

DARLING INGREDIENTS INC.
Form 10-Q
May 12, 2016

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 April 2, 2016

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	36-2495346
(State or other jurisdiction	(I.R.S. Employer
of incorporation or organization)	Identification Number)

251 O'Connor Ridge Blvd., Suite 300	
Irving, Texas	75038
(Address of principal executive offices)	(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 Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a
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 164,567,466 shares of common stock, \$0.01 par value, outstanding at May 5, 2016.

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DARLING INGREDIENTS INC. AND SUBSIDIARIES
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED APRIL 2, 2016

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DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

April 2, 2016 and January 2, 2016

(in thousands, except share data)

	April 2, 2016	January 2, 2016
(unaudited)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$147,326	\$156,884
Restricted cash	321	331
Accounts receivable, net	376,346	371,392
Inventories	372,616	344,583
Prepaid expenses	40,279	36,175
Income taxes refundable	11,825	11,963
Other current assets	11,570	10,460
Total current assets	960,283	931,788
Property, plant and equipment, less accumulated depreciation of \$713,751 at April 2, 2016 and \$652,875 at January 2, 2016	1,535,521	1,508,167
Intangible assets, less accumulated amortization of \$248,354 at April 2, 2016 and \$252,719 at January 2, 2016	792,166	782,349
Goodwill	1,269,296	1,233,102
Investment in unconsolidated subsidiaries	256,604	247,238
Other assets	40,584	41,623
Deferred income taxes	17,362	16,352
	\$4,871,816	\$4,760,619
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$46,591	\$45,166
Accounts payable, principally trade	170,895	149,998
Income taxes payable	7,032	6,679
Accrued expenses	227,338	239,825
Total current liabilities	451,856	441,668
Long-term debt, net of current portion	1,924,393	1,885,851
Other non-current liabilities	96,116	97,809
Deferred income taxes	368,640	360,681
Total liabilities	2,841,005	2,786,009
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value; 250,000,000 shares authorized; 167,594,055 and 167,070,983 shares issued at April 2, 2016 and at January 2, 2016, respectively	1,676	1,671
Additional paid-in capital	1,491,317	1,488,783
Treasury stock, at cost; 3,026,095 and 2,335,607 shares at April 2, 2016 and at January 2, 2016, respectively	(40,868)	(34,316)

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Accumulated other comprehensive loss	(276,363)	(335,918)
Retained earnings	751,568	750,489
Total Darling's stockholders' equity	1,927,330	1,870,709
Noncontrolling interests	103,481	103,901
Total stockholders' equity	\$2,030,811	\$1,974,610
	\$4,871,816	\$4,760,619

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

DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Three months ended April 2, 2016 and April 4, 2015

(in thousands, except per share data)

(unaudited)

	Three Months Ended	
	April 2, 2016	April 4, 2015
Net sales	\$779,641	\$874,694
Costs and expenses:		
Cost of sales and operating expenses	598,893	684,521
Selling, general and administrative expenses	81,469	86,631
Acquisition and integration costs	331	5,319
Depreciation and amortization	72,256	66,398
Total costs and expenses	752,949	842,869
Operating income	26,692	31,825
Other expense:		
Interest expense	(23,901)	(23,109)
Foreign currency loss	(2,603)	(2,460)
Other expense, net	(1,305)	(509)
Total other expense	(27,809)	(26,078)
Equity in net income/(loss) of unconsolidated subsidiaries	5,643	(1,808)
Income before income taxes	4,526	3,939
Income tax expense	1,863	2,115
Net income	2,663	1,824
Net income attributable to noncontrolling interests	(1,584)	(1,715)
Net income attributable to Darling	\$1,079	\$109
Basic income per share	\$0.01	\$—
Diluted income per share	\$0.01	\$—

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

DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

Three months ended April 2, 2016 and April 4, 2015

(in thousands)

(unaudited)

	Three Months	
	Ended	
	April 2,	April 4,
	2016	2015
Net income	\$2,663	\$1,824
Other comprehensive income/(loss), net of tax:		
Foreign currency translation	57,531	(93,315)
Pension adjustments	726	769
Corn option derivative adjustments	(706)	38
Total other comprehensive income/(loss), net of tax	57,551	(92,508)
Total comprehensive income/(loss)	\$60,214	\$(90,684)
Comprehensive income/(loss) attributable to noncontrolling interests	(420)	7,042
Comprehensive income/(loss) attributable to Darling	\$60,634	\$(97,726)

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

DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended April 2, 2016 and April 4, 2015

(in thousands)

(unaudited)

	April 2, 2016	April 4, 2015
Cash flows from operating activities:		
Net Income	\$2,663	\$1,824
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	72,256	66,398
Loss on disposal of property, plant, equipment and other assets	698	47
Gain on insurance proceeds from insurance settlements	—	(341)
Deferred taxes	(3,705)	503
Increase/(decrease) in long-term pension liability	(1,146)	261
Stock-based compensation expense	2,440	1,282
Deferred loan cost amortization	2,794	2,409
Equity in net (income)/loss of unconsolidated subsidiaries	(5,643)	1,808
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	7,118	12,269
Income taxes refundable/payable	400	(1,857)
Inventories and prepaid expenses	(21,206)	(26,511)
Accounts payable and accrued expenses	3,336	(19,985)
Other	(14,962)	21,133
Net cash provided by operating activities	45,043	59,240
Cash flows from investing activities:		
Capital expenditures	(53,375)	(50,838)
Acquisitions, net of cash acquired	(8,511)	—
Gross proceeds from disposal of property, plant and equipment and other assets	1,424	534
Proceeds from insurance settlement	1,181	341
Payments related to routes and other intangibles	—	(753)
Net cash used by investing activities	(59,281)	(50,716)
Cash flows from financing activities:		
Proceeds from long-term debt	8,760	5,943
Payments on long-term debt	(16,207)	(13,602)
Borrowings from revolving credit facility	33,000	27,428
Payments on revolving credit facility	(21,000)	(37,943)
Net cash overdraft financing	—	31,162
Issuance of common stock	45	81
Repurchase of treasury stock	(5,000)	—
Minimum withholding taxes paid on stock awards	(1,788)	(4,469)
Excess tax benefits from stock-based compensation	(446)	(35)
Distributions to noncontrolling interests	—	(38)
Net cash provided/(used) by financing activities	(2,636)	8,527
Effect of exchange rate changes on cash	7,316	(13,704)
Net increase/(decrease) in cash and cash equivalents	(9,558)	3,347
Cash and cash equivalents at beginning of period	156,884	108,784
Cash and cash equivalents at end of period	\$147,326	\$112,131

Supplemental disclosure of cash flow information:

Accrued capital expenditures	\$(6,595)	\$2,164
Cash paid during the period for:		
Interest, net of capitalized interest	\$20,597	\$26,118
Income taxes, net of refunds	\$5,114	\$5,149
Non-cash financing activities		
Debt issued for assets	\$10	\$—
Contribution of assets to unconsolidated subsidiary	\$2,674	\$—

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

DARLING INGREDIENTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

April 2, 2016

(unaudited)

(1) General

The accompanying consolidated financial statements for the three month periods ended April 2, 2016 and April 4, 2015, have been prepared by Darling Ingredients Inc., a Delaware corporation (“Darling”, and together with its subsidiaries, the “Company”) in accordance with generally accepted accounting principles in the United States (“GAAP”) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The information furnished herein reflects all adjustments (consisting only of normal recurring accruals) that are, in the opinion of management, necessary to present a fair statement of the financial position and operating results of the Company as of and for the respective periods. However, these operating results are not necessarily indicative of the results expected for a full fiscal year. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. However, management of the Company believes, to the best of their knowledge, that the disclosures herein are adequate to make the information presented not misleading. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements contained in the Company’s Form 10-K for the fiscal year ended January 2, 2016.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include the accounts of Darling and its consolidated subsidiaries. Noncontrolling interests represents the outstanding ownership interest in the Company's consolidated subsidiaries that are not owned by the Company. In the accompanying Consolidated Statements of Operations, the noncontrolling interest in net income (loss) of the consolidated subsidiaries is shown as an allocation of the Company's net income and is presented separately as “Net income/(loss) attributable to noncontrolling interests”. In the Company's Consolidated Balance Sheets, noncontrolling interests represents the ownership interests in the Company consolidated subsidiaries' net assets held by parties other than the Company. These ownership interests are presented separately as “Noncontrolling interests” within “Stockholders' Equity.” All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Fiscal Periods

The Company has a 52/53 week fiscal year ending on the Saturday nearest December 31. Fiscal periods for the consolidated financial statements included herein are as of April 2, 2016, and include the 13 weeks ended April 2, 2016, and the 13 weeks ended April 4, 2015.

(c) Revenue Recognition

The Company recognizes revenue on sales when products are shipped and the customer takes ownership and assumes risk of loss. Certain customers may be required to prepay prior to shipment in order to maintain payment protection related to certain foreign and domestic sales. These amounts are recorded as unearned revenue and recognized when the products have shipped and the customer takes ownership and assumes risk of loss. The Company recognizes service revenue in the fiscal month the service occurs.

(d) Foreign Currency Translation and Remeasurement

Foreign currency translation is included as a component of accumulated other comprehensive income and reflects the adjustments resulting from translating the foreign currency denominated financial statements of foreign subsidiaries into U.S. dollars. The functional currency of the Company's foreign subsidiaries is the currency of the primary economic environment in which the entity operates, which is generally the local currency of the country. Accordingly, assets and liabilities of the foreign subsidiaries are translated to U.S. dollars at fiscal period end exchange rates, including intercompany foreign currency transactions that are of long-term investment nature. Income and expense items are translated at average exchange rates occurring during the period. Changes

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in exchange rates that affect cash flows and the related receivables or payables are recognized as transaction gains and losses in determining net income. The Company incurred net foreign currency translation gains of approximately \$59.5 million for the three months ended April 2, 2016 and net foreign currency translation losses of approximately \$98.6 million for the three months ended April 4, 2015. In addition, the Company incurred foreign currency losses in the statement of operations of approximately \$2.6 million and \$2.5 million in the three months ended April 2, 2016 and April 4, 2015.

(e) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(f) Earnings Per Share

Basic income per common share is computed by dividing net income attributable to Darling by the weighted average number of common shares including non-vested and restricted shares outstanding during the period. Diluted income per common share is computed by dividing net income attributable to Darling by the weighted average number of common shares outstanding during the period increased by dilutive common equivalent shares determined using the treasury stock method.

	Net Income per Common Share (in thousands, except per share data)				
	Three Months Ended				
	April 2, 2016	Per Share	April 4, 2015	Per Share	
Basic:					
Net Income attributable to Darling	\$ 1,079	164,434	\$ 0.01	\$ 109	164,882
Diluted:					
Effect of dilutive securities:					
Add: Option shares in the money and dilutive effect of non-vested stock awards		157			419
Less: Pro forma treasury shares		(38)			(155)
Diluted:					
Net income attributable to Darling	\$ 1,079	164,553	\$ 0.01	\$ 109	165,146

For the three months ended April 2, 2016 and April 4, 2015, respectively, 1,699,363 and 524,483 outstanding stock options were excluded from diluted income per common share as the effect was antidilutive. For the three months ended April 2, 2016 and April 4, 2015, respectively, 606,255 and 519,262 shares of non-vested stock and stock equivalents were excluded from diluted income per common share as the effect was antidilutive.

(3) Inventories

A summary of inventories follows (in thousands):

	April 2, 2016	January 2, 2016
Finished product	\$ 232,105	\$ 212,829
Work in process	91,164	84,474

Supplies and other	49,347	47,280
	\$372,616	\$344,583

(4) Intangible Assets

The gross carrying amount of intangible assets not subject to amortization and intangible assets subject to amortization is as follows (in thousands):

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	April 2, 2016	January 2, 2016
Indefinite Lived Intangible Assets		
Trade names	\$53,706	\$52,466
	53,706	52,466
Finite Lived Intangible Assets:		
Routes	388,449	390,888
Permits	503,921	494,754
Non-compete agreements	3,890	6,996
Trade names	76,265	75,825
Royalty, consulting, land use rights and leasehold	14,289	14,139
	986,814	982,602
Accumulated Amortization:		
Routes	(85,650)	(99,819)
Permits	(145,037)	(134,752)
Non-compete agreements	(1,391)	(4,628)
Trade names	(14,455)	(11,959)
Royalty, consulting, land use rights and leasehold	(1,821)	(1,561)
	(248,354)	(252,719)
Total Intangible assets, less accumulated amortization	\$792,166	\$782,349

Gross intangible routes, permits, trade names, non-compete agreements and other intangibles partially decreased in fiscal 2016 as a result of approximately \$27.7 million of asset retirements. Amortization expense for the three months ended April 2, 2016 and April 4, 2015, was approximately \$19.2 million and \$21.1 million, respectively.

(5) Goodwill

Changes in the carrying amount of goodwill (in thousands):

	Feed Ingredients	Food Ingredients	Fuel Ingredients	Total
Balance at January 2, 2016				
Goodwill	\$ 812,797	\$ 323,385	\$ 112,834	\$ 1,249,016
Accumulated impairment losses	(15,914)	—	—	(15,914)
	796,883	323,385	112,834	1,233,102
Goodwill acquired during year	827	—	2	829
Foreign currency translation	19,294	10,149	5,922	35,365
Balance at April 2, 2016				
Goodwill	832,918	333,534	118,758	1,285,210
Accumulated impairment losses	(15,914)	—	—	(15,914)
	\$ 817,004	\$ 333,534	\$ 118,758	\$ 1,269,296

(6) Investment in Unconsolidated Subsidiaries

The Company announced on January 21, 2011 that a wholly-owned subsidiary of Darling entered into a limited liability company agreement with a wholly-owned subsidiary of Valero Energy Corporation (“Valero”) to form Diamond Green Diesel Holdings LLC (the “DGD Joint Venture”). The DGD Joint Venture is owned 50% / 50% with Valero and was formed to design, engineer, construct and operate a renewable diesel plant (the “DGD Facility”), which

is capable of processing approximately 12,000 barrels per day of input feedstock to produce renewable diesel fuel and certain other co-products, and is located adjacent to Valero's refinery in Norco, Louisiana. The DGD Joint Venture reached mechanical completion and began the production of renewable diesel in late June 2013.

On May 31, 2011, the DGD Joint Venture and Diamond Green Diesel LLC, a wholly-owned subsidiary of the DGD Joint Venture ("Opco"), entered into (i) a facility agreement (the "Facility Agreement") with Diamond Alternative Energy, LLC, a wholly-owned subsidiary of Valero (the "Lender"), and (ii) a loan agreement (the "Loan Agreement") with the Lender, which provided the DGD Joint Venture with a 14 year multiple advance term loan facility of approximately \$221.3 million (the "JV Loan") to support the design, engineering and construction of the DGD Facility, which is now in production. The Facility Agreement and the Loan Agreement prohibit the Lender from assigning all or any portion of the Facility Agreement or the Loan Agreement to unaffiliated third parties. Opco has also pledged substantially all of its

assets to the Lender, and the DGD Joint Venture has pledged all of Opco's equity interests to the Lender, until the JV Loan has been paid in full and the JV Loan has terminated in accordance with its terms.

In addition to the DGD Joint Venture, the Company has investments in other unconsolidated subsidiaries that are insignificant to the Company. Selected financial information for the Company's DGD Joint Venture is as follows (in thousands):

(in thousands)	March 31, 2016	December 31, 2015
Assets:		
Total current assets	\$252,137	\$261,444
Property, plant and equipment, net	356,746	356,230
Other assets	19,782	3,034
Total assets	\$628,665	\$620,708
Liabilities and members' equity:		
Total current portion of long term debt	\$62,023	\$62,023
Total other current liabilities	21,056	19,935
Total long term debt	82,563	86,819
Total other long term liabilities	390	380
Total members' equity	462,633	451,551
Total liabilities and member's equity	\$628,665	\$620,708

(in thousands)	Three Months Ended	
	March 31, 2016	March 31, 2015
Revenues:		
Operating revenues	\$71,768	\$116,728
Expenses:		
Total costs and expenses	57,887	117,044
Operating income/(loss)	13,881	(316)
Other income	15	20
Interest and debt expense, net	(2,814)	(4,156)
Net income/(loss)	\$11,082	\$(4,452)

As of April 2, 2016 under the equity method of accounting, the Company has an investment in the DGD Joint Venture of approximately \$231.3 million on the consolidated balance sheet and has recorded approximately \$5.5 million in equity net gain and \$2.2 million in equity net loss in the unconsolidated subsidiary for the three months ended April 2, 2016 and April 4, 2015, respectively. Subsequent to April 2, 2016, the DGD Joint Venture received \$156.4 million of the 2015 calendar year blenders tax credits from the Internal Revenue Service, made a debt payment of approximately \$54.7 million and made dividend distributions to each partner in the amount \$25.0 million. Additionally, with Congress' extension of the biodiesel blenders tax credit in December 2015 through December 31, 2016, the DGD Joint Venture fiscal 2016 results include blenders tax credits, while no blenders tax credits are included in the same period in the prior year.

(7)Debt

Debt consists of the following (in thousands):

	April 2, 2016	January 2, 2016
Amended Credit Agreement:		
Revolving Credit Facility (\$10.0 million and \$9.4 million denominated in CAD at April 2, 2016 and January 2, 2016, respectively)	\$21,968	\$9,358
Term Loan A (\$101.4 million and \$97.1 million denominated in CAD at April 2, 2016 and January 2, 2016, respectively)	277,606	277,181
Less unamortized deferred loan costs	(1,433)	(1,552)
Carrying value Term Loan A	276,173	275,629
Term Loan B	588,000	589,500
Less unamortized deferred loan costs	(7,408)	(7,774)
Carrying value Term Loan B	580,592	581,726
5.375% Senior Notes due 2022 with effective interest of 5.72%	500,000	500,000
Less unamortized deferred loan costs	(8,636)	(8,952)
Carrying value 5.375% Senior Notes due 2022	491,364	491,048
4.75% Senior Notes due 2022 - Denominated in euro with effective interest of 5.10%	588,079	560,912
Less unamortized deferred loan costs - Denominated in euro	(10,846)	(10,705)
Carrying value 4.75% Senior Notes due 2022	577,233	550,207
Other Notes and Obligations	23,654	23,049
	1,970,984	1,931,017
Less Current Maturities	46,591	45,166
	\$1,924,393	\$1,885,851

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. The ASU amends ASC (Subtopic 835-30), Interest - Imputation of Interest. The new standard requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying value of the debt liability, which is similar to the presentation of debt discounts or premiums. The costs will continue to be amortized to interest expense using the effective interest method. On January 3, 2016, the Company adopted this standard as a change in accounting principal on a retrospective basis. As of April 2, 2016 and January 2, 2016, the Company has presented debt issuance costs related to the Company's term loans and senior notes, previously reported in other assets, as direct deductions from the carrying amount of the debt liability. In addition, the Company has presented the debt issuance costs related to the Company's amended credit agreement as a deferred asset within other assets as permitted by ASU No. 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which was issued in August 2015. Upon adoption of ASU No. 2015-03, other assets of approximately \$29.0 million were reclassified as deduction from the carrying value of the recognized debt liability at January 2, 2016.

As of April 2, 2016, the Company had outstanding debt under a term loan facility and revolving credit facility denominated in Canadian dollars of CAD\$132.2 million and CAD\$13.0 million, respectively. See below for discussion relating to the Company's debt agreements. In addition, as of April 2, 2016, the Company had capital lease

obligations denominated in Canadian dollars included in debt. The current and long-term capital lease obligation was approximately CAD\$1.9 million and CAD\$2.4 million, respectively.

As of April 2, 2016, the Company had outstanding debt under the Company's 4.75% Senior Notes due 2022 denominated in euros of €515.0 million. See below for discussion relating to the Company's debt agreements. In addition, at April 2, 2016, the Company had capital lease obligations denominated in euros included in debt. The current and long-term capital lease obligation was approximately €0.4 million and €0.6 million, respectively.

Senior Secured Credit Facilities. On January 6, 2014, Darling, Darling International Canada Inc. ("Darling Canada") and Darling International NL Holdings B.V. ("Darling NL") entered into a Second Amended and Restated Credit Agreement

(as subsequently amended, the “Amended Credit Agreement”), restating its then existing Amended and Restated Credit Agreement dated September 27, 2013 (the “Former Credit Agreement”), with the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other agents from time to time party thereto.

The Company's Amended Credit Agreement provides for senior secured credit facilities in the aggregate principal amount of \$2.65 billion comprised of (i) the Company's \$350.0 million term loan A facility, (ii) the Company's \$1.3 billion term loan B facility and (iii) the Company's \$1.0 billion five-year revolving loan facility (approximately \$250.0 million of which is available for a letter of credit sub-facility and \$50.0 million of which is available for a swingline sub-facility) (collectively, the “Senior Secured Credit Facilities”). The Amended Credit Agreement also permits Darling and the other borrowers thereunder to incur ancillary facilities provided by any revolving lender party to the Senior Secured Credit Facilities (with certain restrictions). Up to \$350.0 million of the revolving loan facility is available to be borrowed by Darling in U.S. dollars, Canadian dollars, euros and other currencies to be agreed and available to each applicable lender, to be borrowed by Darling Canada in Canadian dollars and to be borrowed by Darling NL, Darling Ingredients International Holding B.V. (“Darling BV”) and CTH Germany GmbH (“CTH”) in U.S. dollars, euros and other currencies to be agreed and available to each applicable lender. The revolving loan facility and term loan A facility will mature on September 27, 2018, and the term loan B facility will mature on January 7, 2021.

The interest rate applicable to any borrowings under the term loan A facility and the revolving loan facility will equal either LIBOR/euro interbank offered rate/CDOR plus 2.75% per annum or base rate/Canadian prime rate plus 1.75% per annum, subject to certain step-downs based on the Company's total leverage ratio. The interest rate applicable to any borrowings under the term loan B facility will equal (a) for U.S. dollar term loans, either the base rate plus 1.50% or LIBOR plus 2.50%, and (b) for euro term loans, the euro interbank offered rate plus 2.75%, in each case subject to a step-down based on Darling's total leverage ratio. For term loan B loans, the LIBOR rate shall not be less than 0.75%.

As of April 2, 2016, the Company had \$176.3 million outstanding under the term loan A facility at LIBOR plus a margin of 2.75% per annum for a total of 3.1875% per annum and \$12.0 million outstanding under the revolver at base rate plus a margin of 1.75% per annum for a total of 5.25% per annum. The Company had \$588.0 million outstanding under the term loan B facility at LIBOR plus a margin of 2.50% per annum for a total of 3.25% per annum. The Company had CAD\$132.2 million outstanding under the term loan A facility at CDOR plus a margin of 2.75% per annum for a total of 3.7144% per annum and CAD\$13.0 million outstanding under the revolver at CDOR plus a margin of 2.75% per annum for a total of 3.7145% per annum. As of April 2, 2016, the Company had revolver availability of \$944.2 million under the Amended Credit Agreement taking into account amounts borrowed and letters of credit issued of \$33.8 million. The Company also has foreign bank guarantees that are not part of the Company's Amended Credit Agreement in the amount of approximately \$9.5 million at April 2, 2016.

The Amended Credit Agreement contains various customary representations and warranties by the Company, which include customary use of materiality, material adverse effect and knowledge qualifiers. The Amended Credit Agreement also contains (a) certain affirmative covenants that impose certain reporting and/or performance obligations on Darling and its subsidiaries, (b) certain negative covenants that generally prohibit, subject to various exceptions, Darling and its restricted subsidiaries from taking certain actions, including, without limitation, incurring indebtedness, making investments, incurring liens, paying dividends and engaging in mergers and consolidations, sale and leasebacks and asset dispositions, (c) financial covenants, which include a maximum total leverage ratio, a maximum secured leverage ratio and a minimum interest coverage ratio and (d) customary events of default (including a change of control) for financings of this type. Obligations under the Senior Secured Credit Facilities may be declared due and payable upon the occurrence and during the continuance of customary events of default.

5.375 % Senior Notes due 2022. On January 2, 2014, Darling Escrow Corporation, a wholly-owned subsidiary of Darling, issued \$500.0 million aggregate principal amount of its 5.375% Notes due 2022 (the “5.375% Notes”) pursuant

to a 5.375% Notes Indenture, dated as of January 2, 2014 (the “Original 5.375% Indenture”), among Darling Escrow Corporation, the subsidiary guarantors party thereto from time to time, and U.S. Bank National Association, as trustee (the “5.375% Trustee”). On January 8, 2014, Darling Escrow Corporation merged with and into Darling and entered into a supplemental indenture with Darling, the subsidiary guarantors party thereto and the 5.375% Trustee (the “Supplemental 5.375% Indenture,” and together with the Original 5.375% Indenture, the “5.375% Indenture”), pursuant to which Darling assumed all obligations under the 5.375% Notes and the 5.375% Indenture. Darling and the 5.375% Guarantors completed a registered exchange offer for the 5.375% Notes under the Securities Act during the third quarter of 2014. Darling used a portion of the proceeds from the offering of the 5.375% Notes to pay certain fees and expenses (including bank fees and expenses) related to the offering and the financing of its acquisition of its Darling Ingredients International business from VION Holding, N.V. (the “VION Acquisition”) and for purposes of satisfying, discharging and redeeming its 8.5% Notes due 2018. Darling used the remaining proceeds of the 5.375% Notes to pay certain other fees and expenses related

to the completion of the VION Acquisition and its related financings, to repay a portion of the borrowings under its revolving credit facility used to fund a portion of the consideration for the VION Acquisition and for general corporate purposes.

The 5.375% Notes will mature on January 15, 2022. Darling will pay interest on the 5.375% Notes on January 15 and July 15 of each year, commencing on July 15, 2014. Interest on the 5.375% Notes will accrue at a rate of 5.375% per annum and be payable in cash. The 5.375% Notes are guaranteed on a unsecured senior basis by all of Darling's restricted subsidiaries (other than any foreign subsidiary or any receivables entity) that guarantee the Senior Secured Credit Facilities (the "5.375% Guarantors"). The 5.375% Notes and the guarantees thereof are senior unsecured obligations of Darling and the 5.375% Guarantors and rank equally in right of payment to all of Darling's and the 5.375% Guarantors' existing and future senior unsecured indebtedness. The 5.375% Indenture contains covenants limiting Darling's ability and the ability of its restricted subsidiaries to, among other things: incur additional indebtedness or issue preferred stock; pay dividends on or make distributions or repurchases of Darling's capital stock or make other restricted payments; create restrictions on the payment of dividends or other amounts from Darling's restricted subsidiaries to Darling or Darling's other restricted subsidiaries; make loans or investments; enter into certain transactions with affiliates; create liens; designate Darling's subsidiaries as unrestricted subsidiaries; and sell certain assets or merge with or into other companies or otherwise dispose of all or substantially all of Darling's assets.

Other than for extraordinary events such as change of control and defined assets sales, Darling is not required to make mandatory redemption or sinking fund payments on the 5.375% Notes. The 5.375% Notes are redeemable, in whole or in part, at any time on or after January 15, 2017 at the redemption prices specified in the 5.375% Indenture. Darling may redeem some or all of the 5.375% Notes at any time prior to January 15, 2017, at a redemption price equal to 100% of the principal amount of the 5.375% Notes redeemed, plus accrued and unpaid interest to the redemption date and an Applicable Premium as specified in the 5.375% Indenture.

4.75 % Senior Notes due 2022. On June 3, 2015, Darling Global Finance B.V. (the "4.75% Issuer"), a wholly-owned subsidiary of Darling, issued €515.0 million aggregate principal amount of the 4.75% Senior Notes due 2022 (the "4.75% Notes") pursuant to a Senior Notes Indenture, dated as of June 3, 2015 (the "4.75% Indenture"), among the 4.75% Issuer, Darling (as guarantor), the subsidiary guarantors party thereto from time to time, Citibank, N.A., London Branch, as trustee (the "4.75% Trustee") and principal paying agent, and Citigroup Global Markets Deutschland AG, as principal registrar. Darling used the gross proceeds from the sale of the 4.75% Notes to refinance a portion of the term loan B outstanding under Darling's Senior Secured Credit Facilities and to pay certain fees and expenses related to the offering of the 4.75% Notes and the refinancing of the term loan B. Darling intends to use any remaining proceeds for general corporate purposes.

The 4.75% Notes will mature on May 30, 2022. The 4.75% Issuer will pay interest on the 4.75% Notes on May 30 and November 30 of each year, commencing on November 30, 2015. Interest on the 4.75% Notes will accrue from June 3, 2015 at a rate of 4.75% per annum and be payable in cash. The 4.75% Notes are guaranteed on a senior unsecured basis by Darling and all of Darling's restricted subsidiaries (other than any foreign subsidiary, the 4.75% Issuer or any receivables entity) that guarantee the Senior Secured Credit Facilities (collectively "4.75% Guarantors"). The 4.75% Notes and the guarantees thereof are senior unsecured obligations of the 4.75% Issuer and the 4.75% Guarantors and rank equally in right of payment to all of the 4.75% Issuer's and the 4.75% Guarantors' existing and future senior unsecured indebtedness. The 4.75% Indenture contains covenants limiting Darling's ability and the ability of its restricted subsidiaries (including the 4.75% Issuer) to, among other things: incur additional indebtedness or issue preferred stock; pay dividends on or make other distributions or repurchases of Darling's capital stock or make other restricted payments; create restrictions on the payment of dividends or certain other amounts from Darling's restricted subsidiaries to Darling or Darling's other restricted subsidiaries; make loans or investments; enter into certain transactions with affiliates; create liens; designate Darling's subsidiaries as unrestricted subsidiaries; and sell certain assets or merge with or into other companies or otherwise dispose of all or substantially all of Darling's assets.

Other than for extraordinary events such as change of control and defined assets sales, the 4.75% Issuer is not required to make mandatory redemption or sinking fund payments on the 4.75% Notes. The 4.75% Notes are redeemable, in whole or in part, at any time on or after May 30, 2018 at the redemption prices specified in the 4.75% Indenture. The 4.75% Issuer may redeem some or all of the 4.75% Notes at any time prior to May 30, 2018, at a redemption price equal to 100% of the principal amount of the 4.75% Notes redeemed, plus accrued and unpaid interest to the redemption date and an Applicable Premium as specified in the 4.75% Indenture and all additional amounts (if any) then due or which will become due on the redemption date as a result of the redemption or otherwise (subject to the rights of holders on the relevant record dates to receive interest due on the relevant interest payment date and additional amounts (if any) in respect thereof).

As of April 2, 2016, the Company believes it is in compliance with all of the financial covenants under the Amended Credit Agreement, as well as all of the other covenants contained in the Amended Credit Agreement, the 5.375% Indenture and the 4.75% Indenture.

(8) Income Taxes

The Company has provided income taxes for the three month periods ended April 2, 2016 and April 4, 2015, based on its estimate of the effective tax rate for the entire 2016 and 2015 fiscal years. The Company's estimated annual effective tax rate is based on forecasts of income by jurisdiction, permanent differences between book and tax income, including Subpart F income and biofuel tax incentives, the relative proportion of income and losses by jurisdiction, and statutory income tax rates. Discrete events such as the assessment of the ultimate outcome of tax audits, audit settlements, recognizing previously unrecognized tax benefits due to the lapsing of statutes of limitation, recognizing or derecognizing deferred tax assets due to projections of income or loss and changes in tax laws are recognized in the period in which they occur.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company expects to indefinitely reinvest the earnings of its foreign subsidiaries outside of the United States and has generally not provided deferred income taxes on the accumulated earnings of its foreign subsidiaries.

The Company periodically assesses whether it is more likely than not that it will generate sufficient taxable income to realize its deferred income tax assets. In making this determination, the Company considers all available positive and negative evidence and makes certain assumptions. The Company considers, among other things, its deferred tax liabilities, the overall business environment, its historical earnings and losses, current industry trends and its outlook for future years. Certain VION Companies acquired as part of the VION Acquisition have deferred tax assets for tax loss carryforwards, and the Company has recorded valuation allowances in respect to those losses to the extent it has been determined that it is not more likely than not that the deferred tax assets will be realized.

Unrecognized tax benefits represent the difference between tax positions taken or expected to be taken in a tax return and the benefits recognized for financial statement purposes. As of April 2, 2016, the Company had \$3.8 million of gross unrecognized tax benefits and \$2.0 million of related accrued interest and penalties. An indemnity receivable of \$4.9 million has been recorded for the uncertain tax positions related to the VION Acquisition. It is reasonably possible within the next twelve months that the Company's gross unrecognized tax benefits may decrease by up to \$2.3 million, excluding interest and penalties, primarily due to potential settlements and expiration of certain statutes of limitations.

The Company's major taxing jurisdictions include the United States (federal and state), Canada, the Netherlands, Belgium, Brazil, Germany, France and China. The Company is subject to regular examination by various tax authorities and although the final outcome of these examinations is not yet determinable, the Company does not anticipate that any of the examinations will have a significant impact on the Company's results of operations or financial position. The statute of limitations for the Company's major tax jurisdictions is open for varying periods, but is generally closed through the 2009 tax year.

(9) Other Comprehensive Income

The Company follows FASB authoritative guidance for reporting and presentation of comprehensive income or loss and its components. Other comprehensive income (loss) is derived from adjustments that reflect pension adjustments,

natural gas derivative adjustments, corn option adjustments and interest rate swap derivative adjustments. The components of other comprehensive income (loss) and the related tax impacts for the three months ended April 2, 2016 and April 4, 2015 are as follows (in thousands):

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	Three Months Ended					
	Before-Tax		Tax	Net-of-Tax		
	Amount		(Expense)	or Benefit	Amount	
	April 2, 2016	April 4, 2015	April 2, 2016	April 4, 2015	April 2, 2016	April 4, 2015
Defined benefit pension plans						
Amortization of prior service cost/(benefit)	\$7	\$(20)	\$(3)	\$10	\$4	\$(10)
Amortization of actuarial loss	1,168	1,285	(446)	(506)	722	779
Total defined benefit pension plans	1,175	1,265	(449)	(496)	726	769
Corn option derivatives						
Loss/(gain) reclassified to net income	(1,474)	(234)	572	91	(902)	(143)
Gain/(loss) activity recognized in other comprehensive income (loss)	320	296	(124)	(115)	196	181
Total corn option derivatives	(1,154)	62	448	(24)	(706)	38
Foreign currency translation	57,531	(93,315)	—	—	57,531	(93,315)
Other comprehensive income (loss)	\$57,552	\$(91,988)	\$(1)	\$(520)	\$57,551	\$(92,508)

The following table presents the amounts reclassified out of each component of other comprehensive income (loss), net of tax for the three months ended April 2, 2016 and April 4, 2015 as follows (in thousands):

	Three Months Ended		Statement of Operations Classification
	April 2, 2016	April 4, 2015	
Derivative instruments			
Corn option derivatives	\$1,474	\$234	Cost of sales and operating expenses
	1,474	234	Total before tax
	(572)	(91)	Income taxes
	902	143	Net of tax
Defined benefit pension plans			
Amortization of prior service (cost)/benefit	\$(7)	\$20	(a)
Amortization of actuarial loss	(1,168)	(1,285)	(a)
	(1,175)	(1,265)	Total before tax
	449	496	Income taxes
	(726)	(769)	Net of tax
Total reclassifications	\$176	\$(626)	Net of tax

(a) These items are included in the computation of net periodic pension cost. See Note 11 Employee Benefit Plans for additional information.

The following table presents changes in each component of accumulated comprehensive income (loss) as of April 2, 2016 as follows (in thousands):

Three Months Ended April 2, 2016		
Foreign Currency	Derivative	Defined Benefit

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	Translation Instruments	Pension Plans	Total	
Accumulated Other Comprehensive Income (loss) January 2, 2016, attributable to Darling, net of tax	\$(305,213)	\$ 1,843	\$(32,548)	\$(335,918)
Other comprehensive gain before reclassifications	57,531	196	—	57,727
Amounts reclassified from accumulated other comprehensive income (loss)	—	(902)) 726	(176)
Net current-period other comprehensive income	57,531	(706)) 726	57,551
Noncontrolling interest	(2,004))—	—	(2,004)
Accumulated Other Comprehensive Income (loss) April 2, 2016, attributable to Darling, net of tax	(245,678))\$ 1,137	\$(31,822)	\$(276,363)

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(10) Stockholders' Equity

In August 2015, the Company's Board of Directors approved a share repurchase program of up to an aggregate of \$100.0 million of the Company's Common Stock depending on market conditions. The repurchases may be made from time to time on the open market at prevailing market prices or in negotiated transactions off the market. Repurchases may occur over the 24 month period ending in August 2017, unless extended or shortened by the Board of Directors. During the first quarter of fiscal 2016, the Company repurchased approximately \$5.0 million of its Common Stock in the open market. As of April 2, 2016, the Company has approximately \$89.1 million remaining under the share repurchase program approved in August 2015.

Fiscal 2015 Long-Term Incentive Opportunity Awards (2015 LTIP). The Company met the requisite performance measure under the 2015 LTIP. Accordingly, in accordance with the terms of the 2015 LTIP, the Company granted 452,878 stock options, 454,916 shares of nonvested stock and 147,390 restricted stock units in the first quarter of fiscal 2016.

Fiscal 2016 Long-Term Incentive Opportunity Awards (2016 LTIP). On February 25, 2016, the Compensation Committee (the "Committee") of the Company's Board of Directors adopted the 2016 LTIP pursuant to which they awarded certain of the Company's key employees, including the Company's named executive officers', 1,092,942 stock options and 663,419 performance share units (the "PSUs") under the Company's 2012 Omnibus Incentive Plan. The stock options vest 33.33% on the first, second and third anniversaries of the grant date. The PSUs are tied to two- and three-year forward looking performance periods and will be earned based on the Company's average return on capital employed (ROCE) relative the average ROCE of the Company's performance peer group companies, with the earned award to be determined in the first quarter of fiscal 2018 or fiscal 2019, respectively, after the final results for the relevant performance period are determined. The PSUs were granted at a target of 100%, but each PSU will reduce or increase depending on the Company's ROCE relative to that of the performance peer group companies and is also subject to the application of a total shareholder return (TSR) cap/collar modifier depending on the Company's TSR during the performance period relative to that of the performance peer group companies. In addition, certain of the PSUs have a two-year holding requirement after vesting before the PSUs are settled in shares of the Company's Common Stock.

(11) Employee Benefit Plans

The Company has retirement and pension plans covering a substantial number of its domestic and foreign employees. Most retirement benefits are provided by the Company under separate final-pay noncontributory and contributory defined benefit and defined contribution plans for all salaried and hourly employees (excluding those covered by union-sponsored plans) who meet service and age requirements. Although various defined benefit formulas exist for employees, generally these are based on length of service and earnings patterns during employment. Effective January 1, 2012, the Company's Board of Directors authorized the Company to proceed with the restructuring of its domestic retirement benefit program to include the closing of Darling's salaried and hourly defined benefit plans to new participants as well as the freezing of service and wage accruals thereunder effective December 31, 2011 (a curtailment of these plans for financial reporting purposes) and the enhancing of benefits under the Company's domestic defined contribution plans. The Company-sponsored domestic hourly union plan has not been curtailed; however, several locations of the Company-sponsored domestic hourly union plan have been curtailed as a result of collective bargaining renewals for those sites.

In March 2016 a small pension plan acquired in the VION Acquisition was amended to terminate the plan effective in May 2016 (a curtailment of the plan for financial reporting purposes at April 2, 2016).

Net pension cost for the three months ended April 2, 2016 and April 4, 2015 includes the following components (in thousands):

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	Pension Benefits Three Months Ended	
	April 2, 2016	April 4, 2015
Service cost	\$637	\$1,678
Interest cost	1,745	2,647
Expected return on plan assets	(1,885)	(3,065)
Amortization of prior service cost	7	(20)
Amortization of net loss	1,168	1,285
Curtailment gain	(1,223)	—
Net pension cost	\$449	\$2,525

The Company's funding policy for employee benefit pension plans is to contribute annually not less than the minimum amount required nor more than the maximum amount that can be deducted for federal and foreign income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. Based on actuarial estimates at April 2, 2016, the Company expects to contribute approximately \$3.7 million to its pension plans to meet funding requirements during the next twelve months. Additionally, the Company has made tax deductible discretionary and required contributions to its pension plans for the three months ended April 2, 2016 and April 4, 2015 of approximately \$0.8 million and \$1.6 million, respectively.

The Company participates in various multiemployer pension plans which provide defined benefits to certain employees covered by labor contracts. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts to meet their pension benefit obligations to their participants. The Company's contributions to each individual multiemployer plan represent less than 5% of the total contributions to each such plan. Based on the most currently available information, the Company has determined that, if a withdrawal were to occur, withdrawal liabilities on two of the plans in which the Company currently participates could be material to the Company, with one of these material plans certified as critical or red zone. With respect to the other multiemployer pension plans in which the Company participates and which are not individually significant, five plans have certified as critical or red zone, two plans have certified as endangered or yellow zone as defined by the Pension Protection Act of 2006.

The Company has received notices of withdrawal liability from two U.S. multiemployer plans in which it participated. As of April 2, 2016, the Company has an aggregate accrued liability of approximately \$1.9 million representing the present value of scheduled withdrawal liability payments under these multiemployer plans. While the Company has no ability to calculate a possible current liability for under-funded multiemployer plans that could terminate or could require additional funding under the Pension Protection Act of 2006, the amounts could be material.

(12) Derivatives

The Company's operations are exposed to market risks relating to commodity prices that affect the Company's cost of raw materials, finished product prices and energy costs and the risk of changes in interest rates and foreign currency exchange rates.

The Company makes limited use of derivative instruments to manage cash flow risks related to natural gas usage, diesel fuel usage, inventory, forecasted sales and foreign currency exchange rates. The Company does not use derivative instruments for trading purposes. Natural gas swaps and options are entered into with the intent of managing the overall cost of natural gas usage by reducing the potential impact of seasonal weather demands on

natural gas that increases natural gas prices. Heating oil swaps and options are entered into with the intent of managing the overall cost of diesel fuel usage by reducing the potential impact of seasonal weather demands on diesel fuel that increases diesel fuel prices. Corn options and future contracts are entered into with the intent of managing U.S. forecasted sales of bakery by-products (“BBP”) by reducing the impact of changing prices. Foreign currency forward contracts are entered into to mitigate the foreign exchange rate risk for transactions designated in a currency other than the local functional currency. At April 2, 2016, the Company had corn option contracts outstanding that qualified and were designated for hedge accounting as well as heating oil swap contracts, corn option and forward contracts and foreign currency forward contracts that did not qualify and were not designated for hedge accounting.

Entities are required to report all derivative instruments in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated

and qualifies as part of a hedging relationship and, if so, on the reason for holding the instrument. If certain conditions are met, entities may elect to designate a derivative instrument as a hedge of exposures to changes in fair value, cash flows or foreign currencies. If the hedged exposure is a cash flow exposure, the effective portion of the gain or loss on the derivative instrument is reported initially as a component of other comprehensive income (outside of earnings) and is subsequently reclassified into earnings when the forecasted transaction affects earnings. Any amounts excluded from the assessment of hedge effectiveness, as well as the ineffective portion of the gain or loss are reported in earnings immediately. If the derivative instrument is not designated as a hedge, the gain or loss is recognized in earnings in the period of change.

Cash Flow Hedges

In fiscal 2015 and the first three months of fiscal 2016, the Company entered into corn option contracts that are considered cash flow hedges. Under the terms of the corn option contracts, the Company hedged a portion of its U.S. forecasted sales of BBP through the fourth quarter of fiscal 2016. As of April 2, 2016, some of the contracts have settled while the remaining contract positions and activity are disclosed below. From time to time, the Company may enter into corn option contracts in the future.

As of April 2, 2016, the Company had the following outstanding forward contract amounts that were entered into to hedge the future payments of intercompany note transactions, foreign currency transactions in currencies other than the functional currency and forecasted transactions in currencies other than the functional currency. All of these transactions are currently not designated for hedge accounting (in thousands):

Functional Currency	Contract Currency	Type	Amount	Type	Amount
Brazilian real	Euro	30,288	6,850		
Brazilian real	U.S. dollar	83,417	20,825		
Euro	U.S. dollar	238,636	267,822		
Euro	Polish zloty	8,737	38,000		
Euro	Japanese yen	3,536	452,478		
Euro	Chinese renminbi	30,555	225,110		
Euro	Australian dollar	9,673	14,400		
Polish zloty	Euro	17,014	3,894		
British pound	U.S. dollar	87	125		
Japanese yen	U.S. dollar	45,817	383		

The Company estimates the amount that will be reclassified from accumulated other comprehensive gain at April 2, 2016 into earnings over the next 12 months will be approximately \$1.9 million. As of April 2, 2016, no amounts have been reclassified into earnings as a result of the discontinuance of cash flow hedges.

The following table presents the fair value of the Company's derivative instruments under FASB authoritative guidance as of April 2, 2016 and January 2, 2016 (in thousands):

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Derivatives Designated as Hedges	Balance Sheet Location	Asset Derivatives Fair Value April 2, 2016	January 2, 2016
Corn options	Other current assets	\$2,032	\$ 3,215
Total asset derivatives designated as hedges		\$2,032	\$ 3,215

Derivatives Not Designated as Hedges			
Foreign currency contracts	Other current assets	\$2,395	\$ 644
Heating oil swaps and options	Other current assets	95	—
Corn options and futures	Other current assets	599	599
Total asset derivatives not designated as hedges		\$3,089	\$ 1,243
Total asset derivatives		\$5,121	\$ 4,458

Derivatives Designated as Hedges	Balance Sheet Location	Liability Derivatives Fair Value April 2, 2016	January 2, 2016
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Derivatives Not Designated as Hedges			
Foreign currency contracts	Accrued expenses	\$4,884	\$ 4,435
Corn options and futures	Accrued expenses	11	2

Total liability derivatives not designated as hedges \$4,895 \$ 4,437

Total liability derivatives \$4,895 \$ 4,437

The effect of the Company's derivative instruments on the consolidated financial statements as of and for the three months ended April 2, 2016 and April 4, 2015 is as follows (in thousands):

Derivatives Designated as Cash Flow Hedges	Gain or (Loss) Recognized in Other Comprehensive Income ("OCI") on Derivatives (Effective Portion) (a)	Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) (b)	Gain or (Loss) Recognized in Income Derivatives (Ineffective Portion and
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	Amount Excluded from Effectiveness Testing) (c)					
	2016	2015	2016	2015	2016	2015
Corn options	\$ 320	\$ 296	\$ 1,474	\$ 234	\$ 52	\$ 55
Total	\$ 320	\$ 296	\$ 1,474	\$ 234	\$ 52	\$ 55

Amount recognized in accumulated OCI (effective portion) is reported as accumulated other comprehensive (a) income/(loss) of approximately \$0.3 million and \$0.3 million recorded net of taxes of approximately \$0.1 million and \$0.1 million as of April 2, 2016 and April 4, 2015, respectively.

(b) Gains and (losses) reclassified from accumulated OCI into income (effective portion) for corn options and natural gas swaps are included in cost of sales, respectively, in the Company's consolidated statements of operations.

(c) Gains and (losses) recognized in income on derivatives (ineffective portion) for corn options and natural gas swaps is included in other income/ (expense), net in the Company's consolidated statements of operations.

The table below summarizes the effect of derivatives not designated as hedges on the Company's consolidated statements of operations for the three months ended April 2, 2016 and April 4, 2015 (in thousands):

Derivatives not designated as hedging instruments		Location	Loss or (Gain)	
			Recognized in	
			Income on	
			Derivatives Not	
			Designated as	
			Hedges	
			Three Months	
			Ended	
			April 2,	April 4,
			2016	2015
Foreign Exchange		Foreign currency loss/(gain)	\$ 11,287	\$(23,044)
Foreign Exchange		Selling, general and administrative expense	(2,911))3,339
Corn options and futures		Net sales	1	(11)
Corn options and futures		Cost of sales and operating expenses	(532))(255)
Heating Oil swaps and options		Net sales	(73))—
Heating Oil swaps and options		Cost of sales and operating expenses	—	95
Total			\$7,772	\$(19,876)

At April 2, 2016, the Company had forward purchase agreements in place for purchases of approximately \$10.5 million of natural gas and diesel fuel. These forward purchase agreements have no net settlement provisions and the Company intends to take physical delivery of the underlying product. Accordingly, the forward purchase agreements are not subject to the requirements of fair value accounting because they qualify and the Company has elected to account for these as normal purchases as defined in the FASB authoritative guidance.

(13) Fair Value Measurements

FASB authoritative guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The following table presents the Company's financial instruments that are measured at fair value on a recurring and nonrecurring basis as of April 2, 2016 and are categorized using the fair value hierarchy under FASB authoritative guidance. The fair value hierarchy has three levels based on the reliability of the inputs used to determine the fair value.

(In thousands of dollars)	Total	Fair Value Measurements at April 2, 2016 Using		
		Quoted Prices in Significant Other Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Derivative instruments	\$ 5,121	\$ 5,121	\$	—
Total Assets	\$ 5,121	\$ 5,121	\$	—

Liabilities:

Derivative instruments	\$4,895	\$4,895	\$	—
5.375% Senior notes	511,250	—511,250	—	
4.75% Senior notes	588,079	—588,079	—	
Term loan A	278,300	—278,300	—	
Term loan B	587,633	—587,633	—	
Revolver debt	21,638	—21,638	—	
Total Liabilities	\$1,991,795	\$1,991,795	\$	—

(In thousands of dollars) Total	Fair Value Measurements at January 2, 2016 Using Quoted Prices in Significant Markets for Identical Assets (Level 1)		
	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:			
Derivative instruments	\$4,458	\$4,458	\$ —
Total Assets	\$4,458	\$4,458	\$ —
Liabilities:			
Derivative instruments	\$4,437	\$4,437	\$ —
5.375% Senior notes	495,000	—495,000	—
4.75% Senior notes	541,280	—541,280	—
Term loan A	277,874	—277,874	—
Term loan B	577,710	—577,710	—
Revolver debt	9,218	—9,218	—
Total Liabilities	\$1,905,519	\$1,905,519	\$ —

Derivative assets consist of the Company's heating oil swap and option contracts, corn option and future contracts and foreign currency contracts, which represents the difference between observable market rates of commonly quoted intervals for similar assets and liabilities in active markets and the fixed swap rate considering the instruments term, notional amount and credit risk. See Note 12 (Derivatives) for breakdown by instrument type.

Derivative liabilities consist of the Company's heating oil swap and option contracts, corn option and future contracts and foreign currency contracts, which represents the difference between observable market rates of commonly quoted intervals for similar assets and liabilities in active markets and the fixed swap rate considering the instruments term, notional amount and credit risk. See Note 12 (Derivatives) for breakdown by instrument type.

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value due to the short maturity of these instruments and as such have been excluded from the table above. The carrying amount for the Company's other debt is not deemed to be significantly different than the fair value and all other instruments have been recorded at fair value.

The fair value of the senior notes, term loan A, term loan B and revolver debt is based on market quotation from third-party banks.

(14) Contingencies

The Company is a party to several lawsuits, claims and loss contingencies arising in the ordinary course of its business, including employment, commercial and contract related matters and assertions by certain regulatory and governmental agencies related to permitting requirements and air, wastewater and storm water discharges from the Company's processing facilities.

The Company's workers compensation, auto and general liability policies contain significant deductibles or self-insured retentions. The Company estimates and accrues its expected ultimate claim costs related to accidents occurring during each fiscal year and carries this accrual as a reserve until these claims are paid by the Company.

As a result of the matters discussed above, the Company has established loss reserves for insurance, environmental, litigation and tax matters. At April 2, 2016 and January 2, 2016, the reserves for insurance, environmental, litigation and tax contingencies reflected on the balance sheet in accrued expenses and other non-current liabilities were approximately \$54.9 million and \$54.6 million, respectively. The Company has insurance recovery receivables of approximately \$12.2 million as of April 2, 2016 and January 2, 2016, related to these liabilities. The Company's management believes these reserves for contingencies are reasonable and sufficient based upon present governmental regulations and information currently available to management; however, there can be no assurance that final costs related to these matters will not exceed current estimates. The Company believes that the likelihood is remote that any additional liability from these lawsuits and claims that may not be covered by insurance would have a material effect on the Company's financial position, results of operations or cash flows.

Lower Passaic River Area. In December 2009, the Company, along with numerous other entities, received notice from the United States Environmental Protection Agency (“EPA”) that the Company (as successor-in-interest to Standard Tallow Company) is considered a potentially responsible party (a “PRP”) with respect to alleged contamination in the lower Passaic River area which is part of the Diamond Alkali Superfund Site located in Newark, New Jersey. The Company’s designation as a PRP is based upon the operation of a former plant site located in Newark, New Jersey by Standard Tallow Company, an entity that the Company acquired in 1996. In the letter, EPA requested that the Company join a group of other parties in funding a remedial investigation and feasibility study at the site. As of the date of this report, the Company has not agreed to participate in the funding group. In March 2016, the Company received another letter from EPA notifying the Company that it had issued a Record of Decision selecting a remedy for the lower 8.3 miles of the lower Passaic River area at an estimated cost of \$1.38 billion. The EPA letter makes no demand on the Company and lays out a framework for remedial design/remedial action implementation in which the EPA will first seek funding from major PRPs. The letter indicates that the EPA has sent the letter to over 100 parties, which include large chemical and refining companies, manufacturing companies, foundries, plastic companies, pharmaceutical companies and food and consumer product companies. The Company’s ultimate liability, if any, for investigatory costs, remedial costs and/or natural resource damages in connection with the lower Passaic River area cannot be determined at this time; however, as of the date of this report, the Company has found no evidence that the former Standard Tallow Company plant site contributed any of the primary contaminants of concern to the Passaic River and, therefore, there is nothing that leads the Company to believe that this matter will have a material effect on the Company’s financial position, results of operations or cash flows.

Fresno Facility Permit Issue. The Company has been named as a defendant and a real party in interest in a lawsuit filed on April 9, 2012 in the Superior Court of the State of California, Fresno County, styled Concerned Citizens of West Fresno vs. Darling International Inc. The complaint, as subsequently amended, alleges that the Company’s Fresno facility is operating without a proper use permit and seeks, among other things, injunctive relief. The complaint had at one time also alleged that the Company’s Fresno facility constitutes a continuing private and public nuisance, but the plaintiff has since amended the complaint to drop these allegations. The City of Fresno was also named as a defendant in the original complaint but has since had a judgment entered in its favor and is no longer a defendant in the lawsuit; however, in December 2013 the City of Fresno filed a motion to intervene as a plaintiff in this matter. The Superior Court heard the motion on February 4, 2014, and entered an order on February 18, 2014 denying the motion. Rendering operations have been conducted on the site since 1955, and the Company believes that it possesses all of the required federal, state and local permits to continue to operate the facility in the manner currently conducted and that its operations do not constitute a private or public nuisance. Accordingly, the Company intends to defend itself vigorously in this matter. Discovery has begun and this matter was scheduled for trial in July 2014; however, the parties have agreed to stay the litigation while they participate in a mediation process. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company’s financial condition, results of operations or cash flows.

(15) Business Segments

The Company sells its products domestically and internationally and operates within three industry segments: Feed Ingredients, Food Ingredients and Fuel Ingredients. The measure of segment profit (loss) includes all revenues, operating expenses (excluding certain amortization of intangibles), and selling, general and administrative expenses incurred at all operating locations and excludes general corporate expenses.

Included in corporate activities are general corporate expenses and the amortization of certain intangibles. Assets of corporate activities include cash, unallocated prepaid expenses, deferred tax assets, prepaid pension, and miscellaneous other assets.

Feed Ingredients

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Feed Ingredients consists principally of (i) the Company's U.S. ingredients business, including the Company's used cooking oil, trap grease and food residuals collection businesses, the Rothsay ingredients business, and the ingredients and specialty products businesses conducted by Darling Ingredients International under the Sonac name (proteins, fats, and plasma products) and (ii) the Company's bakery residuals business. Feed Ingredients operations process animal by-products and used cooking oil into fats, protein and hides.

Food Ingredients

Food Ingredients consists principally of (i) the gelatin and collagen hydrolysates business conducted by Darling Ingredients International under the Rousselot name, (ii) the natural casings and meat-by-products business conducted by Darling Ingredients International under the CTH name and (iii) certain specialty products businesses conducted by Darling Ingredients International under the Sonac name.

Fuel Ingredients

The Company's Fuel Ingredients segment consists of (i) the Company's biofuel business conducted under the Dar Pro® and Rothsay names (ii) the bioenergy business conducted by Darling Ingredients International under the Ecoson and Rendac names and (iii) the Company's investment in the DGD Joint Venture.

Business Segments (in thousands):

	Feed Ingredients	Food Ingredients	Fuel Ingredients	Corporate	Total
Three Months Ended April 2, 2016					
Net Sales	\$476,171	\$247,897	\$55,573	\$—	\$779,641
Cost of sales and operating expenses	372,657	185,554	40,682	—	598,893
Gross Margin	103,514	62,343	14,891	—	180,748
Selling, general and administrative expense	45,251	23,759	1,850	10,609	81,469
Acquisition and integration costs	—	—	—	331	331
Depreciation and amortization	44,377	16,704	6,919	4,256	72,256
Segment operating income/(loss)	13,886	21,880	6,122	(15,196)	26,692
Equity in net income of unconsolidated subsidiaries	102	—	5,541	—	5,643
Segment income/(loss)	13,988	21,880	11,663	(15,196)	32,335
Total other expense					(27,809)
Income before income taxes					\$4,526
Segment assets at April 2, 2016	\$2,504,494	\$1,489,073	\$656,834	\$221,415	\$4,871,816

	Feed Ingredients	Food Ingredients	Fuel Ingredients	Corporate	Total
Three Months Ended April 4, 2015					
Net Sales	\$547,498	\$270,157	\$57,039	\$—	\$874,694
Cost of sales and operating expenses	424,006	216,637	43,874	4	684,521
Gross Margin	123,492	53,520	13,165	(4)	190,173
Selling, general and administrative expense	48,023	25,476	4,040	9,092	86,631
Acquisition and integration costs	—	—	—	5,319	5,319
Depreciation and amortization	40,055	17,197	6,631	2,515	66,398

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Segment operating income/(loss)	35,414	10,847	2,494	(16,930)31,825
Equity in net income/(loss) of unconsolidated subsidiaries	417	—	(2,225)—	(1,808)
Segment income/(loss)	35,831	10,847	269	(16,930)30,017
Total other expense					(26,078)
Income before income taxes					\$3,939
Segment assets at January 2, 2016	\$2,438,869	\$1,448,014	\$631,968	\$241,768	\$4,760,619

(16) Related Party Transactions

Raw Material Agreement

The Company entered into a Raw Material Agreement with the DGD Joint Venture in May 2011 pursuant to which the Company will offer to supply certain animal fats and used cooking oil at market prices, up to the DGD Joint Venture's full operational requirement of feedstock, but the DGD Joint Venture is not obligated to purchase the raw material offered by the Company. Additionally, the Company may offer other feedstocks to the DGD Joint Venture, such as inedible corn oil, purchased on a resale basis. For the three months ended April 2, 2016 and April 4, 2015, the Company has recorded sales to the DGD Joint Venture of approximately \$23.7 million and \$38.6 million, respectively. At April 2, 2016 and January 2, 2016, the Company has \$5.2 million and \$5.1 million in outstanding receivables due from the DGD Joint Venture, respectively. In addition, the Company has eliminated approximately \$4.0 million of additional sales for the three months ended April 2, 2016 to defer the Company's portion of profit of approximately \$0.9 million on those sales relating to inventory assets still remaining on the DGD Joint Venture's balance sheet at April 2, 2016.

Revolving Loan Agreement

On February 23, 2015, Darling through its wholly owned subsidiary Darling Green Energy LLC, ("Darling Green") and a third party Diamond Alternative Energy, LLC ("Diamond Alternative" and together with Darling Green, the "DGD Lenders") entered into a revolving loan agreement (the "DGD Loan Agreement") with the DGD Joint Venture Opco. The DGD Lenders have committed to make loans available to Opco in the total amount of \$10.0 million with each lender committed to \$5.0 million of the total commitment. Any borrowings by Opco under the DGD Loan Agreement are at the applicable annum rate equal to the sum of (a) the LIBO Rate (meaning Reuters BBA Libor Rates Page 3750) on such day plus (b) 2.50%. The DGD Loan Agreement matures on December 31, 2016, unless extended by agreement of the parties. During the first three months of fiscal 2016, Opco borrowed and repaid no amounts. As of April 2, 2016, no amounts are owed to Darling Green under the DGD Loan Agreement.

(17) New Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting. This ASU amends Topic 718, Compensation - Stock Compensation, which simplifies several aspects of the accounting for share-based payments, including immediate recognition of all excess tax benefits and deficiencies in the income statement, changing the threshold to qualify for equity classification up to the employees' maximum statutory tax rates, allowing an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur, and clarifying the classification on the statement of cash flows for the excess tax benefit and employee taxes paid when an employer withholds shares for tax-withholding purposes. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The ASU is effective for fiscal years beginning after December 15, 2016 and for interim periods therein. The Company is currently evaluating the impact of this standard.

In March 2016, the FASB issued ASU No. 2016-07, Simplifying the Transition to the Equity Method of Accounting. This ASU amends Topic 323, Investments - Equity Method and Joint Ventures, which eliminates the requirement to retrospectively apply equity method accounting when an entity increases ownership or influence in a previously held investment. The ASU is effective for fiscal years beginning after December 15, 2016 and for interim periods therein. The Company is currently evaluating the impact of this standard. The adoption of this standard will not have a

material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (topic 842). Under the new ASU, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance lessor accounting is largely unchanged. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. This ASU is effective

for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of this standard.

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes. This ASU amends Topic 740, Income Taxes, requiring deferred tax assets and liabilities to be classified as non-current in the statement of financial position. The Company has early adopted ASU No. 2015-17 effective January 2, 2016 on a retrospective basis. As required by ASU No. 2015-17, all deferred tax assets and liabilities are classified as non-current in the Company's consolidated balance sheets, which is a change from the Company's historical presentation whereby certain of the Company's deferred tax assets and liabilities were classified as current and the remaining amount was classified as non-current. The Company early adopted ASU No. 2015-17 effective January 2, 2016. The adoption did not have a material impact on the Company's consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments. This ASU amends Topic 805, Business Combinations. This ASU simplifies the treatment of adjustments to provisional amounts recognized in the period for items in a business combination for which the accounting is incomplete at the end of the reporting period. This ASU requires entities to present separately on the face of the income statement (or disclose in the notes to the financial statements) the portion of the amount recorded in the current period earnings, by line item, that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The ASU is effective for fiscal years beginning after December 15, 2015 and for interim periods therein. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory. This ASU amends Topic 330, Inventory. The ASU simplifies the measurement of inventory by requiring certain inventory to be measured at the lower of cost and net realizable value. The ASU is effective for financial statements issued for fiscal years beginning after December 15, 2016 and for interim periods therein. The Company is currently evaluating the impact of this standard. The adoption of this standard will not have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-04, Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets. The ASU amends ASC Topic 715, Compensation-Retirement Benefits. The new standard permits a reporting entity with a fiscal year-end that does not coincide with a month-end to measure defined benefit plan assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply that expedient consistently from year to year. The practical expedient should be applied consistently to all plans if an entity has more than one plan. This ASU is effective for public entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those years. Early adoption is permitted. The Company early adopted the month-end date of December 31 as the measurement date for all of the Company's defined benefit plans, which is the closest month-end to the Company's fiscal year-end. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. The ASU amends ASC (Subtopic 835-30), Interest - Imputation of Interest. The new standard requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying value of the debt liability, which is similar to the presentation of debt discounts or premiums. The costs will continue to be amortized to interest expense using the effective interest method. The ASU is effective for public entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. See Note 7 Debt for impact of adopting this standard. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede nearly all existing revenue recognition guidance under GAAP. The new ASU introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, this ASU requires disclosures sufficient to enable the users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. In July 2015, the FASB deferred the elective date of the standard by one year. This ASU allows for either full retrospective or modified retrospective adoption and will become effective for the Company for the fiscal years beginning after December 15, 2017. The Company is currently evaluating the impact of this standard and the transition plan the Company will adopt.

(18) Guarantor Financial Information

The Company's 5.375% Notes and 4.75% Notes (see Note 7) are guaranteed on a senior unsecured basis by the following Notes Guarantors, each of which is a 100% directly or indirectly owned subsidiary of Darling and which constitute all of Darling's existing restricted subsidiaries that are Credit Agreement Guarantors (other than Darling's foreign subsidiaries, Darling Global Finance B.V., which issued the 4.75% Notes and is discussed further below, or any receivables entity): Darling National, Griffin and its subsidiary Craig Protein, Darling AWS LLC, Terra Holding Company, Darling Global Holdings Inc., Darling Northstar LLC, TRS, EV Acquisition, Inc., Rousselot Inc., Rousselot Dubuque Inc., Sonac USA LLC and Rousselot Peabody Inc. In addition, the 4.75% Notes, which were issued by Darling Global Finance B.V., a wholly-owned indirect subsidiary of Darling, are guaranteed on a senior unsecured basis by Darling. The Notes Guarantors, and Darling in the case of the 4.75% Notes, fully and unconditionally guaranteed the 5.375% Notes and 4.75% Notes on a joint and several basis. The following financial statements present condensed consolidating financial data for (i) Darling, (ii) the combined Notes Guarantors, (iii) the combined other subsidiaries of the Company that did not guarantee the 5.375% Notes or the 4.75% Notes (the "Non-guarantors"), and (iv) eliminations necessary to arrive at the Company's consolidated financial statements, which include condensed consolidated balance sheets as of April 2, 2016 and January 2, 2016, and the condensed consolidating statements of operations, the condensed consolidating statements of comprehensive income and the condensed consolidating statements of cash flows for the three months ended April 2, 2016 and April 4, 2015. Separate financial information is not presented for Darling Global Finance B.V. since it was formed as a special purpose finance subsidiary for the purpose of issuing the 4.75% Notes and therefore does not have any substantial operations or assets.

Condensed Consolidating Balance Sheet

As of April 2, 2016

(in thousands)

	Parent	Guarantors	Non-guarantors	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	\$ 1,233	\$ 2,080	\$ 144,013	\$ —	\$ 147,326
Restricted cash	102	—	219	—	321
Accounts receivable	179,220	87,270	313,465	(203,609)	376,346
Inventories	14,031	97,869	260,716	—	372,616
Income taxes refundable	8,930	—	2,895	—	11,825
Prepaid expenses	14,072	2,441	23,766	—	40,279
Other current assets	3,304	6,579	21,729	(20,042)	11,570
Total current assets	220,892				