

DARLING INGREDIENTS INC.
Form 10-Q
November 06, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 27, 2014

OR

/ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-13323

DARLING INGREDIENTS INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

36-2495346
(I.R.S. Employer
Identification Number)

251 O'Connor Ridge Blvd., Suite 300
Irving, Texas
(Address of principal executive offices)

75038
(Zip Code)

Registrant's telephone number, including area code: (972) 717-0300

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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| | | | | |
|-------------------------|-------------------------------------|-------------------|------------------------------------------------------------------------|---------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | Non-accelerated filer (Do not check if a smaller reporting company) | Smaller reporting company |
|-------------------------|-------------------------------------|-------------------|------------------------------------------------------------------------|---------------------------|

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 164,686,825 shares of common stock, \$0.01 par value, outstanding at October 30, 2014.

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DARLING INGREDIENTS INC. AND SUBSIDIARIES
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 27, 2014

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DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 27, 2014 and December 28, 2013

(in thousands, except share data)

| | September 27, 2014 | December 28, 2013 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| | (unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 193,427 | \$ 870,857 |
| Restricted cash | 346 | 354 |
| Accounts receivable, net | 423,729 | 112,844 |
| Inventories | 420,082 | 65,133 |
| Prepaid expenses | 46,470 | 14,223 |
| Income taxes refundable | 22,079 | 14,512 |
| Other current assets | 21,583 | 32,290 |
| Deferred income taxes | 15,653 | 17,289 |
| Total current assets | 1,143,369 | 1,127,502 |
| Property, plant and equipment, less accumulated depreciation of \$510,134 at September 27, 2014 and \$381,314 at December 28, 2013 | 1,638,126 | 666,573 |
| Intangible assets, less accumulated amortization of \$164,653 at September 27, 2014 and \$105,070 at December 28, 2013 | 979,781 | 588,664 |
| Goodwill | 1,393,289 | 701,637 |
| Investment in unconsolidated subsidiaries | 144,503 | 115,114 |
| Other assets | 72,170 | 44,643 |
| Deferred income taxes | 6,618 | — |
| | \$5,377,856 | \$3,244,133 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 60,197 | \$ 19,888 |
| Accounts payable, principally trade | 170,402 | 43,742 |
| Income taxes payable | 10,312 | — |
| Accrued expenses | 303,379 | 113,174 |
| Total current liabilities | 544,290 | 176,804 |
| Long-term debt, net of current portion | 2,223,030 | 866,947 |
| Other non-current liabilities | 90,158 | 40,671 |
| Deferred income taxes | 448,948 | 138,759 |
| Total liabilities | 3,306,426 | 1,223,181 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value; 250,000,000 shares authorized; 166,014,091 and 165,261,003 shares issued at September 27, 2014 and at December 28, 2013, respectively | 1,660 | 1,653 |
| Additional paid-in capital | 1,473,969 | 1,454,250 |
| Treasury stock, at cost; 1,327,266 and 993,578 shares at | (19,999 |) (13,271 |

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September 27, 2014 and at December 28, 2013, respectively

| | | | |
|--------------------------------------|-------------|-------------|---|
| Accumulated other comprehensive loss | (86,338 |) (29,423 |) |
| Retained earnings | 602,015 | 607,743 | |
| Total Darling's stockholders' equity | 1,971,307 | 2,020,952 | |
| Noncontrolling interests | 100,123 | — | |
| Total stockholders' equity | \$2,071,430 | \$2,020,952 | |
| | \$5,377,856 | \$3,244,133 | |

The accompanying notes are an integral part of these consolidated financial statements.

DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Three and nine months months ended September 27, 2014 and September 28, 2013

(in thousands, except per share data)

(unaudited)

| | Three Months Ended | | Nine Months Ended | |
|----------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 27, 2014 | September 28, 2013 | September 27, 2014 | September 28, 2013 |
| Net sales | \$955,800 | \$425,786 | \$2,894,194 | \$1,294,801 |
| Costs and expenses: | | | | |
| Cost of sales and operating expenses | 725,170 | 310,089 | 2,218,115 | 942,697 |
| Selling, general and administrative expenses | 111,203 | 42,588 | 328,451 | 124,843 |
| Acquisition and integration costs | 2,191 | 8,326 | 22,304 | 9,157 |
| Depreciation and amortization | 67,311 | 23,131 | | |