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Darling Ingredients Q4 Earnings Call Highlights

Posted by [Max Byerly](#) on Feb 12th, 2026

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Darling Ingredients (NYSE:DAR) closed fiscal 2025 with fourth-quarter adjusted EBITDA of \$336.1 million, supported by sequential gross margin improvement and stronger results in its core ingredients business, management said on the company's earnings call. Executives also highlighted progress in reducing leverage and repositioning the portfolio, while pointing to an improving policy backdrop for renewable fuels heading into 2026.

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Fourth-quarter results show sequential improvement

Chairman and CEO Randall C. Stuewe said the company's 2025 performance reflected uncertainty tied to renewable fuels policy as well as volatility from tariffs and trade. Even so, he said Darling improved debt leverage, took steps to rationalize the portfolio, and advanced operational execution.

CFO Bob Day reported combined adjusted EBITDA of \$336 million for the fourth quarter, up from \$289 million in the year-ago quarter and \$245 million in the prior quarter. Core ingredients adjusted EBITDA was \$278 million in the quarter, compared with \$230 million a year earlier and \$248 million in the third quarter.

For the quarter, Darling posted net sales of \$1.7 billion, up from \$1.4 billion in the fourth quarter of 2024, while raw material volume rose to 4.1 million metric tons from 3.8 million. Consolidated gross margin improved to 25.1% from 23.5% a year earlier.

Core ingredients growth led by feed and food segments

For full-year 2025, Day said core ingredients adjusted EBITDA totaled \$922 million versus \$790 million in 2024. He noted fiscal 2025 was a 53-week year, but estimated the extra week contributed only about \$20 million of EBITDA.

In the feed ingredients segment, fourth-quarter EBITDA increased to \$193 million from \$150 million a year earlier. Segment sales rose to \$1.13 billion from \$924 million, and raw material volume increased to roughly 3.4 million tons from 3.1 million. Gross margin as a percentage of sales improved to 24.6% from 22.6%.

Stuewe attributed performance to strong execution, margin and "spread management," and solid global volumes. He said U.S. beef tonnage remains low, but that has been offset by strong poultry volumes in the East and Southeast, while Brazil is seeing "very large" beef tonnage and Europe remains consistent.

In the food segment, fourth-quarter sales were \$429 million, up from \$362 million in the year-ago quarter. Gross margin was 27.2% versus 25.7%, raw material volumes rose to 350,000 metric tons from 320,000, and EBITDA increased to \$82 million from \$64 million.

Management said collagen and gelatin demand is rebounding and that the previously announced joint venture with PB Leiner and Tessenderlo is advancing, with regulatory reviews underway. Stuewe said destocking conditions discussed a year ago have largely worked through globally and that the company is seeing momentum in its higher-value Nextida products, including repeat orders for a GLP-1 alternative glucose moderation product and a planned spring launch of a brain health product line.

Diamond Green Diesel: stronger quarter, policy remains key variable

In the fuel segment, Diamond Green Diesel (DGD) delivered its strongest quarter of the year, according to Stuewe, with \$57.9 million of EBITDA, or \$0.41 per gallon. For full-year 2025, DGD earned \$103.7 million of EBITDA, or \$0.21 per gallon, and sold approximately 1 billion gallons.

Day said Darling's share of DGD EBITDA was \$58 million in the fourth quarter, which included an unfavorable LCM inventory valuation adjustment of \$24 million at the DGD entity level. For the full year, Darling's share of DGD EBITDA was about \$104 million, including a favorable LCM adjustment of \$140 million at the entity level.

Day added that Darling contributed approximately \$328 million to DGD in 2025, offset by \$368 million in dividends received. He said a significant portion of dividends came from \$285 million in production tax credit sales, with \$255 million paid during 2025 and the balance expected in 2026.

Executives repeatedly pointed to the U.S. Renewable Volume Obligation (RVO) as a major swing factor. Day said the company is not providing DGD guidance and will reconsider after a final RVO ruling. He also said he has not seen a significant increase in U.S. biofuel production so far in 2026, despite better margins, implying margins may need to improve further to incentivize additional output.

On policy, Day said Darling supports an advanced biofuels RVO that translates to 5.25 billion to 5.61 billion gallons and added that "anything with a five" would be constructive. Stuewe said the company believes DGD margins could support cases of \$0.50 per gallon or \$1 per gallon, depending on policy outcomes and industry behavior.

Regarding California's LCFS market, Day said the credit bank is coming down and expects that to continue. He also noted that renewable diesel volumes into California have been lower over recent quarters, and said LCFS or RIN pricing would need to rise to incentivize more domestic production into the state.

Balance sheet, portfolio actions, and Brazil acquisition

Day said total debt net of cash was approximately \$3.8 billion as of January 3, 2026, down from \$4.0 billion at the end of fiscal 2024. The company's preliminary bank covenant leverage ratio improved to 2.9x from 3.9x a year earlier, and Darling ended the year with about \$1.3 billion of availability on its revolving credit facility.

Capital expenditures were \$156 million in the fourth quarter and \$380 million for the year. Looking ahead, Day said maintenance capex could be slightly higher but "in that ballpark of \$400 million."

Darling reported net income of \$57 million in the fourth quarter, or \$0.35 per diluted share, compared with \$102 million, or \$0.63 per share, in the year-ago period. Day said the company recorded \$58 million of restructuring and impairment charges tied to portfolio actions; on an adjusted non-GAAP basis, he said earnings per share would have been \$0.67 in the quarter versus \$0.66 a year earlier.

Management also discussed potential portfolio rationalization and possible asset sales, though executives said they were intentionally vague while negotiations continue. Stuewe said the company periodically reviews whether it can achieve desired returns and maintain a top market position in each business, and indicated additional actions could materialize in the first quarter or early second quarter.

On M&A, Stuewe said Darling remains largely focused on organic expansion and described the company as being "on an M&A holiday," while acknowledging the company will evaluate opportunities that strengthen its core business.

In Brazil, Darling participated in an auction to acquire three rendering assets formerly owned by the Potencei Group. Day said the acquisition cost is expected to be around \$120 million, funded with first-quarter cash flows, with closing expected later in the quarter. Stuewe called the facilities "first-rate, world-class" assets that fit within Darling's existing Brazilian footprint and offer synergies and margin enhancement opportunities.

Early 2026 outlook: modest core pullback, improved DGD margins expected

For the first quarter, Stuewe estimated DGD production of about 260 million gallons at improved margins. He also guided core ingredients adjusted EBITDA to a range of \$240 million to \$250 million, citing seasonal impacts and some operational challenges from severe January weather in parts of the Southeast and Eastern Shore, while emphasizing the company expects only a modest pullback relative to the fourth quarter.

In the Q&A, Day said contributions to DGD in 2026 should be "considerably less" than in 2025, noting that 2025 included three catalyst turnarounds and other costs. Management also said it expects continued progress in paying down debt, with the pace influenced by DGD's cash generation once policy clarity improves.

About Darling Ingredients (NYSE:DAR)

Darling Ingredients Inc (NYSE: DAR) is a global leader in converting edible and inedible bio-nutrient streams into sustainable food, feed ingredients, renewable fuels and specialty products. Founded in 1882 and headquartered in Irving, Texas, the company builds on more than a century of experience in animal rendering and by-product recycling. Over time, Darling has expanded its capabilities beyond traditional rendering to include advanced processing technologies that support a circular economy and reduce waste from food and agricultural industries.

The company's core operations revolve around four primary segments: Feed Ingredients & Services, Food & Nutrition, Fuel Ingredients & Services, and Specialty Ingredients.

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