

**BUY DAR**  
Current Price:  
\$64.85



Expected Price:  
\$95



Upside:  
47%

**BUY: Darling Ingredients Inc (NYSE: DAR)**



**Consumer Staples Sector**

**Sector Head:** Gaby Knafelman

**Junior Analyst:** Torrey Jacobson-Evans

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# Agenda

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Company Overview

Industry Overview

Investment Thesis

Valuation

Risks and Mitigants

# Company Overview

## Business Model

Leading developer and producer of sustainable natural ingredients from edible and inedible bio-nutrients

Sells to producers of animal feed, pet food, biofuel, fertilizer, and other consumer and industrial products

Over 200 locations worldwide in over 15 countries spanning over 5 continents

## Industries Served

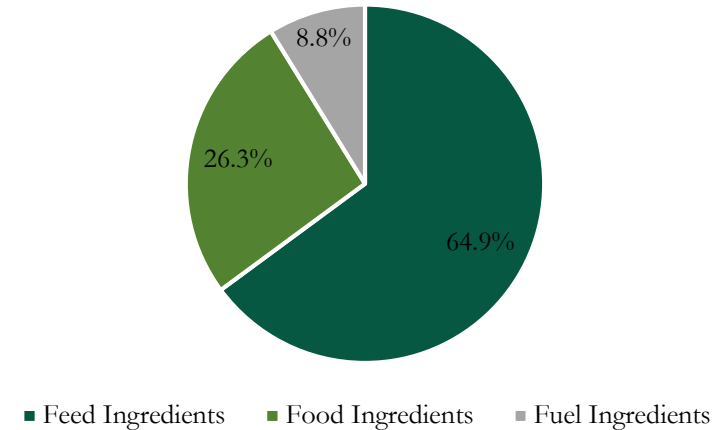
- 1** *Health*
- Medical
  - Pharmaceutical
  - Nutraceutical

- 2** *Nutrients*
- Human
  - Animal
  - Plant & Soil

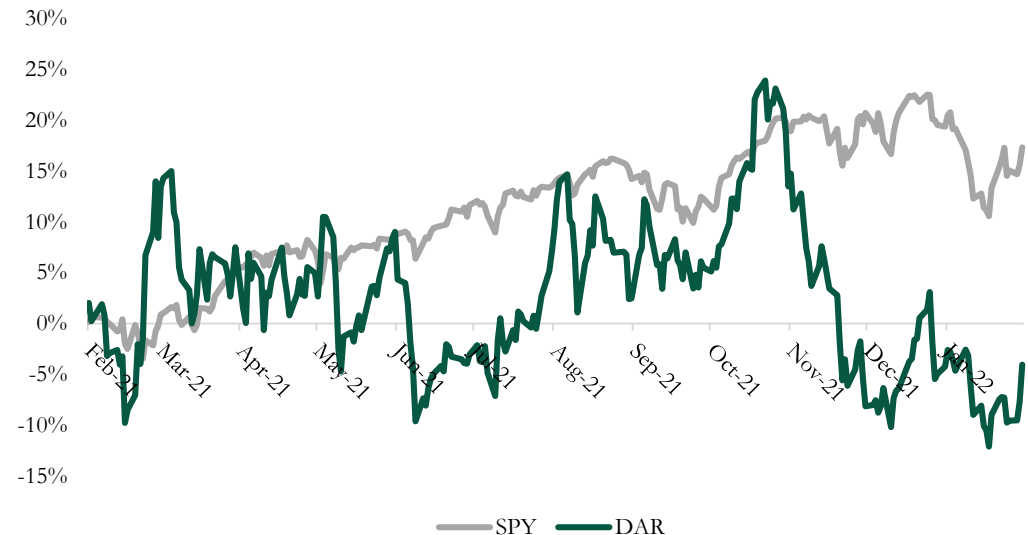
- 3** *Bioenergy*
- Manufacturing
  - Energy

- 4** *Services*
- Agriculture
  - Food

## Revenue Breakdown



## Historical Stock Performance



# Industry Overview

## Exposure to Various Industries

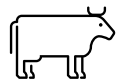
### 1 Animal Processing

The meat and poultry industry is the largest segment of U.S. agriculture, with meat production totaling around 60 billion lbs

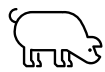
### 2 Renewable Diesel

Renewable diesel production growth is driven by higher state and federal targets for renewable fuel and conversion of existing petroleum refineries into renewable diesel refineries

## U.S. Animal Agriculture Annual Processing Volume



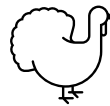
35.81 million



123.68 million

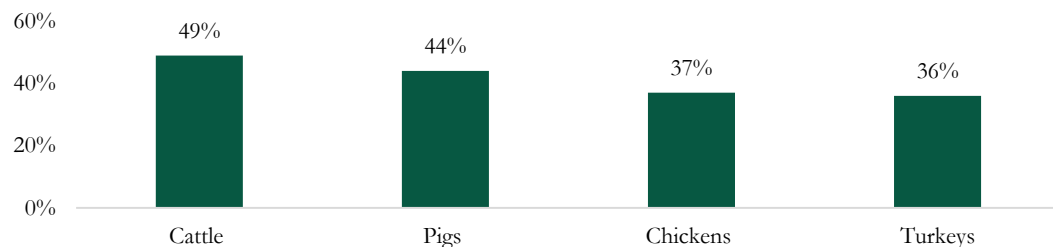


7.95 billion

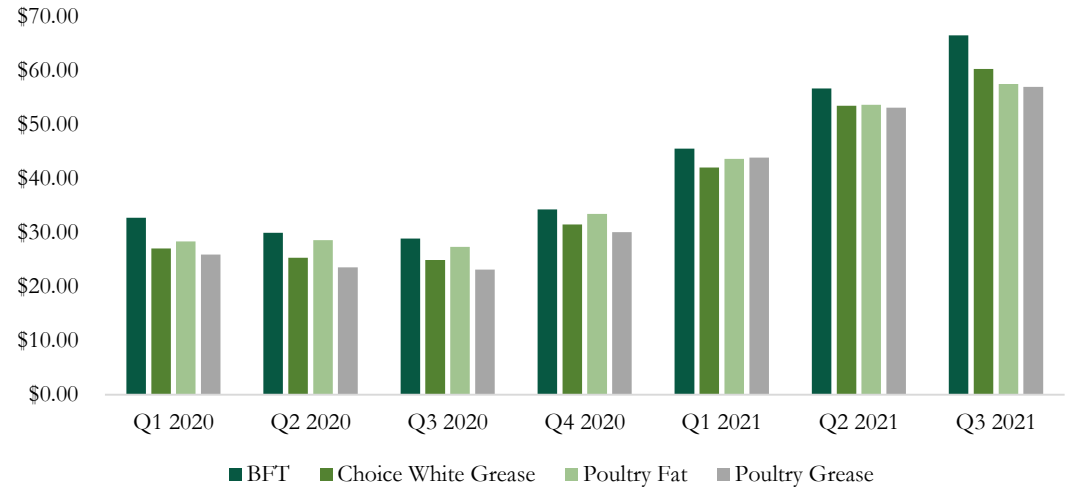


226.58 million

% Not Used for Human Food



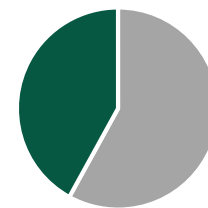
## Agricultural Supercycle – Animal Fat Prices



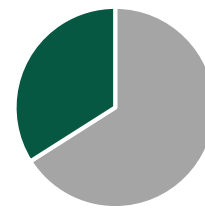
## Meat Production/Consumption

Meat production expected to increase to 376 million metric tons by 2030

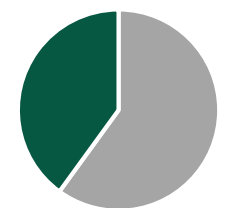
Cattle



Pigs



Chicken



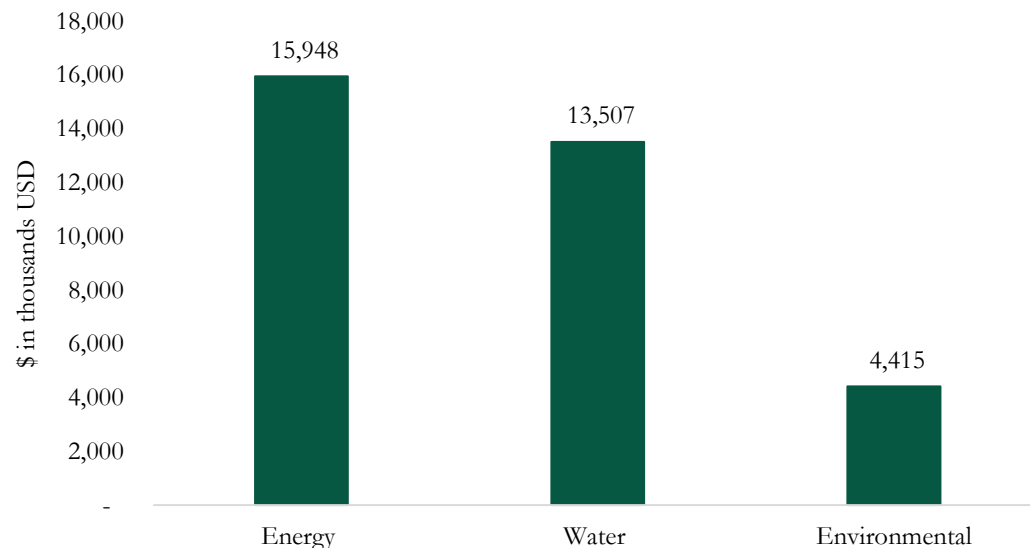
■ Edible Meat ■ By-Products

# Sustainable Ingredient Demand

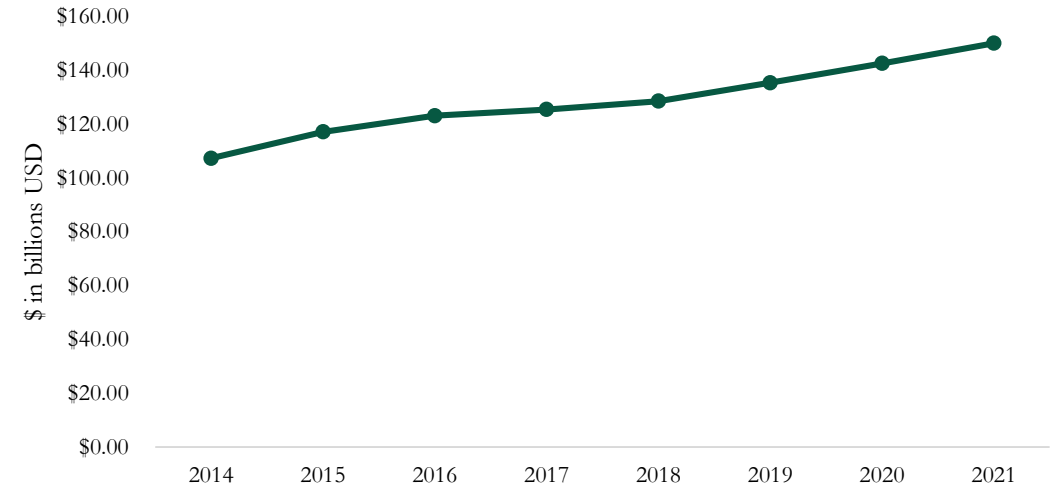
## Consumer Preferences



## Energy and Water Conservation



## Sustainable Product Sales in the U.S.



## Sustainable Production

Darling Ingredients has been named one of the 50 Sustainability and Climate Leaders

Known as the “original recycler” and stops more organic material from going to landfills than any other company

Only 8.8% of Darling’s total water withdrawal is located in water-stressed areas

Avoid ~2.5 million metric tons of CO2 emissions through production of renewable diesel

# Diamond Green Diesel

## Joint Venture with Valero Energy Corp

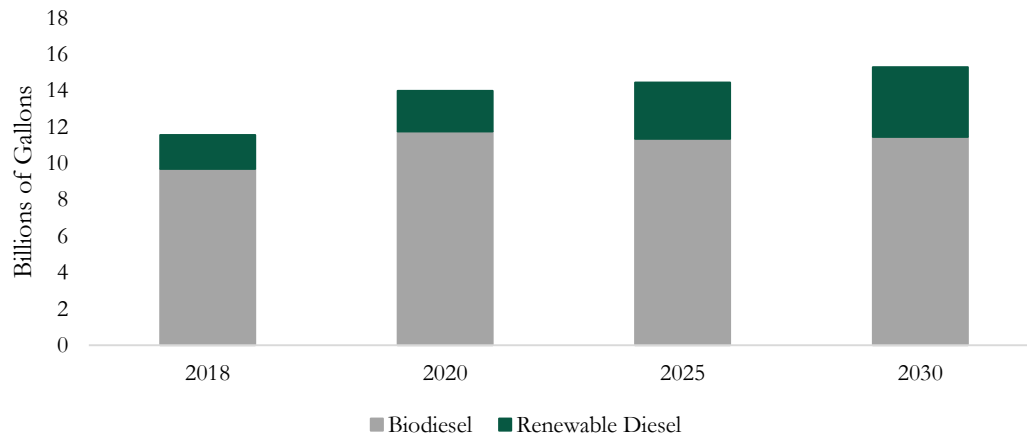
Diamond Green Diesel is the only vertically integrated renewable diesel producer

### Renewable Diesel

- Made from used cooking, rendered animal fats, and inedible corn oil
- Molecularly the same as petroleum-based diesel
- Pipeline ready
- Clean burning, no power efficiency loss
- Meets low carbon fuel standards

## World Biomass Based Diesel Usage

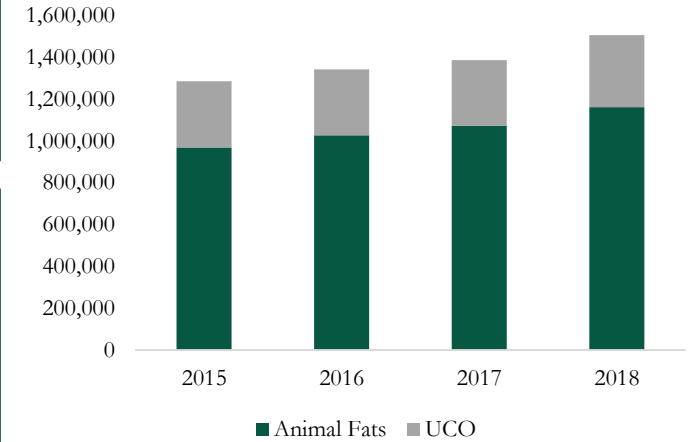
Renewable Diesel reduces GHG emissions by 85%



## Production Volumes (Metric Tons)

Darling is the leading processor of low CI feedstocks

93% of Darling's unused cooking oil and 49% of their animal fats goes to biofuel



## Facility Expansion

1

### DGD – Norco, LA

This facility is running at operating capacity, with the ability to produce up to 750 million gallons of renewable diesel production

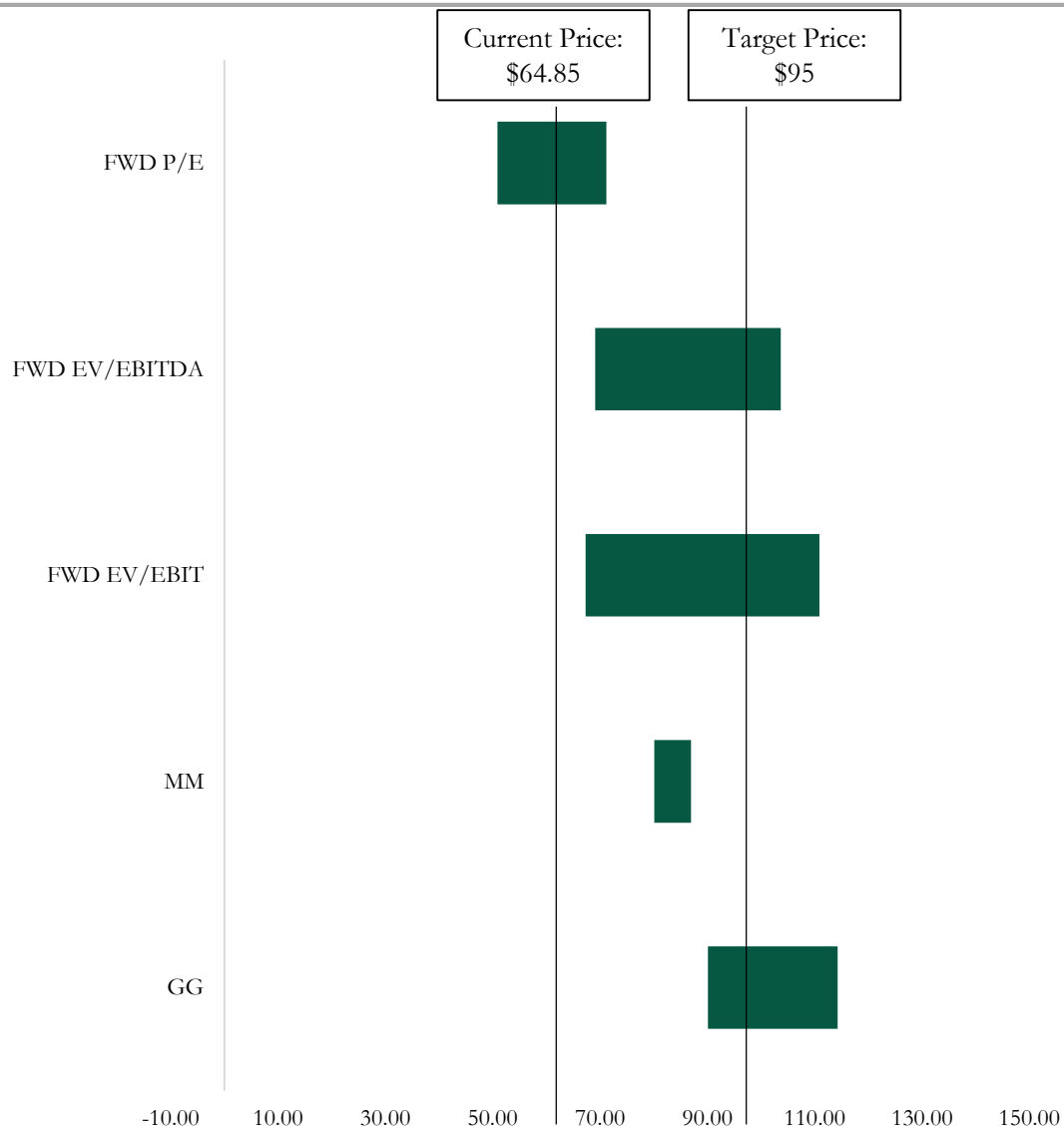
2

### DGD – Port Arthur, TX

This new 470-million-gallon facility is expected to be operational in the first half of 2023 and will increase DGD's total annual production to 1.2 billion gallons of renewable diesel

# Valuation

## Football Field Analysis



## Analyst Ratings

Credit Suisse	BUY	\$100 PT
Evercore ISI	BUY	\$86 PT
JP Morgan	BUY	\$84 PT
Goldman Sachs	BUY	\$102 PT
Wolfe Research	BUY	\$93 PT

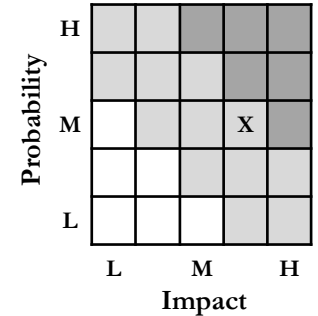
## Sensitivity Tables

		WACC					
Terminal Growth Rate	\$	107.43	7.30%	7.80%	8.30%	8.80%	9.30%
	1.50%	112.75	103.07	94.81	87.69	81.48	
	2.00%	121.37	110.14	100.70	92.65	85.70	
	2.50%	131.78	118.55	107.60	98.40	90.54	
	3.00%	144.61	128.71	115.81	105.13	96.15	
	3.50%	160.81	141.23	125.72	113.14	102.73	
		WACC					
Terminal Multiple	\$	83.47	7.30%	7.80%	8.30%	8.80%	9.30%
	11.50	83.13	80.96	78.85	76.81	74.83	
	12.00	85.60	83.35	81.18	79.07	77.03	
	12.50	88.07	85.75	83.51	81.33	79.23	
	13.00	90.54	88.15	85.84	83.60	81.42	
	13.50	93.01	90.55	88.17	85.86	83.62	

# Risks and Mitigants

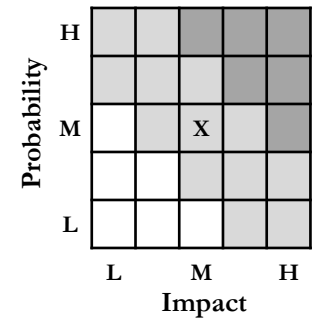
The prices of DAR's products are subject to significant volatility associated with commodities markets

The current agricultural supercycle is expected to last until 2025, and DAR is well-positioned to benefit from increased commodity prices



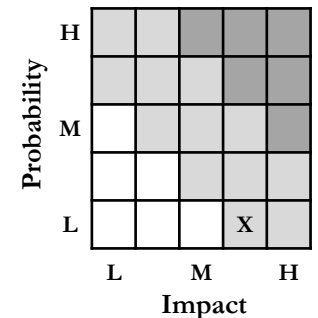
Sales and prices of DAR's finished energy products may be impacted by government policies related to greenhouse gas emissions

DAR's product currently exceeds the minimum government requirement for biofuel greenhouse gas reduction



Blender's tax credit may not get extended beyond 2022

There are multiple bills in Congress that incorporate an extension and there is still significant upside due to the low-cost vertical integration of Darling and DGD







Thank You!

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Questions?