

DARLING INTERNATIONAL INC

Form 10-Q

November 10, 2011

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 October 1, 2011

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

Delaware
(State or other jurisdiction
of incorporation or organization)

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

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

75038
(Zip Code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes

No

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

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

Non-accelerated filer

Edgar Filing: DARLING INTERNATIONAL INC - Form 10-Q

Large accelerated
filer

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 117,056,981 shares of common stock, \$0.01 par value, outstanding at November 3, 2011.

1

DARLING INTERNATIONAL INC. AND SUBSIDIARIES
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED OCTOBER 1, 2011

TABLE OF CONTENTS

	Page No.
<u>PART I: FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	
<u>FINANCIAL STATEMENTS</u>	
<u>Consolidated Balance Sheets</u>	<u>3</u>
<u>October 1, 2011 (unaudited) and January 1, 2011</u>	
<u>Consolidated Statements of Operations (unaudited)</u>	<u>4</u>
<u>Three and Nine Months Ended October 1, 2011 and October 2, 2010</u>	
<u>Consolidated Statements of Cash Flows (unaudited)</u>	<u>5</u>
<u>Nine Months Ended October 1, 2011 and October 2, 2010</u>	
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>6</u>
<u>Item 2.</u>	
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF</u>	<u>25</u>
<u>FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	
<u>Item 3.</u>	
<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES</u>	<u>43</u>
<u>ABOUT MARKET RISK</u>	
<u>Item 4.</u>	
<u>CONTROLS AND PROCEDURES</u>	<u>43</u>
<u>PART II: OTHER INFORMATION</u>	
<u>Item 6.</u>	
<u>EXHIBITS</u>	<u>45</u>
<u>Signatures</u>	<u>46</u>

DARLING INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

October 1, 2011 and January 1, 2011

(in thousands, except shares)

	October 1, 2011 (unaudited)	January 1, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$28,550	\$19,202
Restricted cash	368	373
Accounts receivable, net	101,127	87,455
Escrow receivable	—	16,267
Inventories	66,546	45,606
Income taxes refundable	8,203	1,474
Other current assets	11,205	8,833
Deferred income taxes	6,785	6,376
Total current assets	222,784	185,586
Property, plant and equipment, less accumulated depreciation of \$267,380 at October 1, 2011 and \$238,265 at January 1, 2011	399,320	393,420
Intangible assets, less accumulated amortization of \$77,274 at October 1, 2011 and \$56,689 at January 1, 2011	369,898	390,954
Goodwill	381,635	376,263
Investment in unconsolidated subsidiary	12,898	—
Other assets	29,991	36,035
	\$1,416,526	\$1,382,258
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$314	\$3,009
Accounts payable, principally trade	70,838	70,123
Accrued expenses	75,282	81,698
Total current liabilities	146,434	154,830
Long-term debt, net of current portion	309,719	707,030
Other non-current liabilities	34,014	50,760
Deferred income taxes	23,870	5,342
Total liabilities	514,037	917,962
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value; 150,000,000 shares authorized; 117,590,822 and 93,014,691 shares issued at October 1, 2011 and at January 1, 2011, respectively	1,176	930
Additional paid-in capital	587,631	290,106
Treasury stock, at cost; 533,841 and 455,020 shares at October 1, 2011 and at January 1, 2011, respectively	(5,465) (4,340
Accumulated other comprehensive loss	(19,362) (20,988

Edgar Filing: DARLING INTERNATIONAL INC - Form 10-Q

Retained earnings	338,509	198,588
Total stockholders' equity	902,489	464,296
	\$1,416,526	\$1,382,258

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

3

DARLING INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Three months and nine months ended October 1, 2011 and October 2, 2010

(in thousands, except per share data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Net sales	\$455,875	\$168,685	\$1,366,383	\$497,677
Costs and expenses:				
Cost of sales and operating expenses	326,674	125,650	953,293	369,913
Selling, general and administrative expenses	35,487	16,094	100,272	48,096
Depreciation and amortization	18,953	7,623	57,689	21,853
Total costs and expenses	381,114	149,367	1,111,254	439,862
Operating income	74,761	19,318	255,129	57,815

Other expense: