THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

DAR - Q4 2017 Darling Ingredients Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 28, 2018 / 1:30PM GMT

CORPORATE PARTICIPANTS

Brad Phillips *Darling Ingredients Inc. - Executive VP & CFO*

John Bullock *Darling Ingredients Inc. - Executive VP of North American Specialty Businesses & Chief Strategy Officer*

Melissa A. Gaither *Darling Ingredients Inc. - VP of IR and Global Communications*

Randall C. Stuewe *Darling Ingredients Inc. - Chairman & CEO*

CONFERENCE CALL PARTICIPANTS

Adam L. Samuelson *Goldman Sachs Group Inc., Research Division - Lead Analyst*

Chip Moore *Canaccord Genuity Limited, Research Division - Senior Associate*

Craig Edward Irwin *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

David Francis Katter *Robert W. Baird & Co. Incorporated, Research Division - Junior Analyst*

Heather Lynn Jones *The Vertical Trading Group, LLC, Research Division - Research Analyst*

Kenneth Bryan Zaslow *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

Thomas Hinsdale Palmer *JP Morgan Chase & Co, Research Division - Analyst*

Tyson Lee Bauer *Kansas City Capital Associates - Senior Analyst*

PRESENTATION

Operator

Good morning, everyone, and welcome to the Darling Ingredients Inc. Conference Call to discuss the company's Fourth Quarter and Year-End 2017 Financial Results.

With us today are Randall Stuewe, Chairman and Chief Executive Officer of Darling Ingredients; and Mr. Brad Phillips, Executive Vice President and Chief Financial Officer.

(Operator Instructions) Today's call is being recorded. (Operator Instructions) I now would like to turn the conference over to Melissa Gaither, Vice President of Investor Relations and Global Communications for Darling Ingredients.

Please go ahead.

Melissa A. Gaither *- Darling Ingredients Inc. - VP of IR and Global Communications*

Thank you, Keith. Good morning, everyone, and thank you for joining us to discuss Darling Ingredients' earnings results for the fourth quarter and fiscal year ended December 30, 2017.

To augment management's formal presentation, please refer to the presentation section of our IR website for the earnings slide presentation. Randall Stuewe, our Chairman and CEO, will begin today's call with an overview of our fourth quarter and year-end operational and financial performances, focusing on year-over-year comparisons and will discuss some of the trends impacting our business.

Brad Phillips, Executive Vice President and Chief Financial Officer, will then provide additional details about our financial results.

Please see the full disclosure of our non-U. S. GAAP measures in both our earnings release and earnings slide presentation.

Finally, Randy will conclude the prepared portion of the call with some general remarks about the business and the year ahead, after which, we will be happy to answer your questions.

Now for the Safe Harbor statement. This conference call will contain forward-looking statements regarding Darling Ingredients' business opportunities and anticipated results of operations. Please bear in mind that forward-looking information is subject to many risks and uncertainties and actual results may differ materially from -- as projected.

Many of these risks and uncertainties are described in Darling's annual report on the Form 10-K for the year ending December 30, 2017, our recent press release announced yesterday and our filings with the SEC.

Forward-looking statements in this conference call are based on our current expectations and beliefs, and we do not take any duty to update any of the forward-looking statements made in this conference call or otherwise.

With that, I'd like to turn the call over to Randy.

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

Thanks, Melissa. Good morning, everyone, thanks for joining us. Before I begin, I'd like to welcome Brad Phillips and congratulate him on his well-deserved promotion as our new Chief Financial Officer.

As many of you know, Brad has a long tenure with Darling dating back to 1988, and has managed our Investor Relations effort for many years alongside his treasury role since 1993. He has proven public company expertise, knows our culture, our operations and our businesses, intimately.

As you may recall, we reorganized and split the roles between CFO and Chief Administrative Officer. John Muse, our 20-year veteran CFO has opted not to retire and will fill the CAO role responsible for streamlining and integrating our global IT, global HR, global risk management and global internal audit functions, while Brad will be responsible for global accounting, treasury and tax.

We are confident in the leadership of both individuals, and their contributions will be vital as we execute our long-term growth strategy.

Now turning to our overall performance. We delivered on target for fourth quarter, topping off a strong 2017 marked with several notable financial and operational achievements, executed our World of Growth Strategy.

As reported, our earnings reflect the impact of the tax reform legislation passed in late December. Fourth quarter and full-year results benefited significantly from a net tax benefit of $75 million or $0.45 a share.

We also benefited from changes in European tax laws of $13.9 million or $0.08 a share. Brad is going to share you a little more detail about our new tax provisions during his financial review.

Now let's review some of our most important operational achievements and milestones of 2017.

First, we grew our total system raw material volumes by 3.1% over 2016. We delivered adjusted EBITDA of $438.9 million without the blenders tax credit. Adding back the North American blenders tax credit would have added an additional $12.6 million to our results.

Diamond Green Diesel recorded an entity EBITDA of $86.4 million or $0.54 per gallon without the tax credit. As noted, the BTC was made retro in February, and we have submitted a claim for $160.4 million, which we anticipate receiving later this spring.

Our first quarter results will most likely reflect our share of the BTC or approximately $0.56 per share.

Our balance sheet continued to improve as we made net debt paydowns totaling $112.5 million, exceeding our $100 million target and lowering our debt-to-EBITDA ratio to 3.47 from 3.69 in 2016.

We improved our working capital utilization by $61.8 million for fiscal year 2017. We refinanced and lowered the cost of borrowing on our Term Loan B and extended the maturity.

On a CapEx front, we deployed $274 million across our Food, Feed and Fuel segments, funding new construction and expansions to support our World of Growth Strategy. You can view this list of projects on our earnings call, Slide #3.

We also completed 3 small acquisitions that capitalized on demand in North America and in China, both strong markets for our products and services. We acquired a New Jersey-based American by-products recyclers for used cooking oil, a small rendering company called Tallowmasters in Medley, Florida, and we purchased the remaining minority shareholders interest in our blood business in China.

Now let's turn a little bit and review the segment performance. Feed segment saw strong global raw material tonnage, with North American volumes exceeding 2016 levels by 3.4%, while our international tonnage grew by 2% on strong slaughter volumes. We managed through continued deflationary finished-product pricing markets and delivered consistent margins.

For the year, feed-grade protein prices weakened due to strong supply of alternative ingredients and fats improved driven by strong biofuel demand for our low carbon feed stocks.

Strength in fat prices during the year was also supported in part by favorable legislation in California and by antidumping duties imposed on Argentine and Indonesian biodiesel imports.

Our specialty proteins continued to see robust demand. Our 2 wet pet-food plants commissioned in 2016 ran strong and delivered projected earnings.

We're also -- are also in the final planning stages to commence construction of a cat 1, cat 2 expansion and new plant in Poland. Our blood plant in Germany came online in January, and our Belgium digester is due to be commissioned later in second quarter.

Additionally, construction continues on our first full-scale black soldier fly protein conversion facility. We anticipate that to be coming online later in 2018, towards the end of the year.

On the Food segment, it once again posted strong and consistent EBITDA returns throughout the year compared to 2016. Highlights in the segment include the strengthening performance of Rousselot, our 4-continent gelatin business, and saw especially improved performance in North America and China.

During the year, Rousselot reached a new production record of more than 100,000 metric tons of sales, which translates into sales growth of more than 5% over 2016.

For 2018, we expect gelatin and peptan sales to remain strong and we believe market pricing will be stable.

Headwinds continue to challenge Rousselot's South American operations as macroeconomic pressures, pressures margins there and are augmented by ample hide supply that is hitting gelatin pricing and weak foreign currencies.

Sonac, our edible fats business delivered another solid performance, ending the year with strong volumes and pricing. Their results were in line with expectations, and the business carries solid momentum into 2018 as palm oil prices has stabilized during the last couple of quarters.

CTH, our natural casings company, also achieved improved earnings during the year driven by strong global demand. Throughout 2017, the business has capitalized once again on the continued contraction of the Chinese hog supply.

The Fuel segment delivered very consistent returns when adding back the blenders tax credit contribution of $12.6 million, which was made retro in February of 2018. Rendac, our disposal rendering business, volumes remained strong and earnings were as expected. Our Ecoson digester in the Netherlands continues operating at reduced throughput until we resolve some permitting issues.

Our North American and Canadian biodiesel facilities operated in the red for most of 2017, but recorded sequentially improved results in fourth quarter, with an improved HOBO spread in rend pricing.

Our new Ecoson digester in Denderleeuw, Belgium is now under construction and it will be -- is due to complete here during the first half of '18 and begin commissioning.

Now let's turn to Diamond Green Diesel. I'd like to up-to-date you a little bit on Diamond Green here. For the year, Diamond Green as an entity earned $86.4 million in adjusted EBITDA or $0.54 per gallon on production of 161.3 (sic) [160.4] million gallons, excluding the benefit of the blenders tax credit.

Adding back the credit, DGD would've achieved an entity level EBITDA of $247 million. Operationally, Diamond Green continues to perform exceptionally well and per our expectations. For the fourth quarter of 2017, DGD generated $30.4 million of EBITDA at the entity level or about $15.2 million for Darling share.

First quarter 2018 results will include the benefit of the blenders tax credit made retro, and will add approximately $0.48 per share to Darling's earnings. For the full year, we anticipate producing between 190 million and 200 million gallons and given the LCFS markets today, we're expecting Diamond Green to earn in excess of $1.25 per gallon EBITDA.

The current debt level of the JV at the end of the year stood at $53.7 million, with a total cash position at $123.4 million. With the receipt of the $160.4 million blenders tax credit and the current operating rates, we will have adequate capital reserves to complete the current expansion and retire the senior debt. We also anticipate given the current run rates and margins, that we'll be able to issue dividends to each partner of approximately $75 million this year.

I'd also like to note that during January, the facility successfully completed a 10-day shutdown to change out the catalyst. So it can maintain its full rate leading up to the tie-in expansion due sometime in mid- to late May.

At that time, we expect scheduled downtime will take production out of line for approximately 40 to 45 days to tie-in the expansion to the legacy refinery. However, once tied in and online, we expect production to ramp up quickly to 275 million-gallon per year rate. Additionally, engineering and cost estimating continues for expanding the facility to 550 million gallons, and we expect to make a final decision later this summer.

With that, let's have Brad take us through a few financial highlights. Brad?

Brad Phillips - *Darling Ingredients Inc. - Executive VP & CFO*

Thanks, Randy. It's a pleasure to join you all on this earnings call. I'll begin with our balance sheet, where our cash position ended at $107 million, down from $115 million at the end of 2016. Despite spending approximately $37 million during 2017 for the 3 acquisitions Randy previously referenced, we were able to pay down $43 million in debt during the fourth quarter, and we exceeded our 2017 targeted paydown of $100 million, with a total paydown of $112.5 million.

At year-end, our liquidity remains strong with approximately $976 million of availability under our senior revolving credit loan facility. We continue to focus on our working capital position as it improved by $61.8 million since year-end 2016 as reported on the statement of cash flows, which excludes the impacts of foreign exchange.

In 2018, we will continue to target $20 million to $25 million worth of positive cash flow for the full year from further working capital improvements.

CapEx was $77.7 million for the fourth quarter of 2017 compared to $47.1 million for the same period in 2016. We ended the year with CapEx of $274.4 million, exceeding the target of between $240 million and $250 million for the full year due to several new plant constructions and global plant expansions to meet expanding volumes and new suppliers worldwide.

We expect the flow of expansion projects to continue in 2018, where we expect about $219 million for the more routine maintenance and compliance expenditures, another $114 million for new construction, which will bring our total CapEx to approximately an anticipated $333 million for 2018.

Gross margin in the fourth quarter was 21.7% compared to 22.3% for the same period last year. Gross margin compression was driven by weaker protein pricing during 2017 compared to 2016 in addition to the absence of the BTC.

Increased global sales volumes and higher fat prices helped offset a significant portion of those challenges.

SG&A during the quarter and the year was higher compared to the same quarter and fiscal year 2016. Totals for the fourth quarter were $91 million, up $11.1 million from the same period last year. For the full year, SG&A expenses were $347.5 million compared to $314 million in 2016.

Higher levels during the year were driven by expenses related to changes to our equity award agreements to address employee retirements, IT calls for rolling out new IT upgrades to the international business as well as domestic legacy systems in the U.S. and some increased fringe benefits and a reduction in currency hedge gains in 2017 versus 2016.

As we look forward here in 2018, we project our SG&A expenses to be in the $88 million to $90 million range per quarter. Depreciation and Amortization totals were higher for the year as a result of the facilities and equipment put into service during 2018.

Interest expense declined $5.3 million to $88.9 million for fiscal 2017 as we continue to reduce debt.

I'll now provide a bit more color on the impact of the recent U.S. Tax Cuts and Jobs Act enacted into law on December 22, 2017. Fourth quarter 2017 results included net tax benefit of $75 million or $0.45 per share. The net benefit includes $101.2 million tax benefit for the write-off -- write down of net deferred tax liabilities, offset by a $26.2 million tax expense for the mandatory onetime deemed repatriation of non-U. S. earnings. No material cash impact is expected from the deemed repatriation due to existing tax loss carry forwards.

The company also realized a tax benefit of $13.9 million due to tax law changes in Belgium and France. As a result of these combined changes, the effective tax rate for fiscal 2017 is negative 107.7%. Without the effect from these various tax law changes, the effective tax rate would have been approximately 30.8% for 2017.

Lastly, we estimate cash taxes for 2018 will be approximately $25 million.

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

Thanks, Brad. We continue to execute well, diversify our global platform and deploy prudently our growth capital. Due to the -- during the second quarter 2018, we look forward to bringing the expanded Diamond Green diesel facility online, boosting production to 275 million gallons. The team is also anxious to move forward with Valero on evaluating the expansion of DGD's production capacity to 550 million gallons. We expect this business to continue to provide robust returns, even with the absence of the blenders tax credit in 2018.

Rousselot also turned the corner during 2017 and are now positioned to -- positioned well to take full advantage of the growing global demand for its gelatin products. Macroeconomic conditions in South America appear to have stabilized, which should enable us to improve returns in those markets as we have on the other 3 continents in which the company operates.

On a regulatory basis, we will continue to lend our support the state and federal regulations that help support our biodiesel operation. As we implement our growth and diversification strategies, we will continue to find ways to aggressively manage our balance sheet, grow our earnings and reinforce our financial positions.

With that, Keith, let's go ahead and open it up to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the first question comes Adam Samuelson with Goldman Sachs.

Adam L. Samuelson - *Goldman Sachs Group Inc., Research Division - Lead Analyst*

A couple questions, Randy. Maybe first, I would love to get your perspective on kind of the policy landscape as we sit here today: some recent changes to the LCFS cadence in California; some new discussion in the White House in Washington on the RFS, seems to be more focused on the ethanol side; kind of the lack of a blenders credit for '18. Just how you think the regulatory environment is shaping up as you look over the next 12 to 18 months?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

John Bullock, you want to chime in here for us?

John Bullock - *Darling Ingredients Inc. - Executive VP of North American Specialty Businesses & Chief Strategy Officer*

Yes. I think, as we look at what CARB just recently did with the LCFS, I think they called it smoothing. We knew that they were coming out with what they were going to have as their targets from 2020 to 2030. In the process of announcing them, they also changed slightly the LCFS targets for 2019, 2020 and 2021. Essentially, before, the 10% target was at 2020, and now they've moved that out to 2022. That's brought the LCFS market down a little bit. I think it was probably a prudent way for CARB to address what looked like a looming issue, which is that the amount of credits that were available to meet the amount of deficits that were being traded in California. The deficit demand was ramping up so quickly versus the available credit that we could have worked ourselves into a situation where potentially, we would have had excessively high LCFS pricing in the short term. That's not good for the program. The program needs to have a more sustained growth path. And so what they did by moving the targets out a little bit and then announcing the ramp up schedule from 2022 forward, all the way to 2030, where they actually increased the target from 18% to 20% now, we view as fundamentally good for how we are positioned in relationship to the LCFS markets. So all good in relationship to what California is doing. As regards to the RFS, obviously, there's always turmoil it seems like in Washington, D.C. around biofuels policy, and the first quarter of this year sees no exception to that general rule. At the end of the day, there's always going to be lots of rumors and there's going to be lot of stories out there. The most important fact on the table as we look at it is this. Today, the biofuel program represents 27%, almost 1/3 of the demand for soybean oil produced in the United States. And it represents 32% of all of the demand for corn in the United States. These programs are critically important for the American farmer. They are going to continue to be critically important for the American farmer, and that is a farmer who has seen their farm income decline either the last 4 or 5 years in a row, and I can't remember which of the 2 it is. But it's been a while now. So demand programs, domestic demand programs are going to be near and dear to that American farmer. Then I think as a look at any of these programs that are essentially usage and demand creation programs, we will see the farmer as a strong advocate for those programs, and they're a politically powerful force. So through all of the haze and the smoke that you see out there, and it will wind and it will have a lots of different stories as we go forward, I think kind of that, that structural political element of the importance of this to the American farmer is -- at the end of the day mean that the government is going to end up in a pretty supportive position of RFS2.

Adam L. Samuelson - *Goldman Sachs Group Inc., Research Division - Lead Analyst*

I appreciate that color. And then maybe just a clarification on something that was in the prepared comments. I think Randy, you alluded to a Diamond Green Diesel EBITDA margin running at or above $1.25 a gallon. I just wanted to clarify is that inclusive of the retroactive blenders credit for the first quarter? And if it's -- and either way, can you help just bridge the key components between LCFS values, RINs, feedstock pricing spreads to get to that kind of margin level versus where you were in the fourth quarter.

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

John, you want to take that, or do you want me to?

John Bullock - *Darling Ingredients Inc. - Executive VP of North American Specialty Businesses & Chief Strategy Officer*

Well, I mean, the $1.25, the answer on that is the $1.25 is exclusive of the tax credit. So whether we have the tax credit during the year, we don't know. But I think, Randy, your prepared comments were anticipating $1.25 or better in the first quarter and kind of what our expectation for the year was, but you may want to comment on that too.

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

Yes. And that's right. Number one, we're not counting on the blenders tax credit for 2018. I mean, there's as much political noise around that whether or not it can be resurrected here in the -- one of the appropriations bills in March or even later this spring. We'll see how that plays out. But the current LCFS markets as John alluded, even though they have come down a little bit with the smoothing of the inclusion or the reduction curve there, still provide us -- with where we're structured with our freight, our logistics, current RIN values. We're in excess of that $1.25 today for Q1. That's what we're -- just like last year, we said we'd step out around $0.55 for the year without the $1 a gallon. We achieved $0.54, pretty good crystal ball on our part at the end of the day. And so we look at this year given that all of our production now is now headed to low carbon markets, we believe we'll be able to achieve $1.25. That's a combination of whatever RIN assumption you want to make, whatever LCFS function -- or value you want to make. So we're telling to use 190 million, 200 million gallons. Why would it be 190 million? Well, if we're not ready to go down in mid-May, because of some construction delay, possibly related to weather, then we'll make less gallons at the higher rate in the back half of the year. So that's kind of the forecast as we see it today.

Adam L. Samuelson - *Goldman Sachs Group Inc., Research Division - Lead Analyst*

Okay. And then maybe just one final one for me. Been a big focus across a lot of different sectors in the first quarter about rising logistics and transportation costs, are you seeing any of that impacting your business?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

Yes. We absolutely do. And I mean, I read a lot of those statements out there. There's a significant difference here for us. We run our own -- in the majority of the rendering -- North American rendering business, our own trucking fleet. And then all of our contracts other than some of our route contracts have the ability to pass on those fuel charges. I mean, the biggest issue you're facing out there today in North America is just the driver shortage. And we are at full employment in this country of at least people that want to work that have the skills necessary for those jobs. And so that's the biggest challenge is -- for us within our system today.

Operator

Next question comes from Tom Palmer with JPMorgan.

Thomas Hinsdale Palmer - *JP Morgan Chase & Co, Research Division - Analyst*

First, I just wanted to ask about the $75 million dividend that looks like it could flow through this year, both the timing and then priority for capital deployment at the Darling level. Is it still debt reduction, and what level of reduction are you targeting this year?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

Yes. I mean, Tom, it's just a little bit like I was answering Adam. You kind of just sit there and you take the $123 million of cash that's sitting down in Diamond Green. You've got $53 million of debt that's down there. And then you throw in the balance of the expansion, and then, you look at running 200 million gallons at $1.25, so another generation of $250 million cash. And you've kind of mix that all up in the pot, and it looks like at the end of the year, we'll probably have, if we're correct on our margin assumptions, about $150 million extra cash along the way. Probably some issues in timing whether it's second quarter, third quarter, fourth quarter, how that's weighted. But that's kind of how the back of the napkin math works. You're going to see us continue to delever down. You're going to see us continue to search for opportunities around the world to continue to deploy capital. And in Brad's script, he talked about $114 million of new plants. People keep forgetting that over the last 3 years, I think we built 10 or 12 new plants. We've got another 2 under construction. We're starting the 1 in Grapeland, Texas, right now. That's the first full-scale fully-integrated standalone rendering plant, I think, in this country in, I don't know, 20, 30 years. And then we are now building a second protein conversion plant up in Wahoo, Nebraska for a major retail customer up there that just got announced. Plus several other expansions, the new peptan plant that we're building in Angoulême, France. That's, I don't know, nearly $20 million. And then an additional spray dryer going in for more peptan production in South America in Amparo for us. So we've got a big robust new plant expansion plan that will take part of that capital, but we're also going to continue to look at deleveraging. Brad talked about a $100 million goal again this year. At the end of the day, we'll knock this thing down, all things considered, with working capital improvements, debt payment, dividends. We'll be able to knock the debt ratio down, hopefully closer to 3.0 at the end of the year.

Thomas Hinsdale Palmer - *JP Morgan Chase & Co, Research Division - Analyst*

Okay, that's really helpful. Also, just wanted to ask quickly on Diamond Green Diesel's cost structure as we head into 2018. You've talked about the opportunity to capture a larger portion of the green premium in LCFS markets, also lower distribution costs as pipeline contracts roll off. Is this like a step-function that occurs as we begin 2018 or is this more a gradual improvement as of the year progresses? And how are those negotiations coming along?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

Well, I think, first off, we, here in January we rolled off the last of the pipeline contracts. So there's a little bit of a ramp up there, and we're -- obviously built in that $1.25 guidance forecast for 2018 that has that assumption in it of lower freight, better negotiated discounts on LCFS, et cetera. So that's all built in there, Tom. But I think over time, if we're successful, given the demand profile that we see in California and with the growth of the Low Carbon Fuel Standard out there and the around the world, we'll be able to even glean a higher portion of that premium over time. That would be at least what we expect and we see today.

Operator

And the next question comes from Heather Jones of Vertical Group.

Heather Lynn Jones - *The Vertical Trading Group, LLC, Research Division - Research Analyst*

So I guess a couple questions. First, I don't know if I missed this, so if I did, I apologize. But could you give us color on what you're thinking about Feed and Food for 2018? You've mentioned that Rousselot, it turned the corner in '17. Feed obviously, some of the fats complex is weaker, but meat and bone meal started to accelerate lately. So could you give us some color on what you're thinking about those 2 segments for 2018 versus '17?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

Sure. And I probably should have done that in the scripted comments. As I look across the food segment, it's kind of amazing that as we've been talking to The Street here for years, we said that very predictable and really consistent year-over-year 131 versus 131. There were some moving parts in there, a little bit of challenges in South America. We had operating losses in Argentina. And then, at the end of the day, our casings business showed improvement. We landed a couple big slaughterhouses that gave us more volume and allowed us to get some more critical mass there and have a really nice year in the CTH business. And that offset a little bit of the turnback in Rousselot that we experienced. For 2018, I see pretty much more of the same. I don't see a lot -- I see improvement in Rousselot, provided South America doesn't derail here on us. And then I see very consistent performances in our Sonac fat, that's the edible fats business that's just a spread-managed refining business. Our bone business, we've been able to grow. That's where we provide foodgrade bones to the Rousselot system and the bone china business. And I think CTH had such a really nice year last year, it may back off a little bit. But overall, I think net-net, they'll all offset. And so if you had to ask me today, given what I see, it's a very consistent performance to both '16 and '17. The Feed segment is one that we, amazingly, had a good year-over-year growth performance there. If a look back on '17 just kind of optics for you, we had a really strong European rendering performance. We had a strong blood performance. We had an improved USA rendering performance, a consistent bakery performance and a much improved premium proteins performance year-over-year for us. So overall, we carried good momentum into '17. The challenges that hit us in December-ish here -- November, December, is we saw of fat prices really come off hard. I mean, I'm still a little puzzled. I've seen some fat prices down to the low 20s, low $0.20, $0.21 for some of the higher-acid materials. And then we saw meat and bone meal continue to be challenged, but yet our higher quality proteins that are going to aqua and pet are enjoying really, really nice demand and really as expected premiums to what we should be receiving for those products. So they're offsetting a little bit of the weakness. Now you're going to say okay, what are you saying, Randy? What I'm saying is that you're in a weather market. Soybean meal has moved up sharply now. It's getting closer to that $400 a ton mark. Soybean oil is closer back to that $0.33 mark. So we're seeing a cash improvement in protein values in the U.S., and we're still seeing a seasonal weakness within the fats. So I think you'll see us build momentum in the Feed segment year-over-year. We'll have more volume this year. We should see improving prices towards the second half of the year. Obviously, with Diamond Green going down for 45 days then coming up substantially larger, that's going to whipsaw that potentially a little bit, but the end of the day, we will manage through that. So what Heather, to kind of give you one more piece of this, once again, the fat pricing in the U.S. in late Q4 and early Q1 once again supports the thesis that we're going to expand Diamond Green Diesel to further take advantage of those discounted waste oils and make hydrocarbons out of them. And it just once again, when you look at it competing against soy-based biodiesel, that's where we get the margin opportunity.

Heather Lynn Jones - *The Vertical Trading Group, LLC, Research Division - Research Analyst*

So looking at Feed, given the headwinds and the tailwinds as well as at least for half of '17 -- '18, you should have a better currency environment, year-on-year. And then you've got these capital growth projects that sound like those are steadily improving. Should we expect a full year improvement in Feed versus '17 it, maybe a sluggish start but a full year basis should we expect Feed to be up year-on-year?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

As I look at it, what I'm seeing in Europe today and Canada, we're in a sluggish start here in January. But my expectation would be that we're going to come out at or equivalent to where we were last year by the end of the year.

Heather Lynn Jones - *The Vertical Trading Group, LLC, Research Division - Research Analyst*

Okay. And then, going to -- I'm glad you mentioned the discounted waste products and all. So I just wanted you to, one, see if I'm doing some math correctly. So if you all would do this expansion to 550, I estimate that Darling would go from being net exposed to moves in -- net long fats to net short via its 50% interest in Diamond Green. So one, wondering if my math is correct. And two, I agree with you guys that CARB's decision made sense. But I'm wondering, given that their decision seemed to surprise the market, does it change your calculus as far as moving forward with that expansion, given that there -- is there any concern that would make further changes that would derail the investment thesis for that?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

John, I will let you answer that. I mean, the answer is no, it will not derail the investment thesis. We are actually more positive on it now. But John, go ahead and give some color, please.

John Bullock - *Darling Ingredients Inc. - Executive VP of North American Specialty Businesses & Chief Strategy Officer*

Yes, I think CARB does a really nice job of thinking through their programs. And all they were seeing, I believe, is that they were seeing the LCFS premiums go up, probably, prematurely in relationship to where a smoother transition would be. Do we think that CARB in any way shape or form by smoothing the front end and putting the guidance in place -- which we knew was coming, by the way. We knew that they were going to be putting 2021 to 2030 numbers in place. But what took the market by surprise is that they smoothed the front end a little bit. But does this mean that California has any less of an commitment to an environmentally friendly environment? No. We're not worried about that at all.

Operator

And the next question comes from Kenneth Zaslow from Bank of Montréal.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

I have 2 questions. One is I remember you guys saying on the expansion and the bolt-on acquisitions for 2018 would be -- for the expansion is about $19 million of incremental EBITDA and bolt-on about $4 million to $5 million is that still the case?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

I think that's pretty close, Ken. I don't have those numbers in front of me. I mean, we brought on several startups this year, and then they'll be in the back half of this year. I mean, we'll be bringing on Mering and Denderleeuw. And then the Grapeland plant will be ready to run right at the end of the year. So -- and then Los Angeles and the Wahoo red meat plant are now fully scale online and will ramp up during the year. So I think that's pretty close.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

As you were saying to Heather, the [core] businesses should also improve as well so you're getting both -- the expansion opportunity, the bolt-on acquisitions, plus some improvement in the market conditions, is -- that's fair, right, for those 2 businesses?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

Yes, indeed, for us it's really a timing. As I said, protein was -- if you had asked me in December, November, I was really worried about meat and bone meal pricing at least in the USA in North America. And now I'm more worried winter fat is going to come back here. It's just hard to believe that we are once again at $0.12, $0.13 discount to soybean oil.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

And then on the LCFS credit, can you explain to us how much of that is included in your margin and how to actually incorporate that. I know there was a time of logistics, a kind of [give back]. So now that we're past the contracts, you've renegotiated everything. If the price of LCFS is 135, what do you get of that? How do we think about that?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

John, you want to answer that to the degree you can?

John Bullock - *Darling Ingredients Inc. - Executive VP of North American Specialty Businesses & Chief Strategy Officer*

Yes. I mean, we don't -- this is a contractual negotiation between us and the people who buy the product for us. And obviously, that's a proprietary thing that we would not want to talk about in the open market. I think what I can say is that, every time we've met a new negotiation or we've come to a new negotiation on supply out of the LCFS markets, we've gotten a substantially greater percentage of that LCFS as the supplier. What is materially different this year versus last year, and one of the reasons why we think we can make $1.25 with reasonably-priced LCFS and RIN prices this year, while last year we only made $0.55 or $0.60 is because we simply don't have anything under the old pipeline contracts anymore. So before, there was the issue of what percentage of the LCFS we got, and then there was the issue of what we had to essentially reimburse the folks that we were taking out of the pipeline. We don't have to do that anymore, at least after January, and that means we are getting the full share of the LCFS as we negotiate it with our customers. And that's been a greater percentage this year than it was last year. So we're moving in the right direction, but I would hesitate to give you a percentage, because that would be giving away confidential information that our customers would expect us to keep confidential.

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

John, you would say that our fair share is 100%, right, though?

John Bullock - *Darling Ingredients Inc. - Executive VP of North American Specialty Businesses & Chief Strategy Officer*

Well, that's our perspective but our customers...

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

Okay, agree with that.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

And the logistics, I know you changed logistics. Has that greatly reduced your cost structure? And where is that with getting that shipping out to California?

John Bullock - *Darling Ingredients Inc. - Executive VP of North American Specialty Businesses & Chief Strategy Officer*

Yes, we're getting much more efficient at moving the product to California. And obviously, to the extent that we can cut the freight bill down, that benefits both us and our suppliers and allows for greater sharing by our suppliers to us of the LCFS premium.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

And how do we kind of think about that? How much did it penalize you and where are you now?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

Yes. I mean at one point in time, I think we had said that we thought $0.40 to $0.50 was kind of the freight to California. So that was primarily U.S. [flag] going around to California. Obviously, we have a rail capability out of Diamond. Those prices are somewhere to 1/3 to 1/2 of what the old vessels freights were. And we are working on other things that we think might to be able to reduce that a little bit further as we go forward. So a big change.

Operator

And the next question comes from Chip Moore with Canaccord.

Chip Moore - *Canaccord Genuity Limited, Research Division - Senior Associate*

Maybe we could go back to capital allocation just a little bit. And obviously no shortage of organic efforts here and continuing to delever. Maybe what you're seeing on the M&A pipeline and if you'd start to look at larger type deals. And then extending that buyback another 2 years, is that just more to give you flexibly or how are you thinking about that?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

Yes, No. I think what you're seeing is, is that we are taking a 3 to 5-year view out now. I mean, as I feel very, very confident, we have -- our model has been tried, tested and is true out there. We understood our core business, how it operates. Sometimes, it doesn't hit on all cylinders, on all continents, but at the end of the day, it delivers a very consistent and improving return. So we've been to -- if you think about our cap structure, Chip, we've been able to delever, I don't know, $400 million plus, $500 million, whatever the number is, 22 to 17, with only $75 millions of dividend -- total dividends out of Diamond Green over the last 4 years. On top of what I'd consider deploying almost $1 billion in maintenance environmental and growth CapEx. So the model is generating significant cash. You saw us go out, we refinanced or extended the Term Loan B, lowering the cost of borrowing down to a couple hundred over LIBOR. We've got our couple bonds out there that we'll make some decisions on as we move on in the year here. And so you've got a cap structure about $1.5 billion, a $1.6 billion, a little under that, of just a little over $1 billion of bonds and some $500 million of pre-payable debt in the Term Loan B, and then a little bit left out here in the senior piece that'll disappear here shortly. So that's kind of the place setting as we are out there. So we wanted to make sure that as we make the assumptions on the potential dividend, future dividends coming out of Diamond Green at the $2.75 rate, and then on up to the $5.50 rate, we kept the right capital structure in play to give us enough prepayability. So as we look around the world, we -- our pipeline of opportunities is as full as I have seen it in the last 5 years. I would tell you that the pricing, it may not be where we want it to be on many of the opportunities, but we're in -- and the opportunities are on all continents. So we continue -- we're not in a portfolio or a geographic management decision process here. We're looking for the best returns and the chance to grow within some reasonable scale around the continents. And if you think about strategically as Heather talked about, as we take Diamond Green Diesel up to 550 million gallons and you say times 8, 8.5 whatever the input is there, you're 4.4 billion, 4.7 billion, 4.8 billion pounds, 1/3 of the U.S. waste oils crop. What we'd like to do is to ultimately develop a 3-continent system, where we can supply fats into Diamond Green logistically off the water and continue to help margins in Europe, help margins in South America, China, Australia, whatever, own the arbitrage of the world. So that's really the comments about M&A. We see a lot of opportunity there as we've been patient and prudent over the last couple years. You'll continue to see that same behavior I promise you. And we just keep moving forward here.

Operator

And the next question comes from David Katter with Baird.

David Francis Katter - *Robert W. Baird & Co. Incorporated, Research Division - Junior Analyst*

After all the acquisitions in recent years, I was wondering how much room you guys see to reduce cost on the OpEx front.

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

That's -- I don't know, it's a very difficult question to throw you a number out. I mean, the guys who are in the team are globally challenged each year to get their per-ton operating cost down. And we set some goals in Europe this year that are pretty stretch goals. Once again, they were put in place in the U.S. to continue. You could either get your tonnage up or your cost down per unit. So that's -- I'd say, we continue to work on that everywhere in the world today. It's just difficult to quantify and explain that more so than what goes on normally each year within the business units.

David Francis Katter - *Robert W. Baird & Co. Incorporated, Research Division - Junior Analyst*

Got it. That make sense. And then, another quick one, and I'll hop back in queue. How big is California in the overall LCFS market? What percentage, do you know?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

John?

John Bullock - *Darling Ingredients Inc. - Executive VP of North American Specialty Businesses & Chief Strategy Officer*

California is the most significant LCFS market, simply because of the size of California. There's a lot of folks that live in that state. The others as a group though, while individually much smaller, add up to a fairly good demand, when you take Oregon, British Columbia, Ontario, and then we have Quebec and potentially Washington State coming on with programs. And then they're talking about having a national type of program in Canada as well. So all of those others are, compared to California much, much smaller. When you add them up, they start to add up to fairly significant amount of demand. And then of course, the demand in Europe is equal to or greater than what the demand in North America is for this product.

Operator

And the next question comes from Craig Irwin from Roth Capital Partners.

Craig Edward Irwin - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

So the first one is Diamond Green, you gave us a really healthy result this quarter. You're pointing to improving strength in the March quarter and obviously in '18. But when we look at the conversion costs in the fourth quarter, they were kind of the high end of the range where you've been in the last couple years. Can you comment about whether this is something like a timing issue, feedstock costs, feedstock mix? And if you would expect to be more in line with your more recent trend as you complete the first quarter and then work your way through the rest of '18?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

John, you want to take that?

John Bullock - *Darling Ingredients Inc. - Executive VP of North American Specialty Businesses & Chief Strategy Officer*

Yes. I'm not exactly sure what the question was. I think what you're saying is that our -- is that our -- is the spread between what we're selling our finished products and buying our fats for were at pretty healthy level in Q4. That's one of the things that contributed to our profitability. I think you will continue to see a good spread there, in part because what you saw in Q4 was us still having to buy ourselves out of a fair bit of pipeline business. And obviously, while we had to do that in January, we no longer have to do that. I think we had a small trail of one little contract into the first 10 days of February, but we're essentially done with that now. And so we're getting the full value as we negotiate with our partners out of the LCFS. There's no discount to get ourselves out of the pipeline contracts anymore. And that's a significant incremental contributor to that spread or margin that you talk about.

Craig Edward Irwin - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Second thing I wanted to ask about is the naphtha and LPG contribution. So we can do basic math based on naphtha prices out there, but nobody publishes a price for green naphtha and it seems that you're getting some pretty healthy margins on those products, healthy profit contribution. Can you maybe describe the potential of this market? If we do see you go to 550 million or 1 billion gallons in the future, is that a market that you expect to be very deep, where you can continue to prices at premium? Or is this something where we would expect once we get a good deal larger, that there will be, maybe more in line with commodity now, naphtha and LPG?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

John, do you want me to...?

John Bullock - *Darling Ingredients Inc. - Executive VP of North American Specialty Businesses & Chief Strategy Officer*

First of all, the intermediate gasoline market is huge. So in terms of the supply and demand basis, as long you got the proper read vapor pressure point on it, there's an unlimited demand for this material. I think we see it the other way, not so much as the potential downside on what we may able to do with our naphtha, but more on the potential upside, what we may be able to do with our naphtha. And we are evaluating alternatives on how we might be able to bring that product for a better premium going forward as we look at the expansion potentially, to the 550 million-gallon unit.

Craig Edward Irwin - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Great. And then last question, if I may. That expansion to 550 million gallons, can you maybe frame out for us the conversations that are happening with your joint venture partner about potentially financing the third phase, establishing firm timing, what we should look for from the investment side of the house to see sort of how that likely comes together?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

Yes, I'll take that one, John. Valero has been a very special partner for us for a number of years, it's been a very successful relationship. As we always remind people, Valero was there and provided the debt financing to create the technology and make the venture successful. And that's the last piece of the $53.7 million that will be repaid here shortly. As we go forward then, the proceeds from the operating rate, the blenders tax credit being received here this spring, will pay for the expansion to [$2.75] and then provide opportunities if the operating rates that we predict are real to continue to finance and pay out dividends to the partner. So it will become a very, very nice improved equity return to us. The 550 million-gallon or let's just say the doubling from [275 to 275], that's a parallel plant built adjacent to the existing plant. It's going to have improved, if you will, infrastructure. It's going to have the ability to come in off of a second railroad. We're going to be piped to the water so we can bring in by water and exit by water. There's just a lot of neat improvements that we learned from serial number 01 that will be implemented into 02. Valero has a very staged and gated engineering and decision-making process. We're part of that. And the design is done, and it's now into the cost estimating process that takes it down to a plus or minus percentage here. That will then be presented to Valero's management committee and Darling's board here later this summer once we get it down to a reasonable level of accuracy. And given that we built one of these, we kinda know what it cost given that we've expanded one from 135 million to 160 million gallons, and 160 million to 275 million. We've got a pretty good feel for it right now, but the infrastructure and other improvements that we're wanting to make in this we're just making sure we have button-down. Because there's a very big pride within the Valero organization to being accurate with their cost estimates. So we're letting the process work. That will happen later this summer. The conversation is of how we finance it, how the operating cash flows over the next 3 years and at the end of the day, if you look at what we have predicted incrementally, Craig, when we went from 160 million to 275 million, we said a couple of hundred million bucks, plus or minus there. That's a $1.75 a gallon. We're probably in that around $2 a gallon level, maybe a little more to go on up to the bigger unit here with the new infrastructure attached to it. It's essentially -- it's not just more equipment on the same site. It's a parallel plant. So a little more than the incremental capital we had. We kind of look at, as we say, we're using $1.25 margin operating within -- when it's in that business to kind of calculate 200 million gallons next year, 275 million the following year, 275 million in 2020. And remember in -- as this one is a parallel plant, it won't have the extended downtime to hook it into the infrastructure that we're having in the 162 million, 275 million phase. So those are the breadcrumbs. You can kind of pencil it out here and show how much has to be diverted. It's all a matter of how much cash goes out the door in the back half of '20 and into '21 to finish the project.

Operator

And the next question comes from Tyson Bauer with KC Capital.

Tyson Lee Bauer - *Kansas City Capital Associates - Senior Analyst*

Welcome to the limelight, Brad.

Brad Phillips - *Darling Ingredients Inc. - Executive VP & CFO*

Thanks, Tyson.

Tyson Lee Bauer - *Kansas City Capital Associates - Senior Analyst*

The couple other questions regarding trade with NAFTA in the news, probably affecting more of your protein supply in that marketplace that can cause disruptions for you going forward, maybe more so than yourself other than distilled fuels heading south of the border. Kind of your view and the cautious stance that maybe some of your customers, clients are taking with NAFTA being outstanding. And then, Europe, obviously, Europe kicks Argentine volumes out. They come to the U.S., the U.S. kicks them out, they go back to Europe. Now it's their turn to try to figure out what they want to do with the flood of volumes going there. Where do you see kind of that international trade on those fields and also what are your feelings in regards to NAFTA and what those repercussions could be?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

Yes, I'll take a little bit of this, Tyson. NAFTA obviously we're monitoring it. That's a huge trade -- potential trade issue, beef, pork, corn, soybean meal, all the above. And ultimately, I hope it doesn't come to some type of real impasse here. I think they're obviously, the trade leverage that the U.S. has is being played and we are closely monitoring it. I mean -- as we look at our products produced in North America, we look -- we were heavily reliant on exports out of here to continue to support the pricing of our proteins, the weaker dollars is clearly helping that for us right now. The Argentine issue, while you parlayed it into a biodiesel being diverted to Europe back into here issue, Argentina from a crushing standpoint, if someone said today what do you need to watch? I would say keep your eye on that Argentine crop and see how small it gets or how big it improves. And at the end of the day, Argentina exports, I think, as much protein as the U.S. and Brazil does. And so at the end of the day, the world is going to be deficit protein. You're seeing that once again in the soybean meal run up. That, with lower crush in Argentina, means you're going to crush and you're going to have less oil to try to move into the markets. Now I anticipate the Europeans in the swiftest that they can move, which is debatable, will once again resurrect some type of tariff on the Argentine stuff moving there. So ultimately, I don't know where it moves, whether it will move back as just bean oil into the world trade market. But to discount it, give it a tax advantage and move it into our markets is probably not going to happen this year. John Bullock, you got a different view on it?

John Bullock - *Darling Ingredients Inc. - Executive VP of North American Specialty Businesses & Chief Strategy Officer*

No, I think that's exactly right.

Tyson Lee Bauer - *Kansas City Capital Associates - Senior Analyst*

We've seen the progression where fat spreads narrow between soy and -- or corn oil animal-based fats. On the protein side, are we getting into a paradigm where we're going to see a spread widening between plant-based proteins and animal-based proteins as diets change in the formulas?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

Yes, I think you kind of answered your own question in the sense there. We're clearly seeing it. We're seeing a couple of things. I mean, clearly there's been a move to a portion of the poultry industry that's all veg. At the end of the day, you've seen -- you got ample amounts of grains, feed wheat and soybean meal out there within the system today. And meat and bone meal to a degree is the ugly child that is out there today for numerous reasons. In the global market, you got to remember, we have a global supply chain out there. Our European partners and businesses are all trying to move meat and bone meal now onto the world that's been reclassed. But for 20 years, they told everyone the stuff was toxic, and now they're out on the global market trying to market that. So that's hit meat and bonemeal prices. So you got veg diets, the European remarketing the product. But ultimately, a calorie is a calorie. It will find its value back in nutrition. It's going to find its way into the PacRim, Asia Pacific area for continued poultry production. And it's just a matter it -- we're seeing that happen right now. I came into the year, Tyson, pretty numb to meat and bone meal prices, and worried about them, globally. And now I'm starting to feel a little bit better from what I see with the improvement after Chinese New Year's and the improvement in protein. I don't know that we will trade parity to soybean meal on a per unit basis, but I also believe we won't stay at $100 a ton under soybean meal. So remember, that the slaughter in the U.S., the slaughter in Europe, just like we said at the start of the call, we're up 3%, 4%. There's a lot of protein on the market that has to find a home. The good news is the pet food and aqua side are taking ample amounts of high quality premium proteins. It's really the commodity low -- meat and bone meal that's having to fight for share and ration right now. But economics will prevail there.

Tyson Lee Bauer - *Kansas City Capital Associates - Senior Analyst*

Okay. And the one common theme in the headlines we have seen, whether it's Senator Grassley or Senator Cruz, is E15. Looking at that as a vacuum the there are some impacts towards you. With corn oil obviously, supply would eventually go up. But also the RIN effect outside of the obligated parties for D4 and D5, have you been able to run any kind of sensitivity to what you think just an E15 would have an impact on some of your biofuels and the business as far as your feedstock costs?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

John, you want to take that?

John Bullock - *Darling Ingredients Inc. - Executive VP of North American Specialty Businesses & Chief Strategy Officer*

Yes. I think on the RIN side obviously, the D4, the D5 will move into the advanced pool, so it'll depend on what the supply and demand is in the advance pool. If they do move to an E15, a possibility of more corn ethanol production, although most of the ethanol industry is running flat out today. So whether or not we see a big increase in corn oil supply from that that's quite frankly, we don't know the answer to that question at this point in time. But if anything we might see a little cheaper corn oil. The D4 and D5 will depend upon what [demand base] are in the biomass-based diesel. And the advanced category.

Operator

And the next question is a follow-up from a Ken Zaslow with Bank of Montréal.

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

Just quick question, for housekeeping, what is the tax rate you are assuming for 2018?

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

Ken, what is the tax what?

Kenneth Bryan Zaslow - *BMO Capital Markets Equity Research - MD of Food & Agribusiness Research and Food & Beverage Analyst*

Tax rate.

Brad Phillips - *Darling Ingredients Inc. - Executive VP & CFO*

The tax rate? With the blenders tax credit, it's going to be...

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

For '18?

Brad Phillips - *Darling Ingredients Inc. - Executive VP & CFO*

In '18. With the blenders tax credit in '18, it'll be around 15% is our estimate; and without, around 25% for '18.

Operator

And as there are no questions at the present time, I would like to return the call to Mr. Stuewe for any closing comments.

Randall C. Stuewe - *Darling Ingredients Inc. - Chairman & CEO*

All right, thanks, Keith. Appreciate everybody's questions today. Great questions. We had a good quarter. We're carrying good momentum into 2018 here and we look forward to talking to you after the end of the quarter in May. Take care and be safe.

Operator

Thank you. The conference is now concluded. Thank you for attending today's presentation, you may now disconnect.
