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Darling Ingredients, Inc. (DAR)

BMO Global Farm to Market Conference

CORPORATE PARTICIPANTS

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

OTHER PARTICIPANTS

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

MANAGEMENT DISCUSSION SECTION

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

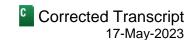
Okay. I think we're going to go ahead and get started with our next presentation here, which is Darling. Over the last decade, Darling has transitioned from a US-based rendering company to a global leader in rendering renewable diesel and food ingredients. Its integrated platform of rendering and renewable diesel creates competitively advantaged model, while mix improvements and capacity expansions are enabling the food segment to emerge as a greater contributor to the EBITDA outlook.

CEO, Randy Stuewe, has been the architect of Darling's transformation. And we're very appreciative, Randy, that you're here with us today. So welcome.

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

Thanks, Andrew.



QUESTION AND ANSWER SECTION

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

So maybe I'll kick it off with this. And this is a longer-term earnings power growth type of question, so how do you think about that building that over time? Can you frame the framework that you use to think about it?

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.



Yeah, number one, it's great to be here. I'm passing year 20, getting to sit in the seat, which is very rare for a CEO. From the description of an architect to more of a founder of transitioning and then transforming the company, where we're at today was a dream that we had 20 years ago. And it's a playbook that is really very obvious. It's really not hard to figure out who Randy is or where Randy is going with this thing. And today, we've assembled – I don't know, 270 – I lose track, 280 factories. I think I added 4,500 employees this year in 22 countries. I don't know. It's a lot. And we process 17% of the world's animal byproducts today. And we're the either tied or the second place largest renewable diesel supplier in the world.

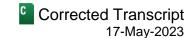
And so our more of the same playbook is pretty simple. We love core animal byproduct process and we use the word rendering. We love it. We know how to do it. We're the biggest, the best, the baddest around the world today. And at the end of the day, our thesis is so simple. There's going to be more of you, you're going to have more money, and best I can tell unless you visited the little booth over there on all those weird products of vegan plant-based, you're going to eat meat. That's just horrible. Makes you lose your hair; look at Andrew. But, end of the day, we think that meat will be a center of the plate item going forward.

Three years from now, Nigeria will be the third largest country in the world. One out of three, maybe one out of four have access to protein. India, the same. There's a billion people in China that still don't. So meat is not going away. We'll take the other half that isn't sold to the consumer and transform it. The fun part of our business – and this is the part that people – I don't know, if you say give credit to Darling or don't recognize – we try to create value for the slaughterhouse, for the abattoir, the processor, such that that value ultimately increases the total cutout value of the system; ultimately, creating a chance to grow for that slaughterhouse and making meat more economical in the world.

And it's really – when our employees learn, listen and understand not only the green side of the company, because in the new ESG world – we were green before green was cool. And we cared about the people, the planet and profits before. Now people are trying to make it really fancy. But the world we're going to grow in is core rendering, green energy – I think Pat said it so well. Pat and I have been friends for 40 years, and it's always fun to hear him talk, and I learn from him. But green energy is – we're in the biodigestion, biomethane, whatever you want to call it, business – organic food waste. We're the second largest in Europe. No one knows that about Darling.

Number three, collagen peptides. We have one-third of the global capacity in collagen today, producing products that range from gelatins – so anybody had a gummy bear – hopefully, no edibles in here. And then, also, maybe an Advil for that hangover from last night, because that was a really bad wine that you guys had. And then, you ultimately look at the collagen peptide market, and if anybody takes Vital Proteins, I'm a customer of it, it's a great product. We're now separating activated peptides, concentrating them. You're going to see us more in the world of – in the nutritional and health world of – I've seen – we're in clinical trials now on glucose in the sense of insulin

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reduction and dementia. And it's really cool stuff that we're creating out of a molecule. We've grown biomedical devices, we've grown a pancreas now.

And so that's the third leg. You've got the green energy, you've got the core rendering, you got the collagen. And then the fourth leg of the dream is really in the – is the SAF molecule. And so I heard Pat talk about SAF up here.

Hello, we're the only real SAF producer in the United States here in another year, year-and-a-half. And we are so excited about that world, because we just see demand just really, really incredible. It's going to be hard to plug an airplane in. And so, at the end of the day, the North American airlines have pledged to buy 11 billion gallons and I'll be the number one producer at 250 million gallons, nobody else. So I think we're going to get to name our price there. And it's going to be pretty phenomenal where it goes.

So those are the four pillars of where we're at. I was reflecting with Brad here – and the start of my first day was February 3, 2003. We were paying bills out of a shoe box when the utility would call and \$37 million of EBITDA, negative cash flow. And we're a couple of billion dollar EBITDA company now. So it's pretty exciting. And just more of the same. Keep doing it.

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

So part of the beauty of the model is this integrated offsets between the rendering side, the renewable diesel side that you have so far, and then, as we progress from there. However, on the core rendering side, I think – and one thing that we get questions on a lot, and to be fair, you've seen vegetable oils have been very heavy and things like that. I mean, it just feels like – so this is a question about supply/demand and what's going on right now, and why we haven't seen maybe more upward movement.

It feels like there was an explanation that made a whole lot of sense through the beginning part of the year. And I think we would have started to see maybe more. It's been a little. But how do you frame what's going on from a supply/demand perspective?

Randall C. Stuewe

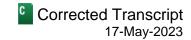
Chairman & Chief Executive Officer, Darling Ingredients, Inc.

Yeah, the fascinating thing – Pat can talk about drinking coffee in the breakfast room with the farmer – we're the true straight from the farm all the way to the consumer on a vertical of our product line although we would not be branded. Our dream 12 years ago was we needed to create a market for animal fats. And as I always tell people, McDonald's took it out of the formula [indiscernible] (07:36) 1992, I think is when it was, because I was at Target with Pat at that time. And then, I bought the interstate foods business, which was that business. Animal fats really went to a serious discount to veg oil brothers and sisters, anywhere from \$0.10 to \$0.15 a pound. There was no market for it.

And so when we decided to commercialize this plant number one of this, it was a career bet. It was a balance sheet bet. But I've always believed if you can create a product that a customer either needs or wants – and doesn't have to tolerate it, but really likes it, it's easy. And so when you created a hydrocarbon, you now become homogeneous with the – and fungible within the whole petroleum distribution system. And this thing has just been a fantastic dream.

So serial number one comes on. We use about 15% of North America's waste fats. October of 2021, model number two comes online. We're now 40%. And now model three in November of last year, and it's just up to speed now. We're about two-thirds of all of North America's waste, fats and greases.

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Now, that's not answering your question. Number one, we own the carbon and low carbon intensity feedstock oilfield. We're the ExxonMobil of the world. And there's just no doubt about it. There's no number two. And so as long as climate change continues to have the momentum it has, as long as decarbonization, maybe that's what we should call it, continues to grow at the rate, waste fats and greases because of their carbon intensity value will continue to command a premium.

Today, intrinsically, academically, we could be a \$0.05 a pound premium to soybean oil. You can't be more, because then you'd arbitrage back to a different oil. So at the end of the day, you have to look at the four big oils in the world. Obviously, palm oil, soybean oil, rapeseed, or canola, and then sun oil out of the Ukraine. And that basket of goods, if it goes up, we go up. If it goes down, we go down. But we've changed the business model.

And this is the thing. If I leave everybody in this room with one magical belief on Darling today is that we were — we're 141 years old. And I still consider this a growth business. The world has changed. If you say what is Darling doing, you can get really deep and dive and we have 127 different brands and products out there. But at the end of the day, we separate fat from protein. That's what we do. Proteins for human use, animal use, some type of BTU generation, and then the fats end up in a decarbonization hydrocarbon.

And so we've now built this model, Andrew, that even if fats go down, the old Darling, before Diamond Green Diesel, yeah, maybe our feed segment or our corn specialty ingredients goes down a little bit, but we're 4 times bigger over in Diamond Green Diesel, it goes up. So let me give you the math. \$0.10 down. That's where fats are. Are we going to have a bad second quarter, because fat prices are down? Three years ago, the answer would have been yes. Today, no, we're going to make more money in second quarter than first because fats went down. Why? \$0.10 a pound is worth \$100 million annually in the Feed Ingredients sales. It's worth \$850 million in Diamond Green Diesel.

And even if we capture half of that, it's \$425 million. So I don't think there's really – the smart people in this room. I know they are. They would give me \$100. If I give them back \$300, I'm pretty sure that's a trade they'll make in here.

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

Sure

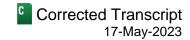
Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

So that's the world. So we're seeing new capacity come online. I think that's great. We need it. I know one of your thoughts and questions out there is in that crushing world. I think I was the last guy when I was at ConAgra Foods back in 1990-something-5 that we were going to build the first crush plant built in the US since like the 1970s or something. There haven't really been any capacity – there have been some modernizations. I think we got 20 or 25 new plants coming on that are betting on the renewable diesel/SAF market.

Just so – let's differentiate. You have to make renewable diesel before you make SAF, or at least our technology for proper yield is. So that's where some of this may get converted. But ultimately, there's, I don't know, 2 billion gallons of potential capacity over the next three years. That oil is going to be crushed here and rhetorically or processed – Puerto Rican say produce – rhetorically, the question for everybody in the audience then to me is what's China going to do? You're not growing anymore. You might grow a few more – another million acres of beans or something. But you're not going to convert the whole corn crop to beans.

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And so at the end of the day, is China going to idle their industry and buy protein? And then if they buy protein, because the veg oil's being converted here to some type of green fuel, are they going to step into the palm oil market and buy palm oil then to feed their people? And so you get into this incredible global conundrum that is just in the infancy of being understood.

Bloomberg today while I was at lunch, carrying our article, BP is going to get into the feedstock sourcing business. I heard [indiscernible] (13:15) I'm getting in the used cooking oil business. No, you're not, Pat. But it's just the world is moving here. SAF is the market. And it's going to – while there might be a little short-term oversupply down, it will moderate and mitigate and move up. But either way, we're fine.

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

So that makes a lot of sense. I want to stick on the - I guess, the feed segment for a minute and then, particularly, on value protein. It feels like maybe we've turned a bit of a corner on things like - this seems like some of the improvements that you made internally are coming on a little bit faster than in the first quarter at least than you had expected.

So can you frame how much progress you've made, what is left from a profit perspective to build forward? Because understanding the balance that you talk about and in some ways the weighting towards DGD; at the same time, there are profit growth opportunities within the core business unrelated to that that could be positive. So how do you think about that piece in particular?

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

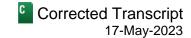
Yeah. And when I look back, I violated my own rule for our team and that was — we've been successful, you can go to any PE company and whatever, you can look at the statistics out there on acquisitions, three out of four really don't ever work out or whatever the number is. And we'd always bought good companies with great management teams with good assets, paid a fair value, and then, ultimately, we called it a no-fail capital structure.

The smart guys in FP&A generated the Excel spreadsheet and everything was wrong, we didn't lose the company and blow it up and break a bank covenant. It worked for me for 20 years. Valley Proteins, I give myself about a D minus on. And it was a broken company. We kind of knew that. We didn't know how broken it was at the time. And broken is in the form of management, it goes so deep in the company. It was a company that the two brothers operated in their final few years, capital-deprived, and employees were not motivated, working unsafe, and they didn't add enough capacity to meet the growing needs of the poultry industry.

You couldn't have done it any worse. Now you say, why didn't you understand that when you went into it? Well, when you're this level of competitor and you're this big, you get access to the financial reports, we valued it. I do my own valuation. The guys can jack out the PowerPoints, but I looked at and said, it's half the size of our US rendering business, and it made one-fourth of what we made per ton. And I said, my team's good. And even if we can only get half as good there, then it's an accretive acquisition. So it's just that simple.

Under the antitrust rules, we went under deep scrutiny, as you can imagine, in the Biden administration. We weren't allowed to talk to them after we put the bid in. And it was accepted. And so we really – we walked through the plants, but you can't see inside the machine. And so ultimately, what we found was really some pretty ominous machines that hadn't been replaced in 20 years, et cetera.

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We fixed all that. Really, in the business, it's very simple. What's the most important – I always challenge people. What's the number one product we make? Water. We evaporate. So you've got to have adequate wastewater systems. They didn't. Then we separate protein from fat. And ultimately, the plants weren't reliable. They were too many employees, just really not – and we fixed all that.

The number one deal in our business today is how you buy the raw material. And it's how you take care of the poultry supplier or the beef processor. And that formula has to have two things. It's got to make sure that it covers your operating costs, both through fixed and variable. It's got to have adjusters for diesel fuel, natural gas, and the yields have to be correct. And what we found in Valley Proteins is they were way overpaying for raw material and the yields were off 3% and 4%. We fixed it, first quarter. I know it's a long story for everybody. But it's been a real challenge. I will not take credit for it. I will take credit for the passion of helping the operations team realize I was going to kill them if they didn't fix it. But because they accused me of overpaying for it to it. But it's a great business now.

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

Okay. That makes sense. When you think of longer term about what this business can be, and it's one of the core growth elements of the four pillars. You've taken down a lot of competing capacity, now brought it internal. How much more room is there to grow via that route? How much of it is going to be organic? And I guess, as a feedstock supplier to DGD that could continue to grow, where is your capacity today versus where you ultimately need or want it to be?

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

Like I said, the original comment was the playbook is very transparent. We have eight new plants under construction, contemplating another four. So we're back in the organic growth mode. You can't stop growing, you got to be close to your pack, all the customer intimacy. You got to be close enough to the folks to know what their plans are, and then they expect you to grow with them. And that's been our success.

So we'll continue to build out around the world. As we look at it, I think there's four in the US, one in Canada, two in Brazil, possibly a third one, and then a couple more that are out there that I can't talk about yet. But we're just going to keep doing what we do. And then, for those in Diamond Green Diesel, part of the Valley acquisition, the Brazilian 18 plants were all supply chain-related. De-risking. I didn't want to trade in this world from the short side. Sure, most of you understand that. I'd rather have 55% of our needs internally fulfilled if it's the right market. And then you own the global arbitrage. And that's what's different than anybody else in the world today in the RD world.

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

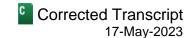
So I want to switch gears a little bit to the food segment. And the valuing up of that segment, which you already started to reference, has been a tremendous success story. More than doubling segment margins over the last five years. Can you put some context around where that value added mix is today, where that can get to and how you think about the margin potential over the next five years because my sense is there's still a long runway there to go.

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.



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Yeah, so to give the audience a little background, when I acquired a company back in 2014, it came with the global gelatin business under the brand Russillo, a French-based company, I think, had 11 plants at the time. And it was operated on four continents, but it really just made generic gelatin. What's gelatin? Someone know it as Jell-O, you would know it as a gummy bear, you'd know it is a gel cap. It's an emulsifier. It's a binder with water. And it's thickening agent. And it's pretty mature, it dates back to 1907 or something, the largest gelatin producer was I think was Kodak. It was a film coating.

And so we bought the business. And you say, well, why do you need – where does that fit in the Darling portfolio platform? Very simple. You can either grind up a bone, grind up a skin, and put it in animal feed, or you can find a higher and better use for it and extract the collagen. So that's our proposition. We go to a slaughterhouse and we say, give us these nine different products. We'll pay you to separate them, so we can make more money on them and ultimately you. So that's why, we're in the business.

The second thing is – and the trivia question again is out of that skin or bone, how much collagen do you get? Well, about 17%, the other 83% is animal feed and fat. So natural, natural fit for us. Nine years ago, we embarked on basically an enzyme process of hydrolysis with an enzyme to separate out the peptides. And you can go on Google and do your own peptide research. But collagen contains 27 and 28 essential amino acids in the world today. And the only thing it's missing, I believe, is tryptophan.

And so as we looked at this, we started to say, well, can that be used in food uses around the world? Can it be used in beverage? Can it be used in cosmetics? And, lo and behold, one of our salespeople in Chicago had a friend and you guys will know who he is. He's a billionaire now, but he founded Vital Proteins. And Kurt was an ex-NASA scientist. He loved to run, but he's bone-on-bone. And he said, hey, can you get me some of this collagen stuff? I think it'll help my knees. Long story short, we helped build that brand. And that came through three factories in Brazil.

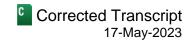
What changed in the business was that was – that's considered bovine high, grass-fed high gelatin. And then, it's the cheapest gelatin in the world. We converted it to a peptide, so we took a bunch of gelatin off the market. And we watched the rising tide. So now we have five peptide factories. And now through additional research, we're now separating and isolating.

So today, as we founded the idea of food, feed and fuel, as I joke with people, [indiscernible] (23:23) very serious, I was coming back from Europe, looking out over Iceland, and how do you develop a platform around animal byproducts that you can continue to bolt-on grow? And then, I think of the room here and valuation I said, well, food should get a higher value, specialty food ingredient. Feed ingredients should get an [indiscernible] (23:45) value. And then, the energy component is really just an annuity. It was before DGD, just a tariff business in Europe predominantly.

So that's where we founded it. The growth has been incredible. I think this year we hit, I think, what, \$256 million last year. When I first took it over in 2014, it was \$120 million or \$140 million EBITDA business. So we've grown at that. And this year, it will be well into the 3s, next year into the 4s. And if we hit on these new activated peptides, which are probably still a year or two out, kind of tell you the fun stuff there we're working on and we're not a pharmaceutical company, but this sits in that nutraceutical supplement area. But we have seen hair growth, nail growth, joint health, gut health, slowing of dementia, reduction of insulin intake, so activated glucose.

So those are the cool things we're working on today. The fun part is, is while collagens have a margin of anywhere \$1 to \$3 a kilogram of EBITDA margins, these activated peptides \$1 million a ton. So really cool stuff that could fuel that segment into something really big, bad and awesome.

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Andrew Strelzik

Analyst, BMO Capital Markets Corp.

You talked about on the earnings call, having the pipeline of new products, is that what you were talking about?

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

That's what it is. And I get a little nervous about it. I mean, I've committed €15 million to a clean room to a biomedical test lab. That's how quick this thing is moving. But it's just very, very exciting of what we think it can do.

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

I guess, can you frame kind of capacity, your current capacity, what kind of runway for growth that provides you? When are you going to need more capacity? Are you just going to be shifting the mix where you're replacing and valuing it up? I guess, how do we think about the needs there?

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

Yeah. Three years ago, we were 95% gelatin and 5% collagen peptides. And now we're 80/20. I think Gelnex was 90/10 or 95/5. So end of the day, we think the global collagen peptide market probably can take us to a 25% or 35% share over the next three years. We're very saturated now in the US. And I mean, you can go to Whole Foods, you'll see Vital Proteins, you'll see other brands, [ph] Garden of Eden and Sprouts (26:14) or whatever. And you'll see creamers and L'Oréal and their face creams. You'll see Gatorade Bolt now.

So what's interesting about a hydrolyzed peptide is it's water soluble. So it's tasteless, odorless, water soluble with benefit. And so the application universe versus gelatin as a thickening agent is just so robust. Like I said, the challenge is still – it resides in that supplement category. And we all know that supplements come and go. This one seems to have legs to it.

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

Is there a way – I mean, obviously, with Gelnex you got a partial year this year. It's annualized, et cetera. Is there a way in which should be overall a steadier kind of growth segment? Is there a way to think about what the right growth rate is on an underlying basis for the food segment over the next three or five years or whatever that looks like?

Randall C. Stuewe

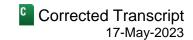
Chairman & Chief Executive Officer, Darling Ingredients, Inc.

I would say \$325 million this year, \$400 million next year; and from there, we'll see what we can do with the peptides as those start to roll out. But that's a balancing of the model. And what I always want to talk to people is food segment has very limited volatility, the fuel non-DGD has zero volatility, and the feed segment had the volatility, but now with DGD taking that hedge on the fats, we've taken most of the volatility out of this and going forward.

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

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Let's see. Okay, so renewable diesel. The supply outlook relative to the mandate, how are you thinking about that? What are the implications for you? Do you think all of this supply gets built?

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

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We looked at it. We did a board review here a couple weeks ago before earnings. There's about 2.7 billion gallons of capacity in the US today. Some of it is boilerplate or nameplate that's really not running reliably. We could see it growing to over \$5 billion in the next three years. I would echo what Pat said. But really, the big jumps are whether Marathon Martinez and Phillips 66 Rodeo get their permits. Both are challenged in the court system for environmental. And as an operator in California, it's not an easy lift. They're smart, big companies. I'm sure they have great lawyers, but it's really not a friendly state for what they're trying to do.

So that's the big thing. That would be the [indiscernible] (28:56) that's \$1.5 billion of it there. The rest are little plants, and little plants that are employing technology that may or may not work. I think all of us understand that when you have a stranded asset that was in the wrong place the first time, it's probably in the wrong place the second time. But if you're going to avoid environmental cleanup and compliance, you'll repurpose it, avoid the write-off. And that's what we're seeing out here right now.

We have brought on in about, what, 15 months, 1 billion gallons. Everything sold, committed, shipped around the world. Part of it to California, part of it to Canada, part of it to Europe. And it's just been an incredible business.

And now with SAF coming on, I think and I frame the SAF market – Pat used some broad descriptors. I'll tell you, between Europe and the US, it's 46 billion gallons of airline fuel, including the cargo careers. If you get 3% of that, 4% of that, it's a big number. And so I just feel like we have a moat and insulation around this business for many years to come, whether you like higher fat prices or you like bigger margins than DGD.

Andrew Strelzik

Analyst, BMO Capital Markets Corp.



On the SAF side, how are you thinking about the economics there? Obviously, the JV has made an announcement on the expansion plans there. What got you guys over the hump? Any way to frame what that might look like?

Randall C. Stuewe

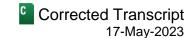
Chairman & Chief Executive Officer, Darling Ingredients, Inc.



Yeah. The first thing that got us over the hump was the Inflation Reduction Act. And all of our businesses, whether it was Valley, FASA, or Gelnex, the comfort level that we ended up with was when we got the blenders tax credit basically legislated or guaranteed for five years. That's a gift. Even though it steps down, but it turns, as everybody needs to know, in 2025 to a producers tax credit. We've built a wall around the US, which will favor us again.

It's carbon intensity-driven. It favors Darling. Oh, by the way, it's a tax credit, not an excise tax. Today, it comes in the form as a reduction of COGS. In a check – I picked up one of the checks, \$100 million from the federal treasury. And that's how it comes in via just a handwritten check, not even a wire transfer. And you just sit there and go, but now you have to have taxable income for to be of any benefit. So now your predecessor, I'm glad you're in the seat now, because you'll learn how to fairly value this company. But the love Ken, God bless Ken.

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But no, you're going to have to look at us on an EPS basis, because it will no longer be [indiscernible] (31:49) EBITDA...

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

Interesting...

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

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Right. So – and now, there's an SAF credit, \$1.25 to \$1.75 carbon intensity-based producer tax in 2025 on a taxable income offset. So ultimately, we look at this thing as – we're trying to stay off the front page of The Wall Street Journal, but it was a gift of a gift to us. The marketplace hadn't figured it out yet. They will. SAF is potentially one of the biggest markets ever to develop for agriculture in the world. And it's going to require alcohol to jet. It's going to require renewable diesel to make jet.

It's not ever going to be as big as people think. It will be feedstock-limited. I think statistically if you converted every alcohol or ethanol plant to jet in this country, we could fuel an airline for one day. That's how big that global consumption is on a daily annual basis. But it looks like an incredible margin opportunity. The airline industry has done a masterful job of promising their consumers that they're going green.

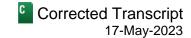
And from a margin perspective here, it's real simple. \$315 million will make 250 million gallons. And we would not have made the investment if we didn't think it was a return equivalent to renewable diesel. So you're back into it and you say, nominally, we've had a 37% return over the last five years on that business. So 37% of \$315 million, call it, \$100 million, \$110 million divided by 250 million gallons, you need \$0.40. So nominally or notionally, we're saying we're going to – we will earn a \$0.40 premium to road diesel. That's number one.

Number two, we're going to take 250 million gallons off of the road diesel market, which should benefit things, right. That's equivalent to like two or three plants that are being built out there. And then, ultimately, we're starting to see, because there's only one producer of the product in the world out of Finland, Neste, and their Singapore plant is just ramping up. But the margins there are well in excess of \$0.40 above road diesel right now.

So it's really, really exciting. And I'll give you the tidbit of number – SAF plant number two is being engineered right now. We just see that as – we've been the first mover in July of this year. We'll celebrate 10 years in the renewable diesel business. You sit here and listen to some of these folks up here and you feel like renewable diesel was just invented yesterday. We've been around 10 years. And so now we're going to be the first mover to the next horizon. And I think SAF has plenty of runway ahead.

Andrew Strelzik Analyst, BMO Capital Markets Corp.	Q
I have way too many questions here to ask you, but	
Randall C. Stuewe Chairman & Chief Executive Officer, Darling Ingredients, Inc.	Д
You have 22 of them.	
Andrew Strelzik Analyst, BMO Capital Markets Corp.	Q

BMO Global Farm to Market Conference



Yeah, it's too many. So let's talk about the operating environment. 1Q was more challenge, 2Q is obviously much better. When you think about the earnings trajectory from here, starting 2Q and forward, is there anything that keeps you from capturing what we think the numbers might look like, or what you can calculate, or what have you? I guess, what are the risks as you see it? Because it looks pretty darn attractive.

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

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So people learn how I operate the company. We don't write a memo. I don't hold very many meetings, one a month. I don't do – I hate Zoom calls. And so we get together about the 10th of the final of the next month and go through the prior month's performance. And so we completed April. And everything looks pretty much on target. Fat prices are weaker. That's pretty obvious out there. Diamond Green Diesel margins are very solid right now.

And so it feels – as long as we execute and I know that's a cliché word, we should be okay as we go forward here. To be up \$100 million quarter-over-quarter, as Brad reminded me, he said, our second quarter is going to be our fifth best year. Fifth best year. Okay. But as we look at it, it's pretty exciting time. We're watching – I'll give you the macros around the world. The recession is real in a sense of people trading down meat. You heard it from Tyson. Clearly, people are spending – tightening their belts where they have to. We're seeing – and this was also the fallout of two years of – two-and-a-half years of a commodity super-cycle, \$6 corn and \$400 and \$500 soybean [indiscernible] (36:48) animals.

And so we're seeing things rationalize out there. It won't be material on our business, but it's real right now. We're seeing petroleum prices, they came off, they are in mid-70s now. When petroleum prices have triple-digits, you see a lot of veg oil – and like in Malaysia and Indonesia disappear into it. So you're seeing fertilizers come down. So fertilizers now being put on the palm oil trade. You're just seeing a world rebalance after a super-cycle.

And so it's really – it'll be fascinating as we go forward here. But it lasts one to two years and then you go forward. But no, we look at the second quarter, we look at – third quarter is always a little bit of a challenge out there from the standpoint of weather in our business. But otherwise, it's a rock solid year so far.

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

If you look at your capacity as it sits today, and to kind of annualize it or try to think of the earnings power on today's capacity, given the Gelnex acquisition, Valley has to ramp, all of those different things. But what is the kind of – we'll stick with EBITDA for now, at least. The EBITDA potential of this business with the capacity as it stands today, once you get it to where you want to be?

Randall C. Stuewe

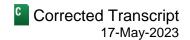
Chairman & Chief Executive Officer, Darling Ingredients, Inc.



Yeah. And that's always a point-in-time calculation. So as we reaffirmed our \$1.8 billion guidance for the year, added \$75 million for Gelnex. And so where did Randy come up with that number? It was their run rate last year, minus about a \$20 million mark-to-market inventory purchase accounting thing that will happen in second quarter and then operating for seven months. And that's \$75 million.

So \$1.875 billion minus \$418 million in Q1 divided by 3 says you need to run \$485 million a quarter to make that. And so we don't see anything wavering from that. Second quarter, it's always hard to call this thing linear. But right now, Diamond Green Diesel margins have moved from basically \$1 to \$1.5, maybe \$1.75 a gallon. It's all feedstock-related. Feedstock in Q1, I think, averaged \$0.72. I think will be down in the mid – low \$0.60s by the

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end of Q2. And that's about as far out as you can be right now. So that \$0.10 differential is \$0.85 a gallon. And if you capture half of that, that's where we're coming with it. Now, when you do that math and you add it to our base business, it says it could be greater than the upper end of the range. But I'm trying to be conservative. That's the middle initial, you see.

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

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There you go. I want to do one more thing here. You were asked at this conference either a year or two ago what gets you excited? And so I want to revisit that question this year. Based on the assets today, it looks like you're tracking towards again EBITDA, that's like 5x what it was five years ago, right? So much has gone on and gone right with this business. So what gets you excited now?

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.



No, I still love the business. And for those, I turned 60 last summer, I want to go for another five years. I got a new COO sitting over there, Matt Jansen, and I've been partners with for 20-plus years or 25 years. That's going to help me. Number one challenge I have in the business is succession planning long term, and bringing talent to the globe.

And we just still look at – I started this out more of the same. And there's just so much to do. And at the end of the day, we've got such a great team. We've got such a great reputation. And it's just – what do I see? I see a Diamond Green Diesel 4. I know I'm going to get in trouble with Valero on that, but that's okay. I don't mind getting in trouble. You guys know that by now. I see the world us building out more and more assets. There's just so much to do. 17% doesn't seem like my fair share of the world yet. And so we'll just keep doing it.

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

Great. We'll go ahead and leave it there. Thank you very much. We really appreciate it.

Randall C. Stuewe

Chairman & Chief Executive Officer, Darling Ingredients, Inc.

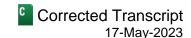
All right. Thank you.

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

Thank you. It's good to have you, Randy.

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