DARLING INGREDIENTS INC.
Form 10-Q
August 13, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)
/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 4, 2015
OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to _______

Commission File Number 001-13323

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

Delaware (State or other jurisdiction of incorporation or organization)	36-2495346 (I.R.S. Employer Identification Number)
251 O'Connor Ridge Blvd., Suite 300 Irving, Texas (Address of principal executive offices)	75038 (Zip Code)

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

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

Large accelerated filer	X	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

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

There were 165,207,424 shares of common stock, $0.01 par value, outstanding at August 6, 2015.

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DARLING INGREDIENTS INC. AND SUBSIDIARIES
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JULY 4, 2015

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DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
July 4, 2015 and January 3, 2015
(in thousands, except share data)

	July 4, 2015 (unaudited)	January 3, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$126,020	$108,784
Restricted cash	340	343
Accounts receivable, net	368,434	409,779
Inventories	396,423	401,613
Prepaid expenses	53,218	44,629
Income taxes refundable	24,855	22,140
Other current assets	24,102	21,324
Deferred income taxes	43,114	45,001
Total current assets	1,036,506	1,053,613
Property, plant and equipment, less accumulated depreciation of $581,537 at July 4, 2015 and $525,699 at January 3, 2015	1,515,573	1,574,116
Intangible assets, less accumulated amortization of $219,324 at July 4, 2015 and $184,909 at January 3, 2015	852,490	932,413
Goodwill	1,261,610	1,320,419
Investment in unconsolidated subsidiaries	177,036	202,712
Other assets	79,833	71,009
Deferred income taxes	15,752	16,431
	$4,938,800	$5,170,713
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$50,884	$54,401
Accounts payable, principally trade	164,424	168,518
Income taxes payable	6,015	4,363
Accrued expenses	242,358	256,119
Deferred income taxes	1,338	642
Total current liabilities	465,019	484,043
Long-term debt, net of current portion	1,994,417	2,098,039
Other non-current liabilities	110,918	114,700
Deferred income taxes	399,335	422,797
Total liabilities	2,969,689	3,119,579
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value; 250,000,000 shares authorized; 167,029,085 and 166,213,793 shares issued at July 4, 2015 and at January 3, 2015, respectively	1,670	1,662
Additional paid-in capital	1,484,952	1,479,637

Treasury stock, at cost; 1,824,535 and 1,501,130 shares at July 4, 2015 and at January 3, 2015, respectively	(28,265)	(23,207)
Accumulated other comprehensive loss	(266,990)	(177,060)
Retained earnings	675,147	671,958
Total Darling's stockholders’ equity	1,866,514	1,952,990
Noncontrolling interests	102,597	98,144
Total stockholders' equity	$1,969,111	$2,051,134
	$4,938,800	$5,170,713

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

DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
Three and six months months ended July 4, 2015 and June 28, 2014
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Net sales	$859,315	$1,031,283	$1,734,009	$1,977,575
Costs and expenses:				
Cost of sales and operating expenses	668,276	789,505	1,352,797	1,564,711
Selling, general and administrative expenses	84,294	94,630	170,925	184,663
Acquisition and integration costs	1,208	4,165	6,527	20,113
Depreciation and amortization	66,245	67,498	132,643	133,167
Total costs and expenses	820,023	955,798	1,662,892	1,902,654
Operating income	39,292	75,485	71,117	74,921
Other expense:				
Interest expense	(34,285)	(26,571)	(57,394)	(85,428)
Foreign currency gain/(loss)	1,622	11	(838)	(13,803)
Other income/(expense), net	(1,199)	(887)	(1,708)	(2,025)
Total other expense	(33,862)	(27,447)	(59,940)	(101,256)
Equity in net income of unconsolidated subsidiaries	4,172	2,040	2,364	7,117
Income/(loss) before income taxes	9,602	50,078	13,541	(19,218)
Income tax expense/(benefit)	4,665	15,503	6,780	(2,787)
Net income/(loss)	4,937	34,575	6,761	(16,431)
Net income attributable to noncontrolling interests	(1,857)	(1,818)	(3,572)	(3,615)
Net income/(loss) attributable to Darling	$3,080	$32,757	$3,189	$(20,046)
Basic income/(loss) per share	$0.02	$0.20	$0.02	$(0.12)
Diluted income/(loss) per share	$0.02	$0.20	$0.02	$(0.12)

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

DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
Three and six months months ended July 4, 2015 and June 28, 2014
(in thousands)
(unaudited)

	Three Months Ended		Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Net income/(loss)	$4,937	$34,575	$6,761	$(16,431)
Other comprehensive income/(loss), net of tax:				
Foreign currency translation	8,452	(6,931)	(90,190)	13,684
Pension adjustments	778	321	1,547	641
Natural gas swap derivative adjustments	—	(11)	—	(124)
Corn option derivative adjustments	(1,325)	621	(1,287)	(977)
Total other comprehensive income/(loss), net of tax	7,905	(6,000)	(89,930)	13,224
Total comprehensive income/(loss)	$12,842	$28,575	$(83,169)	$(3,207)
Comprehensive income/(loss) attributable to noncontrolling interests	848	2,242	$7,890	$3,110
Comprehensive income/(loss) attributable to Darling	$11,994	$26,333	$(91,059)	$(6,317)

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

DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Six months ended July 4, 2015 and June 28, 2014
(in thousands)
(unaudited)

	July 4, 2015	June 28, 2014
Cash flows from operating activities:		
Net income/(loss)	$6,761	$(16,431)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	132,643	133,167
Loss/(gain) on disposal of property, plant, equipment and other assets	233	(839)
Gain on insurance proceeds from insurance settlements	(341)	—
Deferred taxes	(3,225)	(12,882)
Increase/(decrease) in long-term pension liability	350	(6,519)
Stock-based compensation expense	4,642	14,583
Write-off deferred loan costs	10,633	4,330
Deferred loan cost amortization	4,868	4,911
Equity in net (income)/loss of unconsolidated subsidiaries	(2,364)	(7,117)
Distributions of earnings from unconsolidated subsidiaries	26,155	—
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	22,582	(36,920)
Income taxes refundable/payable	(1,368)	(3,181)
Inventories and prepaid expenses	(21,451)	(2,806)
Accounts payable and accrued expenses	(1,505)	(25,218)
Other	8,937	(4,054)
Net cash provided by operating activities	187,550	41,024
Cash flows from investing activities:		
Capital expenditures	(98,722)	(103,531)
Acquisitions, net of cash acquired	—	(2,075,651)
Gross proceeds from disposal of property, plant and equipment and other assets	1,484	2,308
Proceeds from insurance settlement	341	—
Payments related to routes and other intangibles	(2,242)	(7,312)
Net cash used by investing activities	(99,139)	(2,184,186)
Cash flows from financing activities:		
Proceeds from long-term debt	579,974	1,821,196
Payments on long-term debt	(583,736)	(287,066)
Borrowings from revolving credit facility	41,244	170,143
Payments on revolving credit facility	(83,506)	(257,254)
Net cash overdraft financing	(880)	9,529
Deferred loan costs	(11,629)	(44,865)
Issuance of common stock	171	417
Minimum withholding taxes paid on stock awards	(4,775)	(5,495)
Excess tax benefits from stock-based compensation	(12)	1,329
Distributions to noncontrolling interests	(1,866)	—
Net cash provided/(used) by financing activities	(65,015)	1,407,934
Effect of exchange rate changes on cash	(6,160)	8,156
Net increase/(decrease) in cash and cash equivalents	17,236	(727,072)

Cash and cash equivalents at beginning of period	108,784	870,857
Cash and cash equivalents at end of period	$126,020	$143,785
Supplemental disclosure of cash flow information:		
Accrued capital expenditures	$274	$(2,300)
Cash paid during the period for:		
Interest, net of capitalized interest	$37,524	$47,851
Income taxes, net of refunds	$11,436	$11,301
Non-cash financing activities		
Debt issued for service contract assets	$2,521	$—

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

DARLING INGREDIENTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
July 4, 2015
(unaudited)

(1) General

Darling Ingredients Inc., a Delaware corporation (“Darling”, and together with its subsidiaries, the “Company”), is a global developer and producer of sustainable natural ingredients from edible and inedible bio-nutrients, creating a wide range of ingredients and customized specialty solutions for customers in the pharmaceutical, food, pet food, feed, technical, fuel, bioenergy and fertilizer industries. As further discussed in Note 3, on January 7, 2014, the Company acquired the VION Ingredients business division (“VION Ingredients”) of VION Holding, N.V., a Dutch limited liability company (“VION”), by purchasing all of the shares of VION Ingredients International (Holding) B.V., and VION Ingredients Germany GmbH, and 60% of Best Hides GmbH (collectively, the "VION Companies"), pursuant to a Sale and Purchase Agreement dated October 5, 2013, as amended, between Darling and VION (the “VION Acquisition”). The VION Ingredients business is now conducted under the name Darling Ingredients International. The Company’s business is conducted through a global network of over 200 locations across five continents. Effective December 29, 2013, the Company's business operations were reorganized into three new segments, Feed Ingredients, Food Ingredients and Fuel Ingredients, in order to better align its business with the underlying markets and customers that the Company serves. See Note 13 to the consolidated financial statements.

The accompanying consolidated financial statements for the three and six month periods ended July 4, 2015 and June 28, 2014, have been prepared by 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 3, 2015.

(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 July 4, 2015, and include the 13 and 26 weeks ended July 4, 2015, and the 13 and 26 weeks ended June 28, 2014.

(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) Long-Lived Assets

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful lives of assets: 1) Buildings and improvements, 15 to 30 years; 2) Machinery and equipment, 3 to 10 years; 3) Vehicles, 3 to 8 years; and 4) Aircraft, 7 to 10 years.

Maintenance and repairs are charged to expense as incurred and expenditures for major renewals and improvements are capitalized.

Intangible Assets

Intangible assets with indefinite lives, and therefore, not subject to amortization, consist of trade names acquired in the acquisition of Griffin Industries Inc. on December 17, 2010 (which was subsequently converted to a limited liability company) and its subsidiaries ("Griffin") and trade names acquired in the VION Acquisition. In the first quarter of fiscal 2015, the Company has determined that due to a global re-branding strategy, the Griffin Industries trade name in the amount of approximately $65.1 million has been determined to have a limited useful life and therefore the Company has started to amortize the Griffin Industries name over a useful life of 10 years. Intangible assets subject to amortization consist of: 1) collection routes which are made up of groups of suppliers of raw materials in similar geographic areas from which the Company derives collection fees and a dependable source of raw materials for processing into finished products; 2) permits that represent licensing of operating plants that have been acquired, giving those plants the ability to operate; 3) non-compete agreements that represent contractual arrangements with former competitors whose businesses were acquired; 4) trade names; and 5) royalty, consulting, land use rights and leasehold agreements.   Amortization expense is calculated using the straight-line method over the estimated useful lives of the assets ranging from: 5 to 21 years for collection routes; 10 to 20 years for permits; 3 to 7 years for non-compete covenants; and 4 to 15 years for trade names. Royalty, consulting, land use rights and leasehold agreements are amortized over the term of the agreement.

(e) 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 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 losses of approximately $90.2 million and translation gains of approximately $13.7 million for the six months ended July 4, 2015 and June 28, 2014, respectively. In addition, the

Company incurred foreign currency losses in the statement of operations of approximately $0.8 million and $13.8 million in the six months ended July 4, 2015 and June 28, 2014, with $12.6 million in fiscal 2014 representing a loss on a hedge transaction during the first quarter of fiscal 2014.

(f) Reclassifications

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

(g) Earnings Per Share

Basic income/(loss) 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/(loss) 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					
		July 4, 2015			June 28, 2014	
	Income	Shares	Per Share	Income	Shares	Per Share
Basic:						
Net Income attributable to Darling	$3,080	165,228	$0.02	$32,757	164,600	$0.20
Diluted:						
Effect of dilutive securities:						
Add: Option shares in the money and dilutive effect of non-vested stock awards		188			1,071	
Less: Pro forma treasury shares		(118)			(574)	
Diluted:						
Net income attributable to Darling	$3,080	165,298	$0.02	$32,757	165,097	$0.20

	Net Income/ (loss) per Common Share (in thousands, except per share data)					
	Six Months Ended					
		July 4, 2015			June 28, 2014	
	Loss	Shares	Per Share	Income	Shares	Per Share
Basic:						
Net Income/(loss) attributable to Darling	$3,189	165,077	$0.02	$(20,046)	164,469	$(0.12)
Diluted:						
Effect of dilutive securities:						
Add: Option shares in the money and dilutive effect of non-vested stock awards		303			—	
Less: Pro forma treasury shares		(136)			—	
Diluted:						
Net income/(loss) attributable to Darling	$3,189	165,244	$0.02	$(20,046)	164,469	$(0.12)

For the three months ended July 4, 2015 and June 28, 2014, respectively, 825,711 and 163,078 outstanding stock options were excluded from diluted income/(loss) per common share as the effect was antidilutive. For the three months ended July 4, 2015 and June 28, 2014, respectively, 582,559 and 740,988 shares of non-vested stock and stock equivalents were excluded from diluted income/(loss) per common share as the effect was antidilutive.

For the six months ended July 4, 2015 and June 28, 2014, respectively, 674,834 and 975,799 outstanding stock options were excluded from diluted income/(loss) per common share as the effect was antidilutive. For the six months ended July 4, 2015 and June 28, 2014, respectively, 578,899 and 919,798 shares of non-vested stock and stock equivalents were excluded from diluted income/(loss) per common share as the effect was antidilutive.

(3) Acquisitions

On January 7, 2014, the Company acquired the VION Ingredients business division from VION by purchasing shares of the VION Companies as described in Note 1, pursuant to a Sale and Purchase Agreement dated October 5, 2013, as amended, between Darling and VION. The VION Ingredients business is now conducted under the name Darling Ingredients International. Darling Ingredients International is a worldwide leader in the development and production of specialty ingredients from animal by-products for applications in pharmaceuticals, food, pet food, feed, fuel, bioenergy and fertilizer. Darling Ingredients International operates a global network of 68 production facilities across five continents covering all aspects of animal by-product processing through six brands: Rendac (bioenergy), Sonac (bone products, proteins, fats, edible fats and plasma products), Ecoson (bioenergy), Rousselot (gelatin and collagen hydrolysates), CTH (natural casings) and Best Hides (hides and skins). Darling Ingredients International’s specialized portfolio of over 400 products covers all animal origin raw material types and thereby offers a comprehensive, single source solution for suppliers. Darling Ingredients International’s business has leading positions across Europe with operations in the Netherlands, Belgium, Germany, Poland and Italy under the Rendac and Sonac brand names. Value-added products include edible fats, blood plasma powder, hemoglobin, bone products, protein meals and fats. Rousselot is a global leading market provider of gelatin for the pharmaceutical, food and technical industries with operations in Europe, the United States, South America and China. CTH is a market leader in natural casings for the sausage industry with operations in Europe, China and the United States. The purchase of the VION Companies allows the Company to have a global reach. The purchase price for the transaction was approximately €1.6 billion in cash (approximately $2.2 billion at the exchange rate of €1.00:USD$1.3605). The purchase price was financed through (i) borrowings under the Company’s senior secured revolving credit facility and term loan facilities; (ii) proceeds from the Company’s $874.0 million public common stock offering in the fourth quarter of fiscal 2013; and (iii) proceeds from the private offering of $500.0 million aggregate principal amount of the Company’s 5.375% Senior Notes due 2022, that closed on January 2, 2014.

On October 1, 2014, the Company acquired substantially all of the assets of Custom Blenders Arkansas, LLC, an Indiana limited liability company, Custom Blenders Georgia, LLC, a Georgia limited liability company, Custom Blenders Indiana, Inc., an Indiana corporation, and Custom Blenders Texas, LLC, an Indiana limited liability company (collectively "Custom Blenders"), one of the leading bakery residuals recyclers in the United States. The acquisition includes Custom Blenders' operations in Indiana, Georgia, Texas, and Arkansas. The acquisition will provide significant synergies to the Company's suppliers and customers in the Feed Ingredients segment. The Company paid approximately $18.8 million in cash less a second quarter 2015 contingent receivable of $0.8 million recorded against goodwill for a claim against the hold back amount originally paid in escrow as part of the original purchase price. The purchase price for assets consisting of property, plant and equipment of approximately $3.2 million, intangible assets of approximately $8.6 million, goodwill of approximately $4.6 million and inventory of approximately $1.6 million. The identifiable intangibles have a weighted average life of 14 years.

(4) Inventories

A summary of inventories follows (in thousands):

	July 4, 2015	January 3, 2015
Finished product	$252,871	$255,130
Work in process	95,282	98,936
Supplies and other	48,270	47,547
	$396,423	$401,613

(5) 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 11,000 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 were acquired in the VION Acquisition that are insignificant to the Company. Selected financial information for the Company's DGD Joint Venture is as follows (in thousands):

(in thousands)	June 30, 2015	December 31, 2014
Assets:		
Total current assets	$131,385	$216,991
Property, plant and equipment, net	360,688	373,117
Other assets	1,150	2,092
Total assets	$493,223	$592,200
Liabilities and members' equity:		
Total current portion of long term debt	$20,679	$57,514
Total other current liabilities	21,002	21,313
Total long term debt	140,330	155,273
Total other long term liabilities	361	339
Total members' equity	310,851	357,761
Total liabilities and member's equity	$493,223	$592,200

	Three Months Ended		Six Months Ended	
(in thousands)	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Revenues:				
Operating revenues	$156,160	$148,064	$272,888	$267,721
Expenses:				
Total costs and expenses	145,299	140,654	262,343	246,555
Operating income	10,861	7,410	10,545	21,166
Other income	32	24	52	42
Interest and debt expense, net	(3,352)	(4,475)	(7,508)	(8,901)
Net income	$7,541	$2,959	$3,089	$12,307

As of July 4, 2015 under the equity method of accounting, the Company has an investment in the DGD Joint Venture of approximately $155.4 million on the consolidated balance sheet and has recorded approximately $1.5 million and $6.2 million in equity net income in the unconsolidated subsidiary for the six months ended July 4, 2015 and June 28, 2014, respectively. In addition, in April 2015, the Company received a $25.0 million dividend distribution from the DGD Joint Venture.

(6) Debt

Debt consists of the following (in thousands):

	July 4, 2015	January 3, 2015
Amended Credit Agreement:		
Revolving Credit Facility ($25.5 million and $36.9 million denominated in CAD at July 4, 2015 and January 3, 2015, respectively and $11.1 million denominated in Euro at July 4, 2015)	$57,553	$101,863
Term Loan A ($110.4 million and $122.2 million denominated in CAD at July 4, 2015 and January 3, 2015, respectively)	295,370	312,161
Term Loan B ($610.2 million denominated in Euro at January 3, 2015)	592,500	1,205,669

5.375% Senior Notes due 2022	500,000	500,000
4.75% Senior Notes due 2022 - Denominated in euro	571,521	—
Other Notes and Obligations	28,357	32,747
	2,045,301	2,152,440
Less Current Maturities	50,884	54,401
	$1,994,417	$2,098,039

As of July 4, 2015, the Company had outstanding debt under a term loan facility and revolving credit facility denominated in Canadian dollars of CAD$138.8 million and CAD$32.0 million, respectively. See below for discussion relating to the Company's debt agreements. In addition, as of July 4, 2015, the Company had capital lease obligations denominated in Canadian dollars included in debt. The current and long-term capital lease obligation was approximately CAD$2.4 million and CAD$3.7 million, respectively.

As of July 4, 2015, the Company had outstanding debt under a revolving credit facility and the Company's 4.75% Senior Notes due 2022 denominated in euros of €10.0 million and €515.0 million, respectively. See below for discussion relating to the Company's debt agreements. In addition, at July 4, 2015, 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 €0.7 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 (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 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. On January 6, 2014, $600.0 million of the term loan B facility was borrowed in U.S. dollars by Darling and the euro equivalent of $700.0 million of the term loan B facility was borrowed in euros by Darling NL. The proceeds of the term loan B facility and a portion of the revolving loan facility were used by Darling to pay a portion of the consideration for the VION Acquisition. The revolving loan facility will also be used for working capital needs, general corporate purposes and other purposes not prohibited by the Amended Credit Agreement.

As of July 4, 2015, the Company has borrowed all $350.0 million of the term loan A facility which, when repaid, cannot be reborrowed. The term loan A facility is repayable in quarterly installments as follows: for the first eight quarters following January 6, 2014, 1.25% of the original principal amount of the term loan A facility, for the ninth through sixteenth quarters following January 6, 2014, 1.875% of the original principal amount of the term loan A facility, and for each quarterly installment after such sixteenth installment until September 27, 2018, 3.75% of the original principal amount of the term loan A facility. The term loan A facility will mature on September 27, 2018.

As of July 4, 2015, the Company has borrowed all $1.3 billion under the terms of the term loan B facility, which when repaid, cannot be reborrowed. The term loan B facility is repayable in quarterly installments of 0.25% of the aggregate principal amount of the relevant term loan B facility on the last day of each March, June, September and December of each year commencing on the last day of each month falling on or after the last day of the first full quarter following January 6, 2014 and continuing until the last day of each quarter period ending immediately prior to January 7, 2021; and one final installment in the amount of the relevant term loan B facility then outstanding, due on January 7, 2021. The term loan B facility will mature on January 7, 2021. On June 3, 2015, the Company refinanced

€504.9 million of the outstanding euro borrowings under the term loan B facility (the “Euro Term Loan B”) using the proceeds from the 4.75% Senior Notes due 2022. As a result of the refinance, the Company incurred a charge of approximately $10.6 million from the write-off of deferred loan costs related to Euro Term Loan B.

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 2.50% per annum or base rate/Canadian prime rate plus 1.50% 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 July 4, 2015, the Company had $185.0 million outstanding under the term loan A facility and $18.0 million outstanding under the revolver at LIBOR plus a margin of 2.50% per annum for a total of 2.6875% per annum and $3.0 million outstanding under the revolver at base rate plus a margin of 1.50% per annum for a total of 4.75% per annum. The Company had $592.5 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$138.8 million outstanding under the term loan A facility and CAD$32.0 million outstanding under the revolver at CDOR plus a margin of 2.5% per annum for a total of 3.5763% per annum. The Company had €10.0 million outstanding under the revolver at LIBOR plus a margin of 2.50% per annum for a total of 2.438% per annum. As of July 4, 2015, the Company had revolver availability of $908.4 million under the Credit Agreement taking into account amounts borrowed and letters of credit issued of $34.0 million.

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. Effective May 13, 2015, Darling and the other borrowers party to the Amended Credit Agreement entered into the First Amendment to the Second Amended and Restated Credit Agreement (the “First Amendment”) with the administrative agent and certain of the lenders. The First Amendment removes the previously existing requirement under the Amended Credit Agreement that the maximum total leverage ratio under one of the financial covenants must continue to step down over the life of the Senior Secured Credit Facilities. After giving effect to the First Amendment, the maximum total leverage ratio shall remain 5.0 to 1.0 for the duration of the loans under the Amended Credit Agreement.

Pursuant to the Second Amended and Restated Security Agreement, dated as of January 6, 2014 (the "Security Agreement"), by and among Darling, its domestic subsidiaries signatory thereto and any other domestic subsidiary who may become a party thereto and JPMorgan Chase Bank, N.A., as administrative agent, the Senior Secured Credit Facilities are secured, subject to certain carveouts and exceptions, by a first priority lien on substantially all of the assets of Darling and such domestic subsidiaries. The obligations of Darling Canada, Darling NL, Darling BV, CTH and any other foreign borrower under the Senior Secured Credit Facilities are also secured by a first priority lien on certain assets of certain of Darling’s foreign subsidiaries organized in Canada, Belgium, Germany, the Netherlands and Brazil, subject to certain carveouts and exceptions.

Pursuant to the Second Amended and Restated Guaranty Agreement, dated as of January 6, 2014 (the "Guaranty Agreement"), (a) the obligations of Darling under the Senior Secured Credit Facilities are guaranteed by certain of Darling’s wholly-owned domestic subsidiaries and (b) the obligations of Darling Canada, Darling NL, Darling BV, CTH and any other foreign borrower under the Senior Secured Credit Facilities are guaranteed by Darling and certain of its domestic and foreign wholly-owned subsidiaries, in each case subject to certain carveouts and exceptions (collectively, the "Credit Agreement Guarantors").

5.375 % Senior Notes due 2022. On December 18, 2013, Darling Escrow Corporation ("Darling Escrow Sub"), a Delaware corporation and wholly-owned subsidiary of Darling, entered into a purchase agreement (the "Original 5.375% Purchase Agreement") with the initial purchasers party thereto (the "Initial Purchasers"), for the sale of $500.0 million aggregate principal amount of its 5.375% Notes due 2022 (the "5.375% Private Notes"). On January 2, 2014, the 5.375% Notes, which were offered in a private offering in connection with the VION Acquisition, were issued pursuant to a 5.375% Notes Indenture, dated as of January 2, 2014 (the "Original 5.375% Indenture"), among Darling Escrow Sub, the Subsidiary Guarantors (as defined in the Original 5.375% Indenture) party thereto from time to time and U.S. Bank National Association, as trustee (the "5.375% Trustee"), with the gross proceeds from the offering of the 5.375% Private Notes and certain additional amounts deposited into an escrow account pending the satisfaction of certain conditions, including the completion of the VION Acquisition, which occurred on January 7, 2014