

2013 Denver Food Symposium

Managing Volatility in a Value Economy

Wells Fargo Securities

January 23, 2013



DAR
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North America's oldest, largest and most innovative recycling solutions company serving the nation's food industry

DARLING
INTERNATIONAL

Forward-Looking Statements

This presentation contains forward-looking statements regarding the business, operations and prospects of Darling and industry factors affecting it. These statements are identified by words such as “may,” “will,” “begin,” “look forward,” “expect,” “believe,” “intend,” “anticipate,” “should,” “potential,” “estimate,” “continue,” “momentum” and other words referring to events to occur in the future. These statements reflect Darling's current view of future events and are based on its assessment of, and are subject to, a variety of risks and uncertainties beyond its control, including disturbances in world financial, credit, commodities and stock markets; potential changes in national and foreign regulations affecting the company's products; a decline in consumer confidence and discretionary spending; the general performance of the U.S. and global economies; global demands for bio-fuels and grain and oilseed commodities, which have exhibited volatility, and can impact the cost of feed for cattle, hogs, and poultry, thus affecting available rendering feedstock; risks, including future expenditure, relating to Darling's joint venture with Valero Energy Corporation to construct and complete a renewable diesel plant in Norco, Louisiana and possible difficulties completing and obtaining operational viability with the plant on a timely basis, or at all; risks relating to possible third party claims of intellectual property infringement; risks associated with the development of competitive sources for alternative renewable diesel or comparable fuels; challenges associated with the Company's ongoing enterprise resource planning system project; economic disruptions resulting from the European debt crisis; and continued or escalated conflict in the Middle East, each of which could cause actual results to differ materially from those projected in the forward-looking statements. Other risks and uncertainties regarding Darling, its business and the industry in which it operates are referenced from time to time in the Company's filings with the Securities and Exchange Commission. Darling is under no obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

This presentation also contains information about Darling's adjusted EBITDA, adjusted net income and adjusted earnings per share, which are not measures derived in accordance with GAAP and which exclude components that are important to understanding Darling's financial performance. Investors should recognize that these non-GAAP measures might not be comparable to similarly titled measures of other companies. These measures should be considered in addition to, and not as a substitute for or superior to, any measure of performance, cash flows or liquidity prepared in accordance with accounting principles generally accepted in the United States.

Darling International is the



Oldest

A Family Heritage

- ▶ Darling & Co. was founded in 1882 by the Swift and Darling families to meet the needs of the growing Chicago meat-packing industry.
- ▶ Over 130 years old
- ▶ Listed as 984 on Fortune 1000
- ▶ Fastest growing public company in Dallas, TX



Largest

National Presence

- ▶ Over 120 locations
- ▶ Servicing all 50 states
- ▶ Largest rendering company in US
- ▶ Largest bakery residual recycler in North America
- ▶ Largest used cooking oil recycler in North America
- ▶ Top organic fertilizer company
- ▶ Operating one of the largest private trucking fleets in US
- ▶ Approximately 3,300 employees



Most Innovative

Pioneers

- ▶ **1998** - Began the country's first continuous biodiesel plant utilizing waste greases
- ▶ **2013** – Startup of the nation's largest animal fat to hydrocarbon recycling facility, designed to produce 9,300 barrels of renewable diesel per day
- ▶ **2013**– Commissioning “first of a kind” waste extraction unit

recycling solutions company
serving the nation's food industry

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A History of Transition

Soap &
Fertilizer

Fertilizer &
Feed

Feed, Fuel, and
Fertilizer

Feed

Animal Fats, UCO, Proteins

- Commodity ingredients
- Specialized pet food ingredients
- Custom aquaculture ingredients

Fuel

Animal Fats, UCO

- Boiler fuels
- Biodiesel
- Renewable diesel (green diesel)

Fertilizer

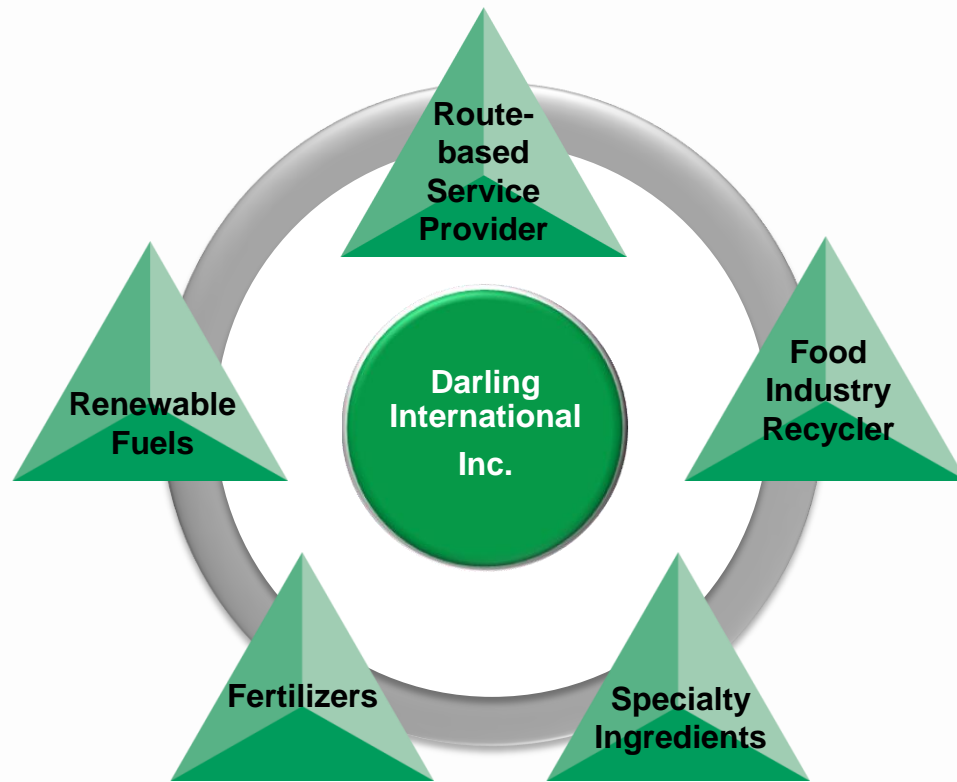
Enriched Animal Proteins

- Organic fertilizer

UCO – Used Cooking Oil









Our Reporting Segments & Business Model

Rendering

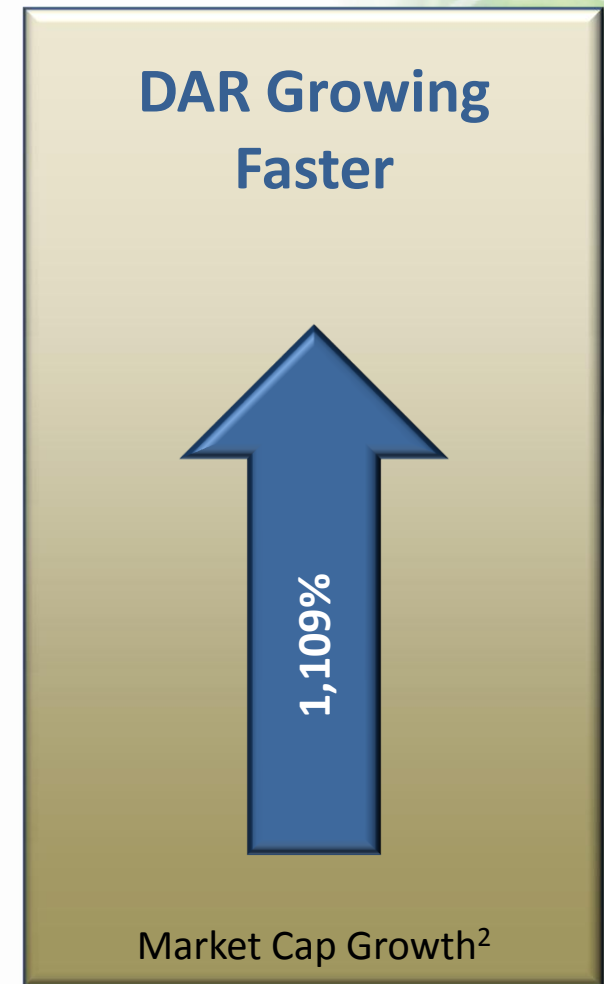
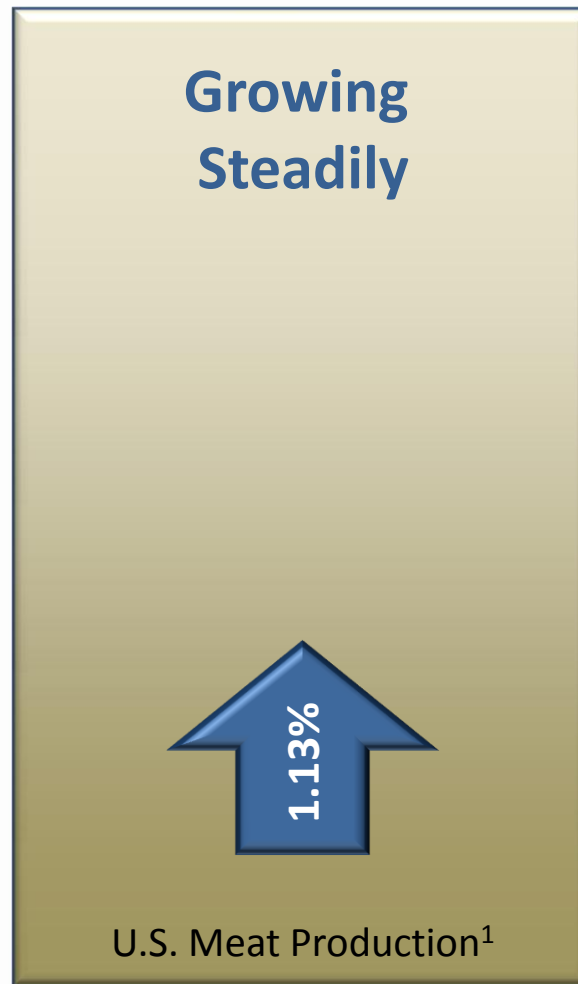


Bakery

What sets DAR apart?

Differentiator	DAR	Integrated	Regionals
National Presence (over 120 locations)			
Integrated Trucking			
Value-Added Focus			
Multi-Specie Plants			
Integrated Biofuels			

Room to Grow Base Business

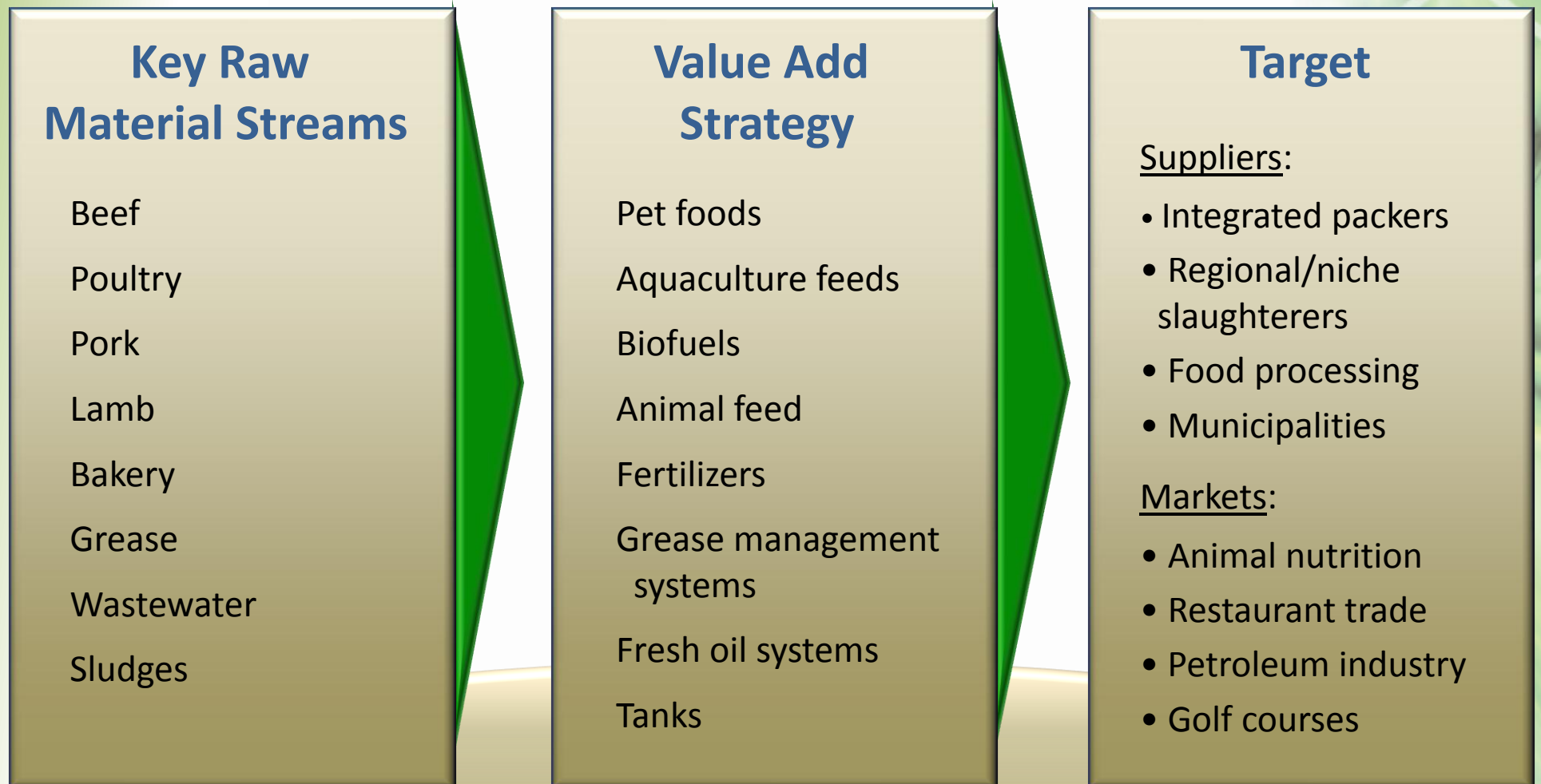


Note 1: USDA 10-yr CAGR in millions lbs

Note 2: Darling 10-yr Market Cap Growth

Our Value Proposition

Transforming waste streams into value-added ingredients



200,000+ Customers/Suppliers

Our Performance Profile

- 1 National Presence
- 2 Integrated Supply Chain with Built-in Margin Management
- 3 Exceptional Customers and Suppliers
- 4 Solid Margins
- 5 Passionate about Growth

**Superior Return
to Shareholders**

1 National Presence

Darling Rendering – *Processing and Transfer Facilities*



Darling Bakery

Processing and Transfer Facilities



Bakery Industry

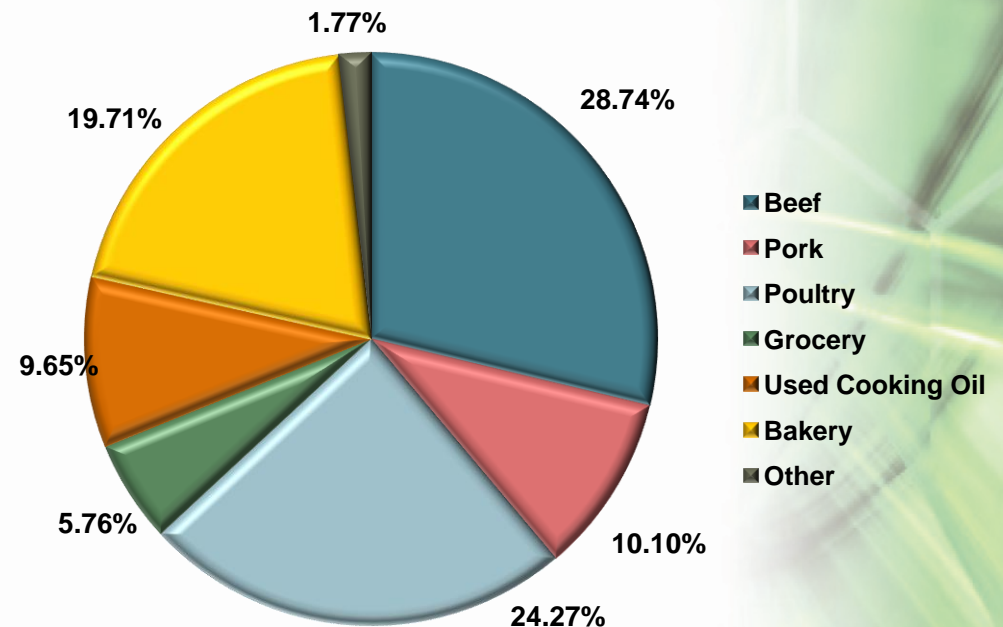
- ♻️ Approximately 3.0 million tons of bakery residuals are created annually
- ♻️ Servicing commercial baking, snack, cookie and cracker producers
- ♻️ Additional food safety regulations and traceability should help “scrape” rates grow

2 Integrated Supply Chain with Built-in Margin Management

Revenue Business Model

Raw Material/Finished Products

- ♻️ Diversified supply of raw material
- ♻️ Approximately 75% of our raw material is procured under a processing agreement, whereby margins are established and the risk is shared. The balance is a “fee for service” business.



Revenue/Products

Raw Material %	Category	Industry Yield Factors (1)	Finished Product Available	Finished Products	
				Protein	Fat
28.74%	Beef	48%	13.80%	6.90%	6.90%
24.27%	Poultry	35%	8.50%	4.61%	3.89%
10.10%	Pork	42%	4.25%	2.12%	2.13%
9.65%	Used Cooking Oil	70%	6.75%	—	6.75%
5.76%	Grocery	45%	2.59%	1.30%	1.29%
1.77%	Other	35%	0.62%	0.31%	0.31%
80.29%	Rendering		36.51%	15.24%	21.27%
19.71%	Bakery			41.75%	58.25%
100.00%	Total				

(1) Will differ by raw material supplier and type of material

A Significant Portion has a “Built-In Margin”

How We Buy It

- ♻️ Industry has evolved to a shared risk procurement model
- ♻️ Pricing protocols reduce exposure to commodity price fluctuation and provide minimum margins
- ♻️ Raw materials procured under the following pricing arrangements:
 - Formula-based rendering (~70% of total raw material volume)
 - Used cooking oil (~45% of total raw material volume)
 - Bakery residual is 100% formula tied to corn (profit share)

Darling Formula Pricing Example

Indicative Formula Terms

Product	Finished price	Total yield
Animal Fats	\$40.00cwt	26%
Protein Meals	\$20.00cwt	22%

Note: Yield is based on individual supplier's historical yields and is adjusted as needed

Theoretical Finished Product Sales Value

Product	Finished price	Total yield	Value
Animal Fats	\$40.00cwt	26%	\$10.40
Protein Meals	\$20.00cwt	22%	\$ 4.40
Finished product sales value			\$14.80

Theoretical Darling (Charges)/Rebate to Supplier

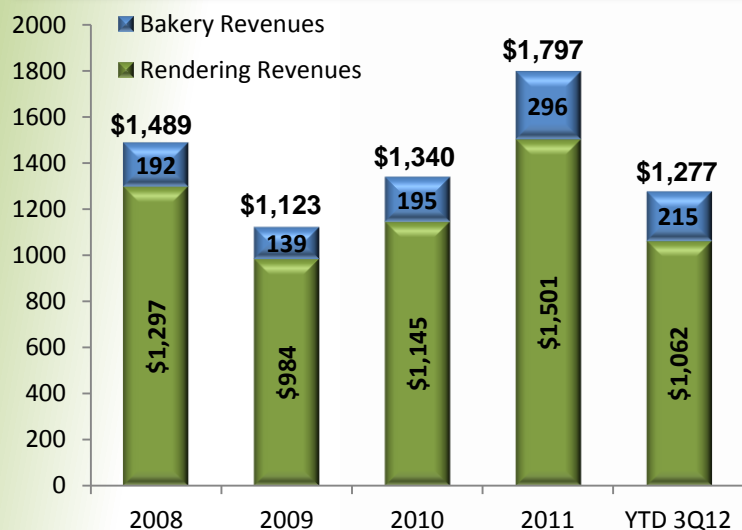
Darling conversion cost with Energy adjuster	(\$6.00)
Darling fixed margin	(\$1.50)
Total processing cost	(\$7.50)
(Charge) / Rebate to supplier per cwt	\$7.30

Source: Company Management

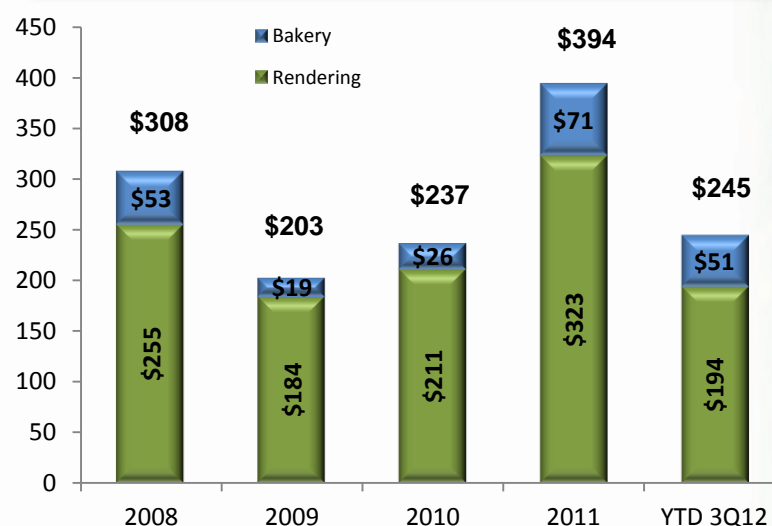
Note: When finished product sales value covers Darling's cost and fixed spread, a rebate to the supplier is generated. Conversely, when the finished product sales value is less than Darling's cost and fixed spread, the supplier is charged for the difference.

Darling Historical Financials (Segments)

Revenue (\$mm)



EBITDA (\$mm)



	EBITDA % of Revenue				
	2008	2009	2010	2011	YTD 3Q12
Bakery	26.8%	13.7%	13.3%	24.0%	23.7%
Rendering	19.7%	18.7%	18.4%	21.5%	18.3%
Total Company	20.7%	18.1%	17.7%	21.9%	19.2%

Revenue

(\$ Millions)

Revenue (\$MM)	2008	2009	2010	2011	YTD 3Q12
EBITDA (% Sale)	20.7%	18.1%	17.7%	21.9%	19.1%
Revenue	\$1,489	\$1,123	\$1,340	\$1,797	\$1,277
EBITDA	\$308	\$203	\$237	\$394	\$244
	\$1,489		\$1,340		
	<u>(1,123)</u>		<u>1,797</u>		
	366		457		
	x .30	\$308	x .30	\$237	
	<u>(\$109)</u>	<u>(109)</u>	\$137	<u>137</u>	
		<u>\$199</u>		<u>\$374</u>	

Factors:

- Finished product prices
- Raw material volume/yield
- Energy
- Operating costs – collection & factory

3 Exceptional Customers & Suppliers

Exceptional Customers & Suppliers



TARGET

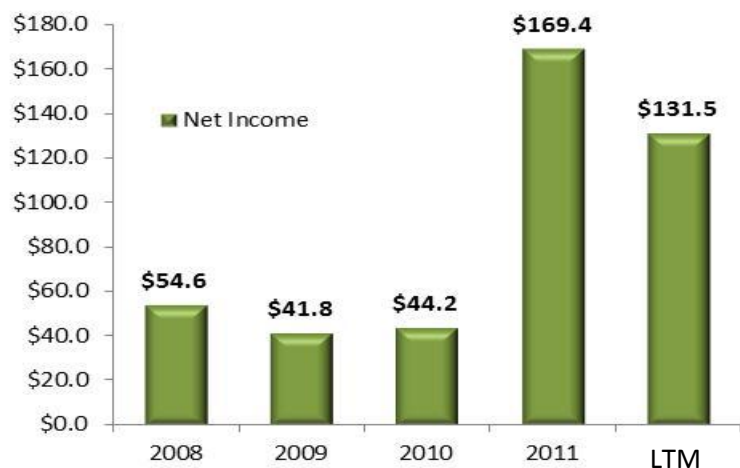


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4 Solid Margins

5-Year Earnings, EPS and Cash Flow

Net Income (US\$ millions)



EBITDA (US\$ millions)

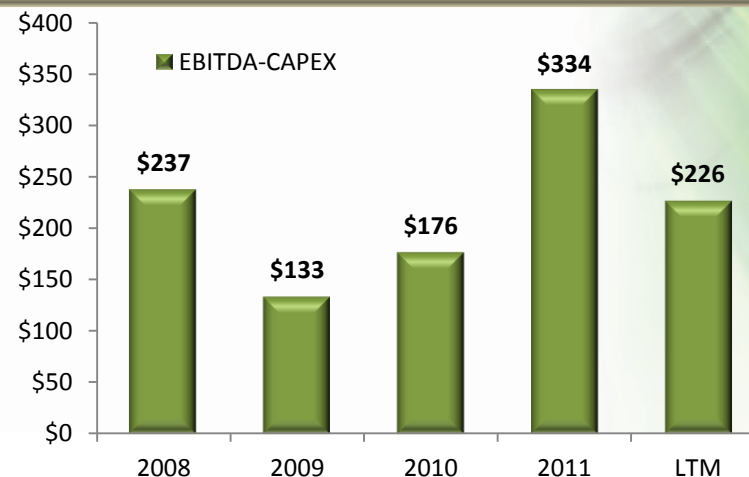


Note: 2008-2010 EBITDA numbers include proforma of Griffin Industries

Earnings Per Share (US \$'s)

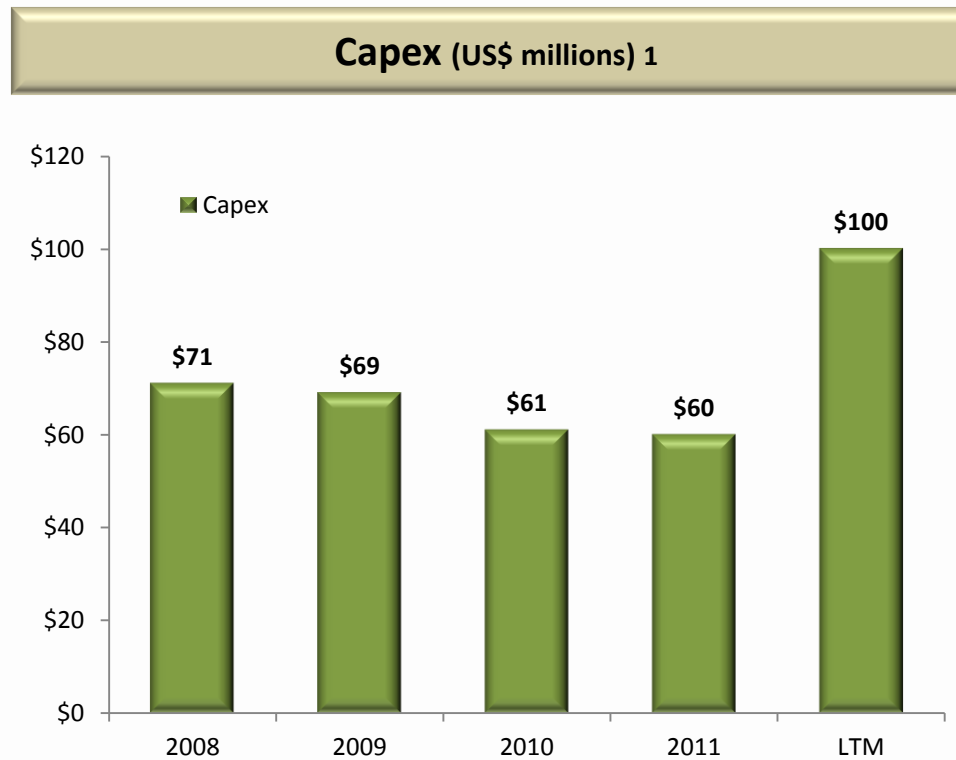


EBITDA – CAPEX (US\$ millions)



Note: 2008-2010 EBITDA- CAPEX numbers include proforma of Griffin Industries

Historical Financials - Capex



Note: 2008-2010 includes combined proforma of Griffin Industries

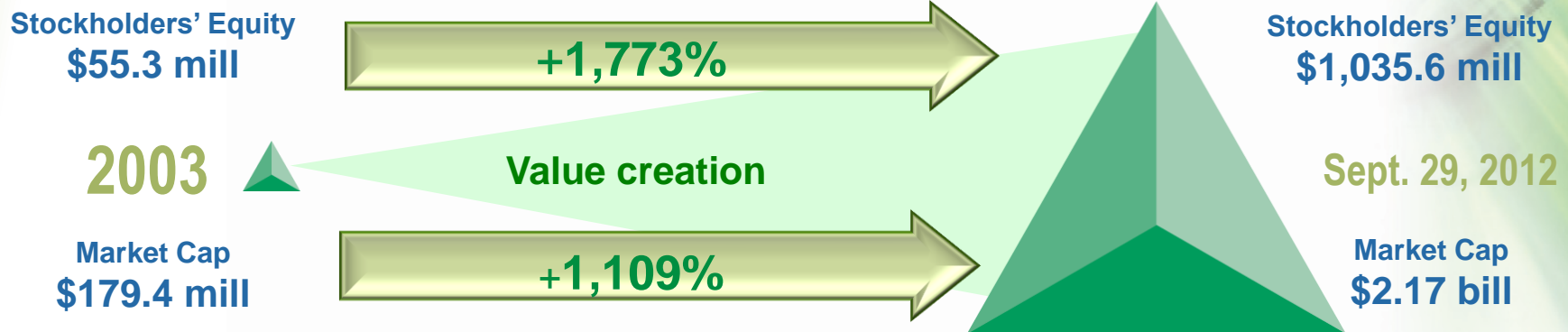
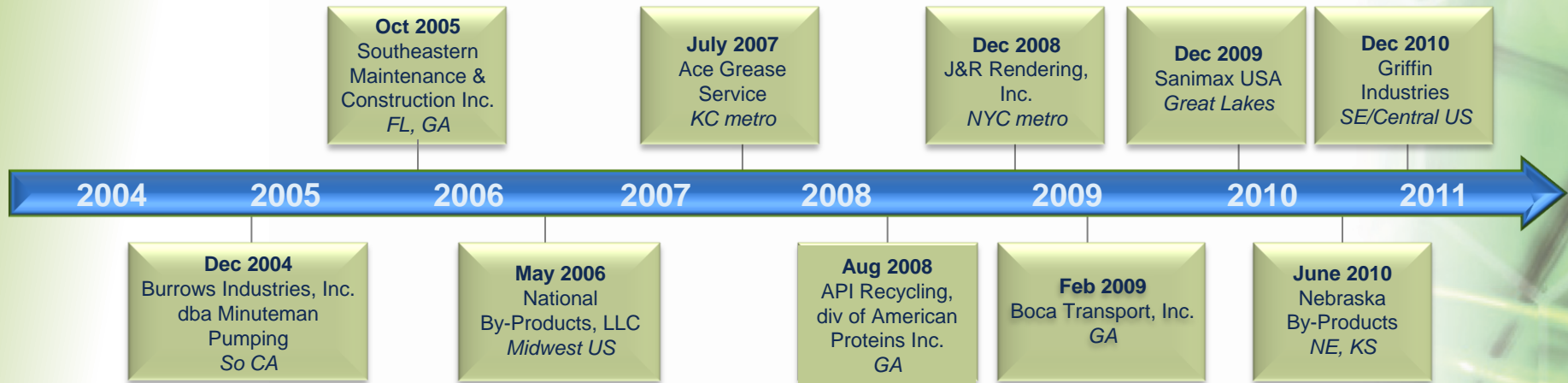
Source: Company Management

¹ Griffin capex includes capex and investments, including acquisitions.

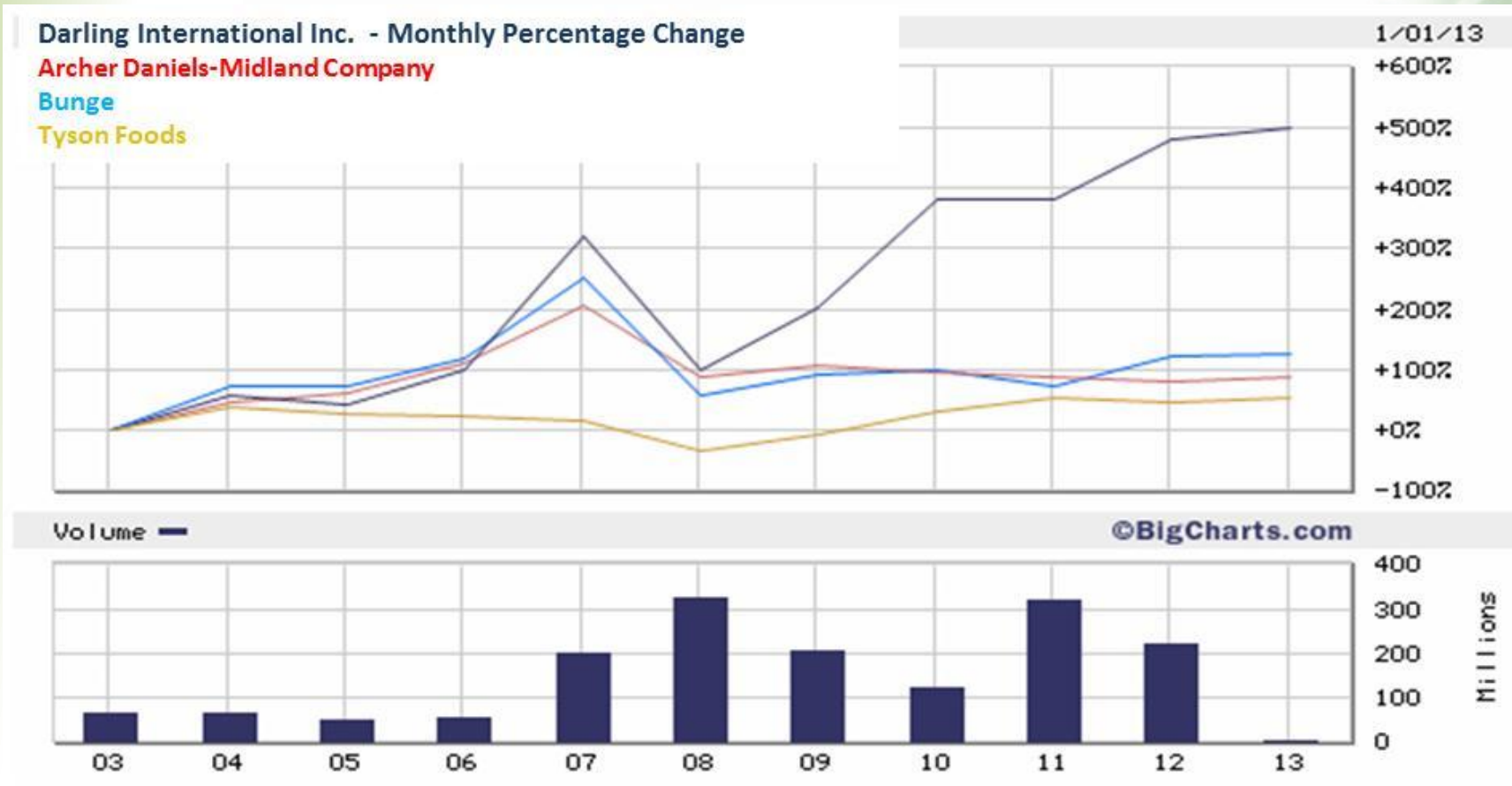
5 Passionate About Growth

Passionate About Growth

Since 2003, Darling has acquired and integrated 10 companies investing over \$1.1 Billion



10 Years of DAR Growth

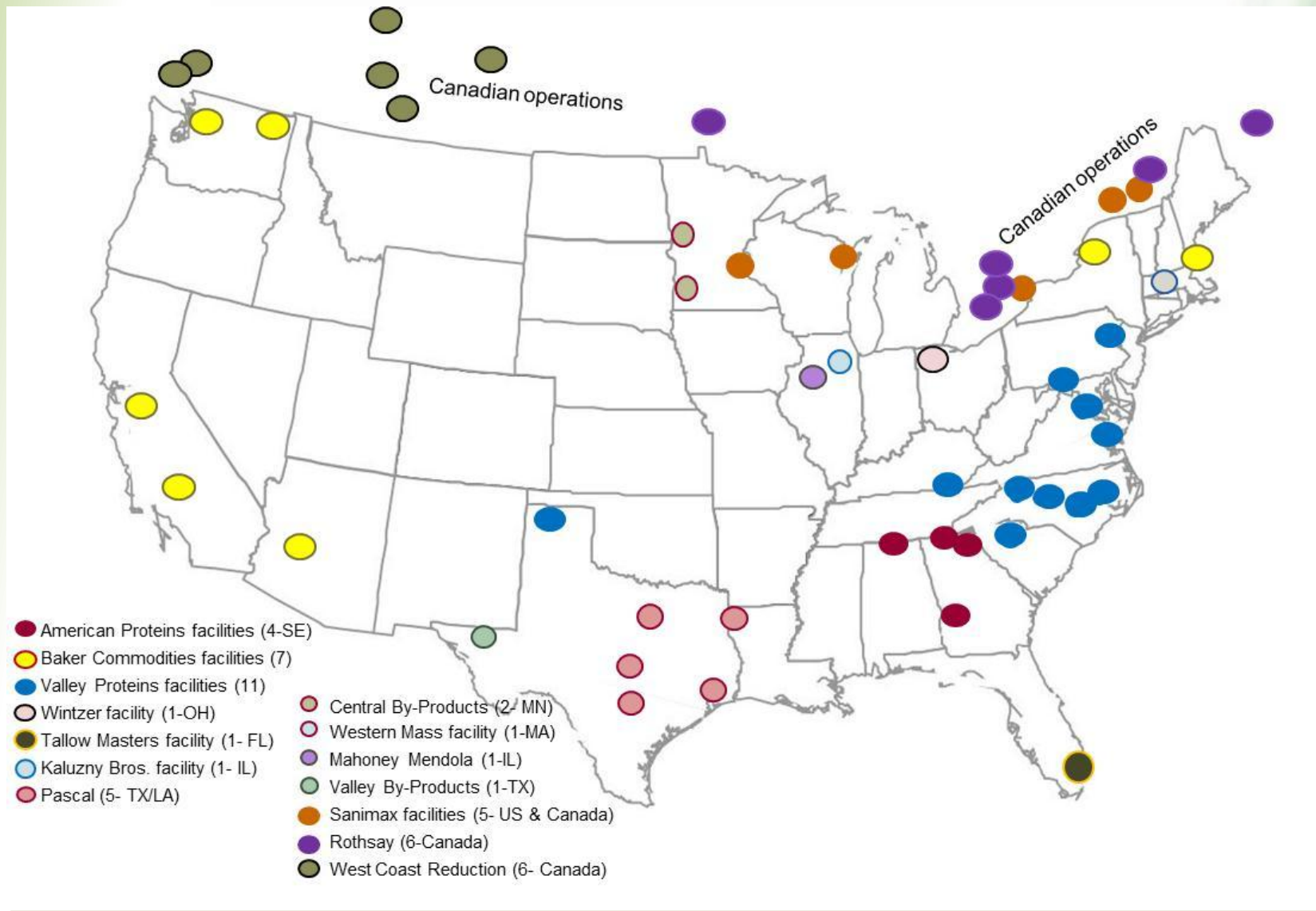


Areas for Growth Focus

- ♻️ Acquisition of other independent rendering companies
- ♻️ New locations for recycling Bakery residuals
- ♻️ Integrated oil delivery systems
- ♻️ Hexane extraction fat recovery
- ♻️ Expansion of Diamond Green Diesel



Rendering Companies – *Growth Opportunities*



Fresh Oil System

Integrated Oil Delivery & Removal



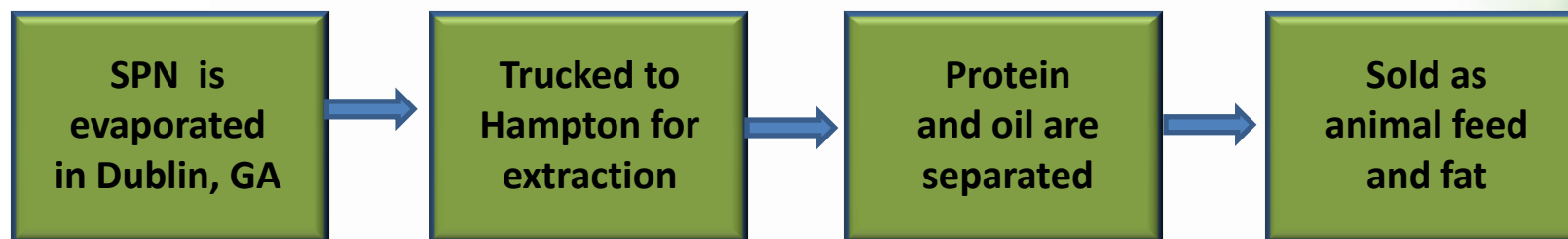
- ♻️ Small footprint
- ♻️ Additional storage
- ♻️ Delivers fresh oil
- ♻️ Monitors usage
- ♻️ Collects used oil

Hampton Extraction Plant



Secondary protein nutrients (SPN), also called dissolved air flotation (DAF) float or skimming's, is a wastewater byproduct that is produced by the poultry industry. Today a majority of this product is land applied.

We estimate several billion pounds of this product is available annually.





Diamond Green Diesel

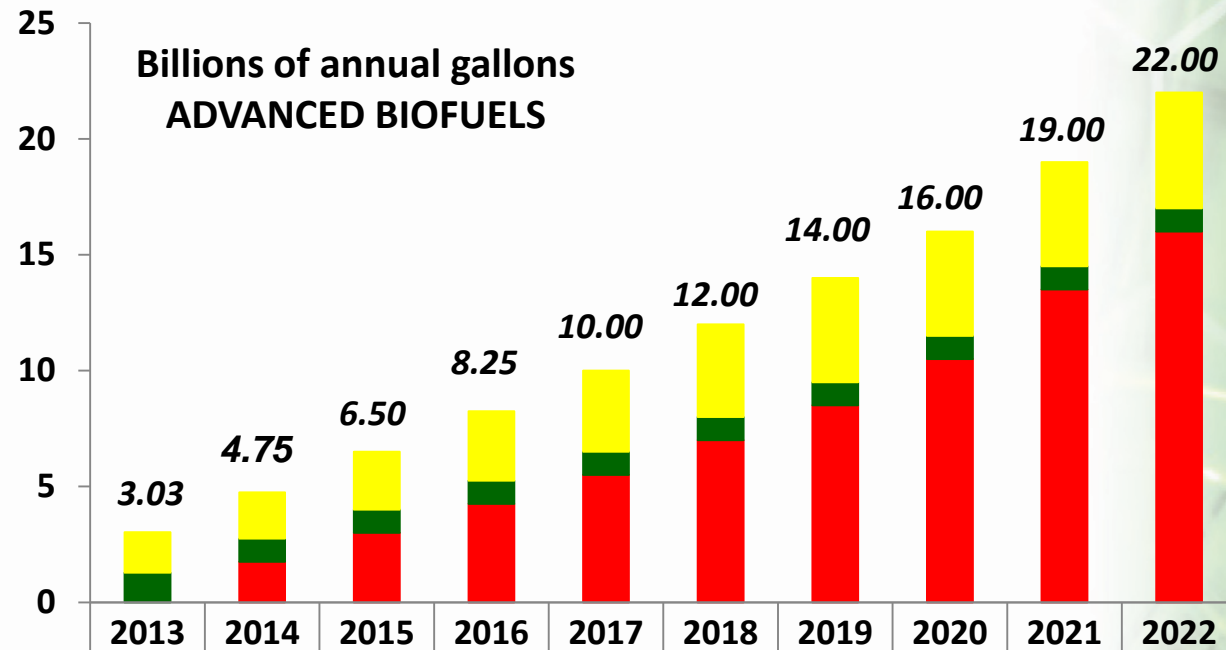
Why DGD is Being Built

- ♻️ **Most economical feedstock** available – 1.135 billion pounds annually
- ♻️ DGD will be the **low cost producer** of the **highest quality product** capable of fulfilling RFS2 biomass-based diesel mandate
- ♻️ D-975 diesel fuel is capable of distribution using **existing infrastructure**
 - 136.7 million gallons renewable diesel annually
 - 21.7 million gallons of LPG's and Naphtha



RFS2

The Bedrock

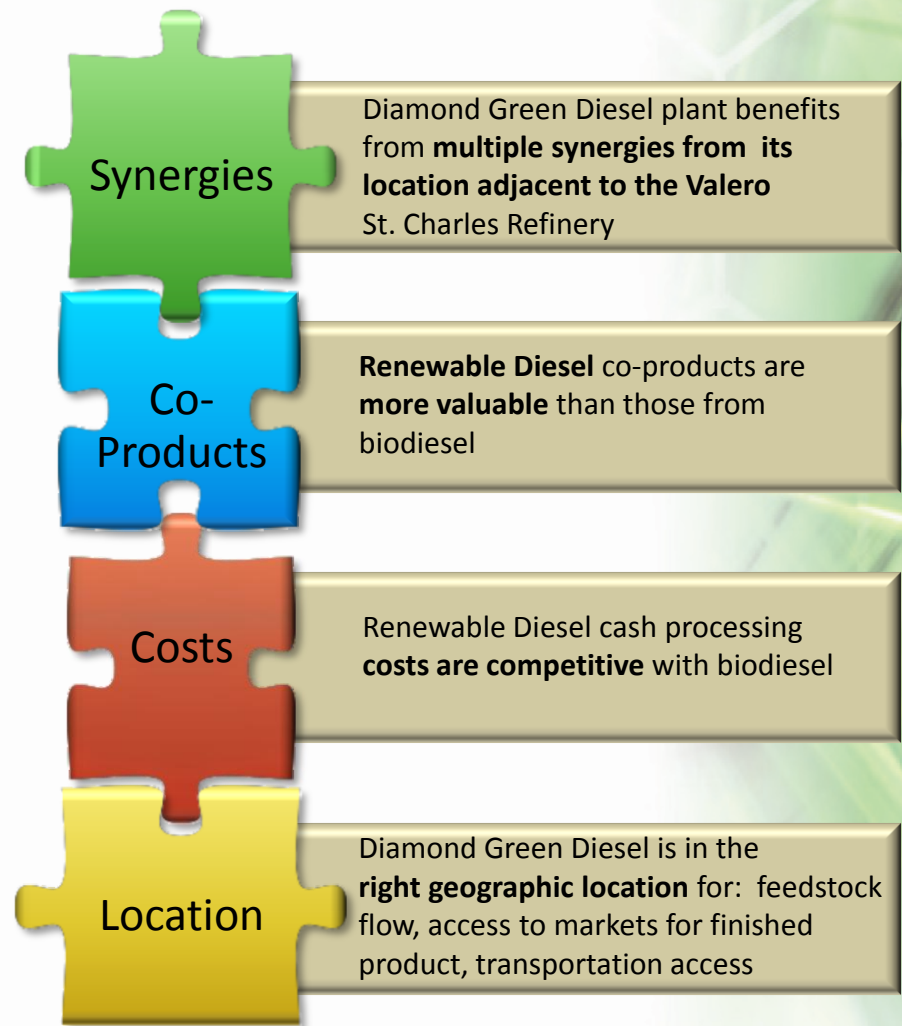
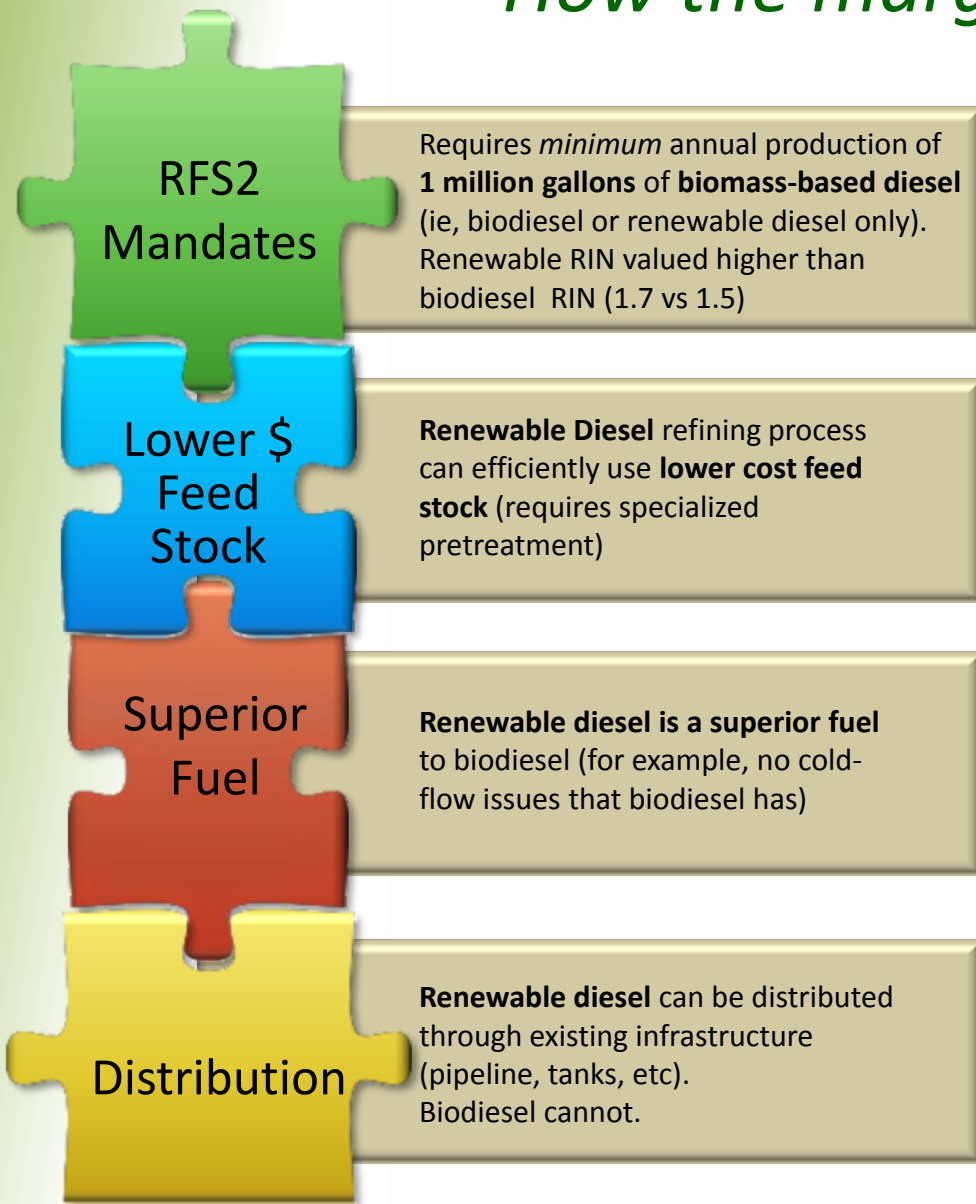


Undifferentiated Advanced Biofuel	1.75	2.00	2.50	3.00	3.50	4.00	4.50	4.50	4.50	5.00
Biomass Based Diesel	1.28	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Cellulosic	0	1.75	3.00	4.25	5.50	7.00	8.50	10.50	13.50	16.00

- Biomass-based diesel increased to 1.28 billion gallons in 2013
- Biomass-based diesel may be used to fulfill undifferentiated category

DGD Margin Foundation

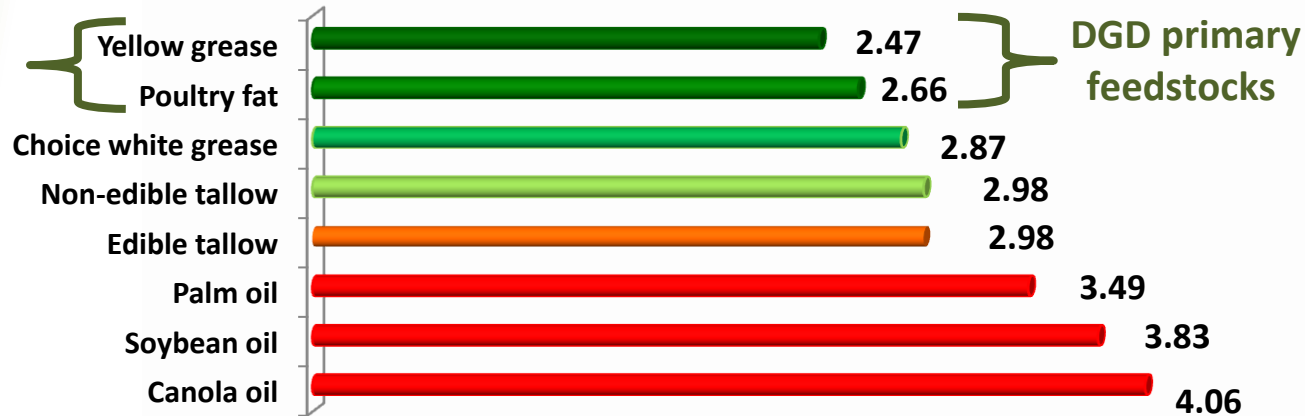
How the margins are created



DGD Feedstock & Processing Advantage

FEEDSTOCK

Cost per gallon of Biofuel
2007-2012 Average Prices (\$)



PROCESSING

Hydrogen vs. methanol

	2012 Cost/gallon (\$)
DGD	.12
Biodiesel	.16

Energy efficiency

Although DGD utilizes much higher pressure and temperature than for biodiesel processing, the process is exothermic – heat generated from the process results in very little actual energy usage during processing

DGD Margin Equation

The Bottom Line

(\$ per gallon 2012 average)

Item	DGD Renewable Diesel	Advantage To:	Biodiesel (Midwest Soybean)
Diesel Fuel Price	3.06	↔	3.06
RIN's Value	1.87 (1.7 multiplier of 1.10)	←	1.65 (1.5 multiplier of 1.10)
Distribution Cost/Discount	(0.07)	←	(0.22)
Fuel Value @ Plant	4.86	←	4.49
Co-product Value	0.325	←	0.09
TOTAL REVENUE	5.18	←	4.58
Raw Material Cost Delivered Plant	3.70	←	4.32
Processing Aids	0.12	←	0.16
Cash Processing Cost	0.26	↔	0.26
TOTAL PROCESSING COST	4.08	←	4.74
EBITDA	1.10	←	(0.16)

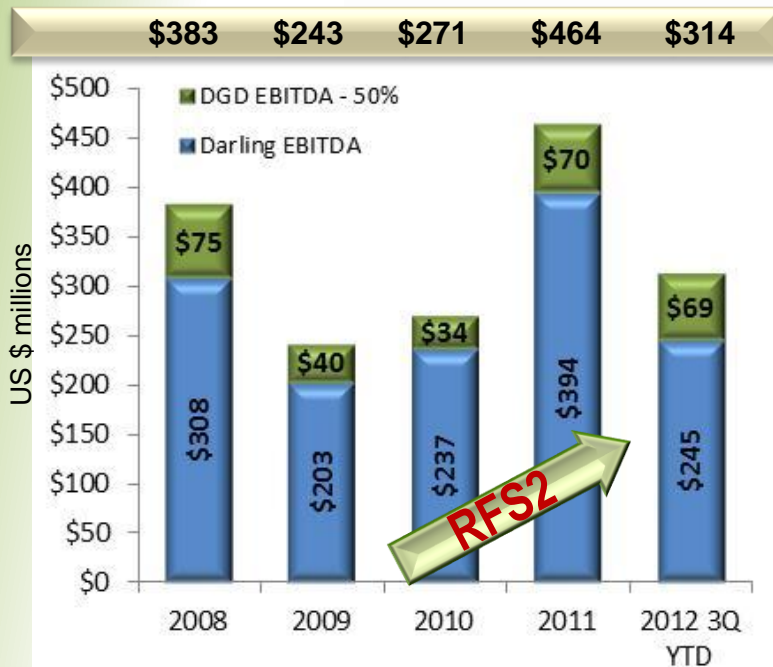
DGD RENEWABLE DIESEL has the ADVANTAGE in:

RIN's value (.22); distribution cost (.15); co-product value (.235);
raw material (.62); and processing aid (.04)

Note: Above proforma assumes revenue, feedstock and production costs are consistent with projections from 2012 averages.

DAR EBITDA & Pro Forma DGD EBITDA

Diamond Green Diesel... Creating a New Market



Above pro forma assumes revenue, feedstock and production costs are consistent with projections

2012 – 3rd Qtr. Average Pricing & Estimation

Blended Fat Price + Freight =	\$ 0.4432 / lb.	
283,750,000 lbs. x 0.4432 =	\$125,758,000	
\$125,758,000 / 34,175,000 gallons =	\$3.68 / gal.	Feedstock Cost
Gulf Wholesale #2 LSD =	\$ 3.07 / gal.	
Renewable Diesel RIN Multiplier 1.70 :	+ \$ 1.80 / gal.	
	<u>\$ 4.87 / gal.</u>	
Est. Revenue By-products:	+ \$ 0.29 / gal.	
	\$ 5.16 / gal.	Revenue Price
	(\$ 3.68 / gal.)	Feedstock Cost
(Q3 production) 34,175,000 gallons	(\$ 0.38 / gal.)	Production Cost
x \$ 1.03 / gal.	(\$ 0.07 / gal.)	Distribution Cost
EBITDA	\$ 35,200,250	\$ 1.03 / gal. Profit

\$17,600,125 Darling 50%

Based on 1.135 billion lbs. annual feedstock and 136.7 million gallons of renewable diesel

Diamond Green Diesel Pro Forma EPS

	Fiscal 2011	3rd Q 2012
EPS - DAR	\$1.47	\$0.31
DGD Pro forma (1)	\$0.30	\$0.07
EPS	\$1.77	\$0.38

(1) DGD pro forma: (EBITDA minus interest, depreciation and taxes)



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Q&A

