

DARLING INTERNATIONAL INC

Form 10-Q

August 07, 2008

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 June 28, 2008

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 0-24620

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

Delaware
(State or other jurisdiction
of incorporation or organization)

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

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

75038
(Zip Code)

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

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

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.

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Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	Non-accelerated filer	S m a l l e r r e p o r t i n g company
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(Do not check if a smaller reporting company)

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

There were 81,853,107 shares of common stock, \$0.01 par value, outstanding at August 1, 2008.

DARLING INTERNATIONAL INC. AND SUBSIDIARIES
FORM 10-Q FOR THE THREE MONTHS ENDED JUNE 28, 2008

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DARLING INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 28, 2008 and December 29, 2007

(in thousands, except shares)

	June 28, 2008	December 29, 2007
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 44,596	\$ 16,335
Restricted cash	331	433
Accounts receivable	65,078	59,401
Inventories	30,300	22,481
Other current assets	7,559	8,417
Deferred income taxes	4,128	8,026
Total current assets	151,992	115,093
Property, plant and equipment, less accumulated depreciation of	132,698	128,685
\$206,059 at June 28, 2008 and \$199,157 at December 29, 2007		
Intangible assets, less accumulated amortization of	26,624	29,037
\$44,894 at June 28, 2008 and \$42,481 at December 29, 2007		
Goodwill	71,856	71,856
Other assets	6,092	6,667
	\$ 389,262	\$ 351,338
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 5,000	\$ 6,250
Accounts payable, principally trade	30,491	24,879
Accrued expenses	39,648	49,579
Total current liabilities	75,139	80,708
Long-term debt, net	36,250	37,500
Other non-current liabilities	26,019	27,225
Deferred income taxes	2,342	4,921
Total liabilities	139,750	150,354
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value; 100,000,000 shares authorized; 82,161,926 and 81,544,466 shares issued at June 28, 2008 and at December 29, 2007, respectively	822	815

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Additional paid-in capital	156,981	152,264
Treasury stock, at cost; 309,969 and 182,366 shares at June 28, 2008 and December 29, 2007, respectively	(3,520)	(1,547)
Accumulated other comprehensive loss	(8,361)	(8,598)
Retained earnings	103,590	58,050
Total stockholders' equity	249,512	200,984
	\$ 389,262	\$ 351,338

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

DARLING INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Three months and six months ended June 28, 2008 and June 30, 2007

(in thousands, except per share data)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Net sales	\$ 220,858	\$ 159,425	\$ 422,814	\$ 298,037
Costs and expenses:				
Cost of sales and operating expenses	161,298	121,925	307,594	225,169
Selling, general and administrative expenses	13,980	14,295	28,681	26,876
Depreciation and amortization	5,845	5,795	11,637	11,539
Total costs and expenses	181,123	142,015	347,912	263,584
Operating income	39,735	17,410	74,902	34,453
Other income/(expense):				
Interest expense	(775)	(1,326)	(1,620)	(2,959)
Other, net	133	(102)	300	(531)
Total other income/(expense)	(642)	(1,428)	(1,320)	(3,490)
Income from operations before income taxes	39,093	15,982	73,582	30,963
Income taxes expense	15,014	6,500	28,042	11,901
Net income	\$ 24,079	\$ 9,482	\$ 45,540	\$ 19,062
Basic income per share:	\$ 0.30	\$ 0.12	\$ 0.56	\$ 0.24
Diluted income per share:	\$ 0.29	\$ 0.12	\$ 0.55	\$ 0.23

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

DARLING INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended June 28, 2008 and June 30, 2007

(in thousands)

(unaudited)

	June 28, 2008	June 30, 2007
Cash flows from operating activities:		
Net income	\$ 45,540	\$ 19,062
Adjustments to reconcile net income to net cash provided by		
operating activities:		
Depreciation and amortization	11,637	11,539
Gain on disposal of property, plant, equipment and other assets	(12)	(16)
Deferred taxes	1,319	(994)
Stock-based compensation expense	522	1,005
Changes in operating assets and liabilities:		
Restricted cash	102	32
Accounts receivable	(5,677)	(6,942)
Inventories and prepaid expenses	(10,626)	(5,757)
Accounts payable and accrued expenses	(1,723)	5,634
Other	824	2,419
Net cash provided by operating activities	41,906	25,982
Cash flows from investing activities:		
Capital expenditures	(13,464)	(5,742)
Gross proceeds from disposal of property, plant and equipment		
and other assets	717	103
Net cash used by investing activities	(12,747)	(5,639)
Cash flows from financing activities:		
Proceeds from debt	–	19,000
Payments on debt	(2,500)	(38,504)
Deferred loan costs	–	(18)
Contract payments	(94)	(84)
Issuance of common stock	275	242
Minimum withholding taxes paid on stock awards	(871)	(457)
Excess tax benefits from stock-based compensation	2,292	358
Net cash used by financing activities	(898)	(19,463)
Net increase in cash and cash equivalents	28,261	880
Cash and cash equivalents at beginning of period	16,335	5,281
Cash and cash equivalents at end of period	\$ 44,596	\$ 6,161
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 1,308	\$ 3,181
Income taxes, net of refunds	\$ 26,468	\$ 15,157

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

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DARLING INTERNATIONAL INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 28, 2008

(unaudited)

(1) General

The accompanying consolidated financial statements for the three and six month periods ended June 28, 2008 and June 30, 2007 have been prepared in accordance with generally accepted accounting principles in the United States by Darling International Inc. (“Darling”) and its subsidiaries (Darling and its subsidiaries are collectively referred to herein as the “Company”) 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 generally accepted accounting principles have been omitted pursuant to such rules and regulations. However, management of the Company believes, to the best of its 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 December 29, 2007.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include the accounts of Darling and its subsidiaries. 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 June 28, 2008, and include the 13 weeks and 26 weeks ended June 28, 2008, and the 13 weeks and 26 weeks ended June 30, 2007.