \$6.00

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Value Line – August 16, 2024

- Progress on the sustainable aviation fuel (SAF)
 - First to supply SAF for commercial flights out of JFK Airport
 - Port Arthur facility will provide 1 million gallons of SAF
 - Potential for 4 million gallons once the upgrades are completed 4th Q

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Value Line – August 16, 2024

- Shares to perform in line with market averages in the year ahead
- Attractive long-term capital appreciation potential
- Commitment to strengthening its balance sheet
 - Paying down debt
 - Cutting costs



DARLING INGREDIENTS INC (DAR-N)

Food & Beverages / Food & Tobacco / Food Processing

LSEG Stock Reports Plus

DETAILED STOCK REPORT

Report Date: 2024-Sep-13

Last Close 34.23 (USD)	Avg Daily Vol 1.9M	52-Week High 59.36	Trailing PE 15.0	Annual Div --	ROE 8.4%	LTG Forecast --	1-Mo Return -3.1%
2024 September 12 NEW YORK Exchange	Market Cap 5.8B	52-Week Low 32.67	Forward PE 10.3	Dividend Yield --	Annual Rev 6.1B	Inst Own >100%	3-Mo Return -6.6%

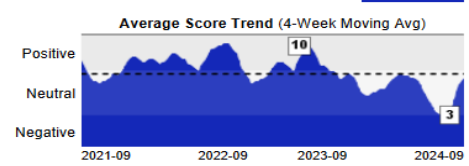
AVERAGE SCORE

NEUTRAL OUTLOOK: DAR's current score is relatively in-line with the market.

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Score Averages

Food & Tobacco Group:	5.6	Mid Market Cap:	6.3
Food & Beverages Sector:	5.5	S&P 500 Index:	6.6



Peers	-6M	-3M	-1M	-1W	Current	1Y Trend
INGR	9	8	9	9	9	
SEB	9	6	9	9	8	
LW	10	6	7	7	7	
DAR	6	5	7	5	5	
THS	6	3	4	3	5	

HIGHLIGHTS


- The score for Darling Ingredients Inc has been on a negative trend from 7 to 5 over the past 5 weeks.
- The recent change in the Average Score was due to a decline in the Price Momentum, Earnings, and Insider Trading component scores.

I/B/E/S MEAN

Buy
15 Analysts

Mean recommendation from all analysts covering the company on a standardized 5-point scale.

Strong Sell	Sell	Hold	Buy	Strong Buy



09/06/2024

Comments About Recovery

Schwab Equity Rating

D Underperform Percentile Ranking: 82	Data as of 09/06/2024	Last week's rating: D Underperform Percentile Ranking: 85 Data as of 05/10/2024
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A	1-10	Strongly Outperform	Data as of 09/06/2024	
B	11-30	Outperform		BUY
C	31-70	Marketperform		HOLD
D	71-90	Underperform		SELL
F	91-100	Strongly Underperform		SELL


Schwab Equity Ratings is a quantitative measure of the equity's prospects for stock price appreciation over the next twelve months in relation to its market peers.

There are mixed signals from Analysts - Need to find what's relevant

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Review

Value Line Comments About Future

- Optimistic about an operational recovery this year
- Revenues and earnings should continue to rise nicely over the next 3 to 5 years
- Attractive capital appreciation potential out to 2027–2029
- Foresee a bottom-line improvement in the latter part of this year and into the next
- Predict a temporary dip in share earnings, followed by a 35% recovery in 2025

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Decision

•Hold

- Hold if the plan is adequate
- Buy more to lower dollar cost average

•Fold

- If the plan is not satisfactory
- If recovery plans takes longer than acceptable

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My Findings

- DAR has negative matters affecting price
- The company is positioning for growth
- There have been bumps in the economy
 - Rising interest rates
 - Inflation of ingredients
 - Lower diesel prices
 - **The Economy is not controlled by Darling Ingredients**

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My Conclusion

- Research indicates positive future growth
- Should see some improvement this year
- Stronger recovery next year
- Attractive capital appreciation 2027-2029
- Is this timeline acceptable to the club?

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Club Decision

- We have learned what has happened?
- Is the reason acceptable?
- Are the company plans to grow reasonable?
- Is the plan adequate?
- Is the timeline acceptable?

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POLL - If you held DAR in your portfolio

What would you do?

- Would you buy more shares?
- Would you Hold?
- Would you Fold or sell all?

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