2Q 2019 Results

July 31, 2019

Charles River Laboratories

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Safe Harbor Statement

Caution Concerning Forward-Looking Statements. This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as “anticipate,” “believe,” “expect,” “intend,” “will,” “may,” “estimate,” “plan,” “outlook,” and “project” and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These statements also include statements regarding risks and uncertainties associated with the unauthorized access into our information systems reported on April 30, 2019, including the timing and effectiveness of adding enforced security features and monitoring procedures, the percentage of clients affected by the unauthorized access, and the potential revenue and financial impact related to the incident; our projected 2019 and other future financial performance whether reported, constant currency, organic, and/or factoring acquisitions including, with respect to Charles River as a whole and/or any of our reporting or operating segments or business units, revenue and revenue growth rates, operating margin, earnings per share, capital expenditures, operating and free cash flow, specified costs (including unallocated corporate expenses), net interest expense, effective tax rate, average diluted share count, global efficiency initiatives, cost increases including the impact of wage adjustments, pricing, foreign exchange rates, leverage ratios, days sales outstanding, and the operating results of our businesses; the expected performance of our venture capital investments; the future demand for drug discovery and development products and services, and our intentions to expand those businesses, including our investments in our portfolio; the impact of our facility realignments; our expectations regarding stock repurchases and debt repayment; the development and performance of our services and products; market and industry conditions including industry consolidation, outsourcing of services and identification of spending trends by our clients and funding available to them; the potential outcome of, and impact to, our business and financial operations due to litigation and legal proceedings and tax law changes; the impact of US tax reform passed in the fourth quarter of 2017; our success in identifying, consummating, and integrating, and the impact of, our acquisitions, including Citoxlab, on the Company, our service offerings, client perception, strategic relationships, revenue, revenue growth rates, earnings, and synergies; our expectations regarding Citoxlab’s financial performance; our strategic agreements with our clients and opportunities for future similar arrangements; our ability to obtain new clients in targeted market segments and/or to predict which client segments will be future growth drivers; the impact of our investments in specified business lines, products and geographies; and Charles River’s future performance as otherwise delineated in our forward-looking guidance. Forward-looking statements are based on Charles River’s current expectations and beliefs, and involve a number of risks and uncertainties that are difficult to predict and that could cause actual results to differ materially from those stated or implied by the forward-looking statements. Those risks and uncertainties include, but are not limited to: the ability to successfully integrate businesses we acquire; the ability to execute our cost-savings actions and the steps to optimize returns to shareholders on an effective and timely basis; the timing and magnitude of our share repurchases; negative trends in research and development spending, negative trends in the level of outsourced services, or other cost reduction actions by our clients; the ability to convert backlog to revenue; special interest groups; contaminations; industry trends; new displacement technologies; continued availability of products and supplies; loss of key personnel; interest rate and foreign currency exchange rate fluctuations; changes in regulations by the FDA, USDA, or other global regulatory agencies; changes in law; changes in tax regulation and laws; changes in generally accepted accounting principles; and any changes in business, political, or economic conditions due to the threat of future terrorist activity in the U.S. and other parts of the world, and related U.S. military action overseas. A further description of these risks, uncertainties, and other matters can be found in the Risk Factors detailed in Charles River's Annual Report on Form 10-K as filed on February 13, 2019 and in its Form 10-Q as filed on May 7, 2019, as well as other filings we make with the Securities and Exchange Commission. Because forward-looking statements involve risks and uncertainties, actual results and events may differ materially from results and events currently expected by Charles River, and Charles River assumes no obligation and expressly disclaims any duty to update information contained in this presentation except as required by law.

Regulation G

This presentation includes discussion of non-GAAP financial measures. We believe that the inclusion of these non-GAAP financial measures provides useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often one-time charges, consistent with the manner in which management measures and forecasts the Company’s performance. The non-GAAP financial measures included in this presentation are not meant to be considered superior to or a substitute for results of operations prepared in accordance with GAAP. The company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules and regulations. In accordance with Regulation G, you can find the comparable GAAP measures and reconciliations to those GAAP measures on our website at ir.criver.com.

CRL is a Stronger Company Today

- Invested tremendous effort to:
  - Add people and capacity to accommodate growing client demand
    - Build a scalable operating model
  - Maintain and enhance our scientific leadership
  - Strengthen our relationships with clients
    - Work with clients to devise outsourcing solutions to increase their productivity and speed-to-market
  - Create a culture of continuous improvement
    - Employees are working in new ways to improve our efficiency and responsiveness to clients
- Maintained our focus on early-stage drug research and manufacturing support solutions
  - Strategically expanding our portfolio to provide clients with the critical capabilities they require to discover, develop and safely manufacture new drugs
- Acquisition of Citoxlab on April 29th was another step forward in our strategy

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CRL is a Stronger Company Today, cont.

- Will continue to invest in and enhance our industry-leading portfolio to:
  - Fulfill our long-term strategic goals
  - Further differentiate ourselves from the competition
  - Move with the fast pace of innovation in our markets
  - Enhance the value we provide to our clients' research efforts
  - Become a stronger drug discovery and development partner
- Positioned exceptionally well to compete for business
  - Biotech companies are aggressively investing new funding in their pipelines
  - Global biopharma companies are continuing to make decisions to outsource
  - Academic institutions are working with biopharma companies to discover new drugs

2Q19 Financial Results

- 2Q19 results demonstrate the effectiveness of our strategy and progress that we have made on its execution
  - Continuation of strong industry fundamentals, including biotech funding
- 2Q19 organic revenue growth was within our prior full-year range of 8.0%-9.5%
- Low-double-digit EPS growth exceeded our prior outlook
- Expect to meet or exceed 2019 financial guidance provided in May

2Q19 Revenue

($ in millions)	2Q19	2Q18	YOY Δ
Revenue, reported	$657.6	$585.3	12.3%
(Increase)/decrease due to FX			1.9%
Contribution from acquisitions			(5.7)%
Revenue growth, organic			8.5%

- Continued strength across each of our business segments
- Biotech clients continued to drive revenue growth
  - Funding environment remained robust
  - Investing funds in new areas of drug research

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

2Q19 Operating Margin

	2Q19	2Q18	YOY Δ
GAAP OM%	12.1%	13.1%	(100) bps
Non-GAAP OM%	18.5%	18.7%	(20) bps

- Non-GAAP operating margin decline was primarily driven by the Manufacturing and RMS segments
- Headwinds reduced non-GAAP operating margin by ~50 bps in 2Q19
  - Compensation structure adjustment in 2018
  - Large Insourcing Solutions contract
  - Biologics capacity expansion

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

2Q19 EPS

From Continuing Operations	2Q19	2Q18	YOY Δ
GAAP EPS	$0.88	$1.06	(17.0)%
Non-GAAP EPS	$1.63	$1.45	12.4%

- Strong revenue growth and higher operating income drove the YOY increase
- Lower-than-anticipated tax rate contributed to the outperformance vs. our prior outlook

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

2019 Guidance

	CURRENT	PRIOR
Revenue growth, reported	16%-17%	16%-18%
Contribution from acquisitions	(8.5%-9.0%)	(8%-9%)
(Increase)/decrease due to FX	1.0%-1.5%	~0.5%
Revenue growth, organic	8.5%-9.5%	8.0%-9.5%
GAAP EPS	$4.65-$4.80	$4.75-$4.90
Amortization of intangible assets	$1.35-1.40	$1.42-1.52
Charges related to global efficiency initiatives	~$0.07	~$0.07
Acquisition-related adjustments	$0.40-$0.45	$0.25-$0.30
Other items	$0.05	--
Venture capital investment (gains)/losses	(~$0.09)	(~$0.16)
Non-GAAP EPS	$6.45-$6.60	$6.40-$6.55

- Increased 2019 non-GAAP EPS guidance by $0.05
  - Reflects our expectation of a lower tax rate
  - YOY EPS growth of 11-14%

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

DSA Results – Revenue

($ in millions)	2Q19	2Q18	YOY Δ
Revenue, reported	$405.5	$346.4	17.1%
(Increase)/decrease due to FX			1.2%
Contribution from acquisitions			(9.6)%
Revenue growth, organic			8.7%

- Both Safety Assessment (SA) and Discovery Services performed well, with SA revenue growth moderately outpacing Discovery Services
- SA had another strong quarter, benefitting from robust demand from biotech clients and increased pricing
- Capacity remained well utilized
- Bookings and proposal activity continues to reinforces our outlook for high-single-digit organic revenue growth in the DSA segment in 2019

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

Citoxlab Acquisition

- Positioned exceptionally to provide support that our clients require to expedite their drug research efforts
  - Focused on portfolio expansion, enhancing scientific capabilities, improving operating efficiency, and developing flexible and customized working relationships
- Citoxlab acquisition extends our capabilities and global scale to present even more compelling value to our clients
  - Global biopharma companies increasing their reliance on CROs
  - Small and mid-size biotech companies relying on external resources
- Growth and significant client demand demonstrate clients recognize the value we provide
  - Ensure a seamless client experience across all of our sites
  - Encourage clients to work across multiple sites for broader capabilities and to reduce lead times
  - Benefits to operating efficiency through shared resources and optimized capacity utilization
    - Notable increase in the number of SA sites used by clients in 2Q19 over the prior year
    - Improves proposal win rates as we are able to meet scheduling requirements and tighter start times

Citoxlab Acquisition, cont.

- Integration of Citoxlab is progressing smoothly and major goals set for the first 90 days have been accomplished
  - Integration of staff and clients with positive initial feedback
  - Scientific teams have begun to share best practices and work collaboratively across our global network of sites
- Citoxlab teams are very engaged and optimistic about the future and opportunities for career growth
  - Motivated to further enhance our position as the leading, early-stage CRO
- Recognized early opportunities to drive operational synergies
  - Leveraging CRL sites for pathology and lab sciences work that Citoxlab had previously outsourced
- Remain confident in our ability to achieve $8-10M in operational synergies over the next two years

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DSA Results – Discovery Services

- Discovery Services had a solid quarter
  - Strong demand for early discovery services
  - Client utilization of new site in South San Francisco
- Demand for early discovery services continues to strengthen as clients partner with us for a single project or larger integrated discovery programs
  - Client interest in integrated drug discovery programs was very strong in 2Q19
    - Highest-ever win rate on proposals builds excellent pipeline for early discovery projects in 2H19
- Continue to expand Discovery Services portfolio and footprint
  - Citoxlab adds additional solutions in drug transporter and drug-drug interaction research
  - Opened expanded South San Francisco (SSF) site at the beginning of 2019
    - Clients increasingly placing work in SSF to leverage its wide range of capabilities from CNS to DMPK and bioanalytical services

DSA Results – Discovery Services, cont.

- Continue to evaluate opportunities to add innovative discovery capabilities to our portfolio
  - Believe creating a comprehensive solution at the earliest stages of drug research will enhance client retention, or “stickiness,” as their programs progress through the pipeline
  - Recent alliance with Distributed Bio is a prime example
    - Combined large molecule discovery capabilities are generating considerable client interest
- Intend to continue to build our portfolio to reinforce our position as the premier single-source provider for a comprehensive range of discovery services

DSA Results – Operating Margin

	2Q19	2Q18	YOY Δ
DSA GAAP OM%	15.7%	16.3%	(60) bps
DSA Non-GAAP OM%	21.1%	21.5%	(40) bps

- DSA non-GAAP operating margin improved significantly on a sequential basis, as anticipated
- YOY decline principally caused by higher staffing costs and capacity investments, including last year's adjustment to compensation structure
  - Partially offset by higher pricing and operating income benefit from R&D tax credits related to the Citoxlab acquisition
  - Citoxlab acquisition created a small margin headwind in 2Q19
- Expect DSA non-GAAP operating margin to continue to improve sequentially in 2H19
  - Anniversaried the compensation structure adjustment on July 1st
  - Slower hiring following an acceleration of staff additions into 1H19 to support strong client demand

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

RMS Results – Revenue

($ in millions)	2Q19	2Q18	YOY Δ
Revenue, reported	$136.1	$130.4	4.3%
(Increase)/decrease due to FX			2.5%
Revenue growth, organic			6.8%

- Primary drivers of RMS revenue growth continued to be strong demand for RM Services businesses and for research models in China

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

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RMS Results – Insourcing Solutions

- NIAID contract (National Institute of Allergy and Infectious Diseases) contributed ~350 bps to 2Q19 revenue growth
  - Commenced in September 2018
- Insourcing Solutions continued to perform very well beyond the NIAID contract
  - Clients took advantage of our flexible solutions for their vivarium management and related research needs
- CRADL initiative (Charles River Accelerator and Development Labs) has become a successful solution to provide both small and large biopharmaceutical clients with turnkey research capacity in the Boston/Cambridge biohub
  - Announced the expansion of CRADL initiative to the South San Francisco biohub
    - Expected to open in early 2020
- Continue to support clients through a variety of working arrangements
  - Traditional insourcing option of providing staff and expertise to manage a vivarium at a client's site
  - CRADL provides flexible vivarium space at a CRL site

RMS Results – GEMS

- GEMS continues to benefit from our clients' use of CRISPR and other technologies to create genetically modified models faster and more cost effectively
- Clients come to us because we have the expertise to help them derive and maintain their proprietary model colonies
  - Play an increasingly critical role as drug research becomes more complex with a shift to oncology, rare disease, and cell & gene therapies

RMS Results – RM Production

- Revenue growth driven by China, which is performing very well
  - Research models market in China continues to be a significant growth opportunity
  - Goal to achieve a 50% market share throughout all of China by adding capacity in new regions
- Expect a continuation of research model trends outside of China
  - Declining demand from large biopharma
  - Increasing demand from biotech
  - Consistent price increases
- Expect to continue to generate low-single-digit growth for the RMS segment over the longer term

RMS Results – Operating Margin

	2Q19	2Q18	YOY Δ
RMS GAAP OM%	23.2%	26.3%	(310) bps
RMS Non-GAAP OM%	25.5%	26.8%	(130) bps

- RMS non-GAAP operating margin decline was driven by three factors:
  - Lower-margin NIAID contract
  - Compensation structure adjustment in 2018
  - Lower demand for research models outside of China
- Headwinds from NIAID contract and compensation structure adjustment will be anniversaried during 2H19
- Continue to look at new ways to enhance operating efficiency to offset volume pressure in mature markets to sustain the RMS operating margin
  - From cost reduction to driving towards a more digital RMS enterprise

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

Manufacturing Results – Revenue

($ in millions)	2Q19	2Q18	YOY Δ
Revenue, reported	$116.0	$108.5	7.0%
(Increase)/decrease due to FX			3.1%
Contribution from acquisitions			(0.3)%
Revenue growth, organic			9.8%

- Increase was driven by strong demand across both the Microbial Solutions and Biologics Testing Solutions (Biologics) businesses

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

Manufacturing Results – Microbial Solutions

- Microbial Solutions had another strong quarter with organic revenue growth in the low-double digits
- Our advantage as the only provider who can offer a comprehensive solution for rapid quality control testing continues to resonate with clients
- Demonstrated by robust demand across our Endosafe® testing systems and cartridges, core reagents, Accugenix® microbial identification services, and Celsis® bioburden testing solutions
- Sales of Celsis® product line had a particularly strong quarter
  - Launched a new rapid sterility test earlier in 2019, which is beginning to gain client adoption and replace manual testing methods
- Continued to invest to support future growth, including geographic expansion and operational enhancements
  - Opening a new Shanghai site to create a stronger presence in the growing China market
  - Investing in process improvements to enhance operating efficiency

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Manufacturing Results – Biologics

- Biologics revenue growth dipped slightly below the 10% level in 2Q19, but still had a very good quarter overall
  - Continue to expect low-double-digit revenue growth for the full year
- Revenue driven by robust growth in biologics drug development
  - Demonstrated by the number of large-molecule drugs in the pipeline
  - New, innovative solutions to cure unmet medical needs
- To accommodate demand and enhance our position as a premier provider, we are adding capacity globally
  - New Pennsylvania facility continues to progress well and the transition is expected to be completed by the end of the year
    - Operating two facilities as we transfer services to the new site, in order to ensure that the transition is seamless for our clients
    - Creating duplicate costs during the transition, resulting in a ~60 bps headwind to operating margin in 2Q19; however, these costs are expected to moderate during 2H19

Manufacturing – Operating Margin

	2Q19	2Q18	YOY Δ
Manufacturing GAAP OM%	28.6%	31.5%	(290) bps
Manufacturing Non-GAAP OM%	30.9%	33.6%	(270) bps

- YOY non-GAAP operating margin decline primarily related to higher costs from investments to support growth in the Microbial Solutions and Biologics businesses
- 2Q19 margin was slightly lower than anticipated, but business is not linear
- Expect operating margin to approach the mid-30% level in 4Q19 as many of these headwinds dissipate

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

Enhancing Our Position as Leading, Early-Stage CRO

- CRL has become the “go-to” partner for an expanding number of clients who recognize our scientific expertise, global scale, and deep commitment to them
- CRL has become an integral part of the solution to more efficient and productive drug research
  - Clients use CRL to augment internal expertise or because they have no in-house infrastructure and choose to partner with the most experienced scientific CRO
- Working collaboratively to design studies or projects and interpret results
  - Expands our clients’ bandwidth and capabilities as they make critical “go” or “no-go” decisions about their early-stage pipelines
- Our importance to our clients increases as we expand our broad portfolio and they increasingly rely on our expertise across a wider array of scientific solutions

Enhancing Our Position as Leading, Early-Stage CRO, cont.

- Believe that continued expansion of our portfolio and scientific expertise, superb execution, and our flexibility and responsiveness are the basis for long-lasting relationships with our clients and our future growth
- Maintaining intense focus on the critical initiatives to expand the value we provide to clients
- Continuing to assess opportunities to broaden our portfolio with strategic acquisitions, internal investments, and unique arrangements such as Distributed Bio partnership
- Cutting-edge innovation in drug research is generating significant funding that fuels the pipelines of the biotech industry, which in turn, fuels our growth
  - Intend to remain on leading edge of this innovation by further investing in our scientific capabilities
    - Add new technologies, enhance our therapeutic area expertise, or better capitalize on emerging scientific trends, such as the proliferation of large-molecule drug in the pipeline and on the market

Enhancing Our Position as Leading, Early-Stage CRO, cont.

- While acquisitions are a vital component of our growth strategy, we will continue to invest in:
  - Staff and resources to support current and future growth
  - Technology to work seamlessly and efficiently with our clients and protect their data
  - Scientific expertise to differentiate ourselves from the competition
- We aim to partner with our clients to support a broader spectrum of their scientific needs, which will help us achieve our long-term growth goals and enhance shareholder value

2Q19 Results

($ in millions)	2Q19	2Q18	YOY Δ	Organic Δ
Revenue	$657.6	$585.3	12.3%	8.5%
GAAP OM%	12.1%	13.1%	(100) bps	
Non-GAAP OM%	18.5%	18.7%	(20) bps	
GAAP EPS	$0.88	$1.06	(17.0)%	
Non-GAAP EPS	$1.63	$1.45	12.4%	

- Organic revenue growth and non-GAAP EPS growth consistent with long-term financial targets and outlook for 2019
- Reported revenue growth in line with prior outlook of low-double-digit growth, despite a larger-than-anticipated 1.9% FX headwind

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

Operating Margin

- 2Q19 non-GAAP operating margin declined 20 bps YOY; Improved sequentially from 1Q19; In line with prior expectations
- YOY decrease reflected collective margin pressure of ~50 bps from:
  - NIAID contract
  - Biologics capacity expansion
  - Compensation structure adjustment in 2018
- Expect 2H19 non-GAAP operating margin to improve over 1H19 as compensation adjustment is anniversaried and other headwinds become smaller
- Expect 2019 non-GAAP operating margin to be similar to 2018 level of 18.8%, despite slight margin dilution associated with the Citoxlab acquisition

2Q19 Earnings Per Share

	2Q19	2Q18	YOY Δ
GAAP EPS	$0.88	$1.06	(17.0)%
Non-GAAP EPS	$1.63	$1.45	12.4%

- 2Q19 non-GAAP EPS exceeded prior outlook of high-single-digit growth due in part to a lower-than-expected tax rate

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

Tax Rate

	2Q19	1Q19	2Q18
GAAP	24.9%	16.0%	24.8%
Non-GAAP	22.1%	17.2%	23.3%

- 2Q19 non-GAAP tax rate decreased 120 bps YOY
  - Favorable tax rate primarily driven by R&D tax credits associated with the Citoxlab acquisition
  - Recognized incremental R&D tax credits, which reduced the tax rate and generated a small, corresponding benefit to the DSA operating margin in 2Q19
- Lowering 2019 tax rate outlook by ~100 bps to a range of 20%-21% (GAAP) and 22.5%-23.5% (non-GAAP) primarily due to R&D tax credits

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

Unallocated Corporate Expenses

($ in millions)	2Q19	1Q19	2Q18
GAAP	$48.4	$46.2	$48.3
Non-GAAP	$34.9	$40.8	$36.6

- Unallocated corporate costs were 5.3% of total revenue in 2Q19, below last year's level of 6.2%
- Continue to build scalable infrastructure to support our growing business
- Expect to maintain non-GAAP unallocated corporate costs at or slightly below 6% of total revenue in 2019

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

Net Interest Expense

($ in millions)	2Q19	1Q19	2Q18
GAAP interest expense, net	$20.5	$9.8	$18.5
Non-GAAP interest expense, net	$20.5	$9.8	$16.7
Adjustments for foreign exchange forward contract and related interest expense(1)	$3.7	($6.4)	–
Adjusted net interest expense	$16.8	$16.2	$16.7

- 2Q19 sequential increase in adjusted net interest expense reflected a partial quarter of borrowing costs for the Citoxlab acquisition
- Continue to expect adjusted net interest expense in the range of $68-$71M (GAAP and non-GAAP) for 2019
- Adjusted net interest expense is calculated as the net of interest expense, interest income, and an FX adjustment related to forward FX contracts recorded in Other Income
  - Entered into forward FX contracts to generate interest savings on our foreign debt

(1) Amounts reported in total adjusted interest expense include $1.6M loss on forward contract and $1.7M of additional interest expense.

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

Capital Priorities

- Continuously evaluate our capital priorities and intend to deploy capital to the areas we believe will generate the greatest returns
- Strategic acquisitions remain our top priority for capital allocation, followed by debt repayment
- At the end of 2Q19:
  - Total debt outstanding was $2.1B, compared to $1.6B at the end of 1Q19 which excluded the Citoxlab acquisition
  - Gross leverage ratio was 3.25x (pro forma)
  - Net leverage ratio was 2.9x (pro forma)
- Absent any acquisitions, we are on track to reduce gross leverage ratio below 3x within twelve months of the completion of the Citoxlab transaction
- Year-to-date, we have not repurchased any shares and do not intend to in 2019

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

Cash Flow

($ in millions)	2Q19	2Q18	2019 Outlook
Free cash flow (FCF)	$104.8	$102.7	$310-$320
Capex	$24.8	$21.2	~$170
Depreciation	$26.8	$24.7	$110-$115
Amortization	$22.4	$18.7	$90-$95

- Free cash flow guidance is unchanged at $310-320M for 2019
- Continue to expect to invest ~$170M in capex for 2019

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

2019 Guidance

	Current
Revenue growth, reported	16%-17%
Revenue growth, organic	8.5%-9.5%
GAAP EPS	$4.65-$4.80
Non-GAAP EPS	$6.45-$6.60
Free Cash Flow	$310-$320 million

- Narrowing reported and organic revenue growth outlook to reflect continued strong demand trends and contribution from Citoxlab
- FX is expected to be less favorable and we now expect an ~1.0-1.5% FX headwind for 2019, compared to our prior outlook of ~0.5%
- Increasing 2019 non-GAAP EPS guidance by $0.05 reflects our expectation of a lower tax rate

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

2019 Segment Revenue Outlook

	2019 Reported Revenue Growth	2019 Organic Revenue Growth
RMS	Mid-single digits *(Low single digits + incremental NIAID benefit)*	Mid-single digits *(Low single digits + incremental NIAID benefit)*
DSA	Mid-20% range	High-single digits
Manufacturing	Low-double digits	Low-double digits
Consolidated CRL	16%-17%	8.5%-9.5%

- Continue to see healthy customer demand across our businesses and are reaffirming our full-year expectations for segment revenue growth

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

2019 Guidance Summary

	GAAP	Non-GAAP
Revenue growth	16%-17% reported	8.5%-9.5% organic
Operating margin	Below 2018 including Citoxlab amort & transaction costs (14.6% in 2018)	Similar to 2018 including Citoxlab (18.8% in 2018)
Unallocated corporate	~6.5% of revenue including Citoxlab transaction costs	At or slightly below 6% of revenue
Net interest expense (total)	$68M-$71M	$68M-$71M
Tax rate	20%-21%	22.5%-23.5%
EPS	$4.65-$4.80	$6.45-$6.60
Cash flow	Operating cash flow: $480M-$490M	Free cash flow: $310M-$320M
Capital expenditures	~$170M	~$170M

See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

3Q19 Outlook

	3Q19 Outlook
Reported revenue growth YOY	Mid-teens growth YOY
Organic revenue growth YOY	Improve slightly from 2Q19 level
Non-GAAP operating margin	Similar to 2Q19
Non-GAAP EPS	Low-teens growth vs. $1.45 in 3Q18 (excluding VCs)

- 3Q19 organic revenue growth rate is expected to improve slightly from 2Q19
  - Manufacturing segment growth is expected to rebound into low-double digits, consistent with the long-term target and outlook for the year
- 3Q19 non-GAAP operating margin outlook reflects:
  - Anniversaried compensation structure adjustment on July 1st
  - Partially offset by modest costs related to cybersecurity enhancements

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Concluding Remarks

- Pleased with our 2Q19 performance, which included healthy revenue, earnings, and free cash flow growth
- Confident about the prospects for 3Q19 and are on track to achieve our full-year financial outlook
- Will continue to execute on our strategy
  - Expanding and enhancing our business to meet the needs of today
  - Investing to accommodate the anticipated growth of tomorrow
  - Endeavoring to enhance our position as the leading, early-stage CRO

2Q19 Regulation G Financial Reconciliations

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP
SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)[1]
(in thousands, except percentages)

	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Research Models and Services				
Revenue	$ 136,054	$ 130,426	$ 273,226	$ 264,384
Operating income	31,512	34,245	69,344	72,772
Operating income as a % of revenue	23.2 %	26.3 %	25.4 %	27.5 %
Add back:				
Amortization related to acquisitions	349	408	701	817
Severance	565	220	725	743
Acquisition related adjustments [2]	2,201	—	2,201	—
Site consolidation costs, impairments and other items	76	69	257	584
Total non-GAAP adjustments to operating income	$ 3,191	$ 697	$ 3,884	$ 2,144
Operating income, excluding non-GAAP adjustments	$ 34,703	$ 34,942	$ 73,228	$ 74,916
Non-GAAP operating income as a % of revenue	25.5 %	26.8 %	26.8 %	28.3 %
Depreciation and amortization	$ 4,981	$ 4,901	$ 9,303	$ 9,754
Capital expenditures	$ 5,049	$ 5,314	$ 9,161	$ 9,939
Discovery and Safety Assessment				
Revenue	$ 405,517	$ 346,416	$ 759,714	$ 606,408
Operating income	63,514	56,623	110,219	97,482
Operating income as a % of revenue	15.7 %	16.3 %	14.5 %	16.1 %
Add back:				
Amortization related to acquisitions	19,772	16,051	36,507	23,592
Severance	672	1,197	685	943
Acquisition related adjustments [3]	1,738	767	3,992	1,197
Site consolidation costs, impairments and other items	—	—	—	(143)
Total non-GAAP adjustments to operating income	$ 22,182	$ 18,015	$ 41,184	$ 25,589
Operating income, excluding non-GAAP adjustments	$ 85,696	$ 74,638	$ 151,403	$ 123,071
Non-GAAP operating income as a % of revenue	21.1 %	21.5 %	19.9 %	20.3 %
Depreciation and amortization	$ 37,549	$ 31,042	$ 71,333	$ 51,829
Capital expenditures	$ 15,141	$ 10,894	$ 23,989	$ 23,696
Manufacturing Support				
Revenue	$ 115,997	$ 108,459	$ 229,197	$ 208,479
Operating income	33,141	34,115	64,640	62,638
Operating income as a % of revenue	28.6 %	31.5 %	28.2 %	30.0 %
Add back:				
Amortization related to acquisitions	2,274	2,281	4,598	4,599
Severance	74	—	301	870
Acquisition related adjustments [3]	106	15	156	15
Site consolidation costs, impairments and other items	297	—	1,305	159
Total non-GAAP adjustments to operating income	$ 2,751	$ 2,296	$ 6,360	$ 5,643
Operating income, excluding non-GAAP adjustments	$ 35,892	$ 36,411	$ 71,000	$ 68,281
Non-GAAP operating income as a % of revenue	30.9 %	33.6 %	31.0 %	32.8 %
Depreciation and amortization	$ 5,782	$ 5,868	$ 11,587	$ 11,604
Capital expenditures	$ 4,272	$ 3,188	$ 7,878	$ 10,022

CONTINUED ON NEXT SLIDE

charles river

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP
SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)[1]
(in thousands, except percentages)

	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
CONTINUED FROM PREVIOUS SLIDE				
Unallocated Corporate Overhead	$ (48,399)	$ (48,273)	$ (94,643)	$ (88,353)
Add back:				
Severance	—	659	—	659
Acquisition related adjustments [3]	12,470	11,033	17,892	13,897
Other items [4]	$ 1,029	$ —	$ 1,029	$ —
Total non-GAAP adjustments to operating expense	$ 13,499	$ 11,692	$ 18,921	$ 14,556
Unallocated corporate overhead, excluding non-GAAP adjustments	$ (34,900)	$ (36,581)	$ (75,722)	$ (73,797)
Total				
Revenue	$ 657,568	$ 585,301	$ 1,262,137	$ 1,079,271
Operating income	$ 79,768	$ 76,710	$ 149,560	$ 144,539
Operating income as a % of revenue	12.1 %	13.1 %	11.8 %	13.4 %
Add back:				
Amortization related to acquisitions	22,395	18,740	41,806	29,008
Severance and executive transition costs	1,311	2,076	1,711	3,215
Acquisition related adjustments [2][3]	16,515	11,815	24,241	15,109
Site consolidation costs, impairments and other items [4]	1,402	69	2,591	600
Total non-GAAP adjustments to operating income	$ 41,623	$ 32,700	$ 70,349	$ 47,932
Operating income, excluding non-GAAP adjustments	$ 121,391	$ 109,410	$ 219,909	$ 192,471
Non-GAAP operating income as a % of revenue	18.5 %	18.7 %	17.4 %	17.8 %
Depreciation and amortization	$ 49,146	$ 43,396	$ 94,504	$ 76,606
Capital expenditures	$ 24,781	$ 21,213	$ 41,512	$ 48,939

(1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often-one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.

(2) This amount represents a $2.2 million charge recorded in connection with the modification of the option to purchase the remaining 8% equity interest in Vital River.

(3) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.

(4) This amount relates to third-party costs, net of insurance reimbursements, associated with the remediation of the unauthorized access into the Company's information systems which was detected in March 2019.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP EARNINGS TO NON-GAAP EARNINGS (UNAUDITED)(1)
(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Net income attributable to common shareholders	$ 43,728	$ 53,709	$ 98,861	$ 106,340
Less: Income from discontinued operations, net of income taxes	—	1,529	—	1,506
Net income from continuing operations attributable to common shareholders	43,728	52,180	98,861	104,834
Add back:				
Non-GAAP adjustments to operating income (Refer to Schedule 4)	41,623	32,700	70,349	47,932
Write-off of deferred financing costs and fees related to debt refinancing	—	1,799	—	5,060
Venture capital (gains) losses	4,254	(10,934)	(6,321)	(17,385)
Tax effect of non-GAAP adjustments	(8,491)	(4,466)	(12,371)	(6,345)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	$ 81,114	$ 71,279	$ 150,518	$ 134,096
Weighted average shares outstanding - Basic	48,772	48,198	48,615	47,992
Effect of dilutive securities:				
stock	890	845	984	974
Weighted average shares outstanding - Diluted	49,662	49,043	49,599	48,966
Earnings per share from continuing operations attributable to common shareholders				
Basic	$ 0.90	$ 1.08	$ 2.03	$ 2.18
Diluted	$ 0.88	$ 1.06	$ 1.99	$ 2.14
Basic, excluding non-GAAP adjustments	$ 1.66	$ 1.48	$ 3.10	$ 2.79
Diluted, excluding non-GAAP adjustments	$ 1.63	$ 1.45	$ 3.03	$ 2.74

(1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often-one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.

charles river

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP REVENUE GROWTH
TO NON-GAAP REVENUE GROWTH, ORGANIC (UNAUDITED) [1]

Three Months Ended June 29, 2019	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	12.3 %	4.3 %	17.1 %	7.0 %
Decrease (increase) due to foreign exchange	1.9 %	2.5 %	1.2 %	3.1 %
Contribution from acquisitions [2]	(5.7)%	—%	(9.6)%	(0.3)%
Non-GAAP revenue growth, organic [3]	**8.5 %**	**6.8 %**	**8.7 %**	**9.8 %**

Six Months Ended June 29, 2019	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	16.9 %	3.3 %	25.3 %	9.9 %
Decrease (increase) due to foreign exchange	2.4 %	2.8 %	1.6 %	3.8 %
Contribution from acquisitions [2]	(9.7)%	—%	(17.1)%	(0.3)%
Non-GAAP revenue growth, organic [3]	**9.6 %**	**6.1 %**	**9.8 %**	**13.4 %**

(1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often-one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company’s performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.

(2) The contribution from acquisitions reflects only completed acquisitions. Manufacturing Support includes an immaterial acquisition of an Australian Microbial Solutions business.

(3) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions and foreign exchange.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP REVENUE AND EARNINGS PER SHARE (EPS)
Guidance for the Twelve Months Ended December 29, 2019E

2019 GUIDANCE	CURRENT	PRIOR
Revenue growth, reported	16% - 17%	16% - 18%
Less: Contribution from acquisitions (1)	8.5% - 9.0%	8% - 9%
Add: Negative impact of foreign exchange	1.0% - 1.5%	~0.5%
Revenue growth, organic (2)	8.5% - 9.5%	8.0% - 9.5%
GAAP EPS estimate	$4.65-$4.80	$4.75-$4.90
Amortization of intangible assets (3)	$1.35-$1.40	$1.42-$1.52
Charges related to global efficiency initiatives (4)	~$0.07	~$0.07
Acquisition-related adjustments (5)	$0.40-$0.45	$0.25-$0.30
Other items (6)	~$0.03	--
Venture capital investment (gains)/losses (7)	(~$0.09)	(~$0.16)
Non-GAAP EPS estimate	$6.45 - $6.60	$6.40 - $6.55
Free cash flow (8)	$310 - $320 million	$310 - $320 million

Footnotes to Guidance Table:

(1) The contribution from acquisitions reflects only those acquisitions which have been completed.

(2) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions and foreign currency translation.

(3) Amortization of intangible assets includes an estimate of approximately $0.20 for the impact of the Citoxlab acquisition based on the preliminary purchase price allocation.

(4) These charges, which primarily include severance and other costs, relate primarily to the Company's planned efficiency initiatives. Other projects in support of global productivity and efficiency initiatives are expected, but these charges reflect only the decisions that have already been finalized.

(5) These adjustments are related to the evaluation and integration of acquisitions, and primarily include transaction, advisory, and certain third-party integration costs, as well as certain costs associated with acquisition-related efficiency initiatives. In addition, these adjustments include a charge associated with modification of a purchase option for the remaining 8% equity interest in Vital River. These costs will be partially offset by an anticipated discrete tax benefit.

(6) Other items include third-party costs, net of insurance reimbursements, associated with the remediation of the unauthorized access into the Company's information systems, which was detected in March 2019.

(7) Venture capital investment performance only includes recognized gains or losses. The Company does not forecast future venture capital investment gains or losses.

(8) The reconciliation of 2019 free cash flow guidance is as follows: Cash flow from operating activities of $480-$490 million, less capital expenditures of ~$170 million, equates to free cash flow of $310-$320 million.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF FREE CASH FLOW (NON-GAAP) [1]
(dollars in thousands)

	Three Months Ended		Six Months Ended		Fiscal Year Ended
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018	December 29, 2019E including Citoxlab
Net cash provided by operating activities	$ 129,553	$ 123,872	$ 144,412	$ 183,923	$480,000-$490,000
Less: Capital expenditures	(24,781)	(21,213)	41,512	(48,939)	(~170,000)
Free cash flow	$ 104,772	$ 102,659	$ 185,924	$ 134,984	$310,000-$320,000

[1] Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company’s performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TAX RATE TO NON-GAAP TAX RATE (UNAUDITED)[1]
(in thousands)

	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Income from continuing operations before income taxes & noncontrolling interest	$ 58,994	$ 70,288	$ 125,284	$ 133,328
Add back:				
Amortization related to acquisitions	22,395	18,740	41,806	29,008
Severance and executive transition costs	1,311	2,076	1,711	3,215
Acquisition related adjustments [2][3]	16,515	11,815	24,241	15,109
Site consolidation costs, impairments and other items [4]	1,402	69	2,591	600
Write-off of deferred financing costs and fees related to debt refinancing	-	1,799	-	5,060
Venture capital (gains) losses	4,254	(10,934)	(6,321)	(17,385)
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	$ 104,871	$ 93,853	$ 189,312	$ 168,935
Provision for income taxes (GAAP)	$ 14,685	$ 17,438	$ 25,287	$ 27,210
Tax effect of non-GAAP adjustments	8,491	4,466	12,371	6,345
Provision for income taxes (Non-GAAP)	$ 23,176	$ 21,904	$ 37,658	$ 33,555
Total rate (GAAP)	24.9%	24.8%	20.2%	20.4%
Total rate, excluding specified charges (Non-GAAP)	22.1%	23.3%	19.9%	19.9%

(1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often-one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company’s performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.

(2) This amount represents a $2.2 million charge recorded in connection with the modification of the option to purchase the remaining 8% equity interest in Vital River.

(3) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.

(4) This amount relates to third-party costs, net of insurance reimbursements, associated with the remediation of the unauthorized access into the Company's information systems which was detected in March 2019.

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP TAX RATE TO NON-GAAP TAX RATE (UNAUDITED)[1]

(in thousands)

	Three Months Ended March 30, 2019
Income from continuing operations before income taxes & noncontrolling interest	$ 66,290
Add back:	
Amortization of intangible assets and inventory step-up related to acquisitions	19,411
Severance and executive transition costs	400
Acquisition related adjustments (2)	7,726
Site consolidation costs, impairments and other items	1,189
Venture capital (gains) losses	(10,575)
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	$ 84,441
Provision for income taxes (GAAP)	$ 10,602
Tax effect of non-GAAP adjustments	3,880
Provision for income taxes (Non-GAAP)	$ 14,482
Total rate (GAAP)	16.0%
Total rate, excluding specified charges (Non-GAAP)	17.2%

(1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often-one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential

(2) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP TAX RATE GUIDANCE (1)

	Fiscal Year Ended December 28, 2019E
GAAP Tax Rate	**20%-21%**
Amortization of intangible assets, acquisition related adjustments, charges related to global efficiency initiatives and other items	~2.5%
Non-GAAP Tax Rate	**22.5%-23.5%**

(1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations, and guidance.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP TO NON-GAAP

SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)[1]

(in thousands, except percentages)

	Three Months Ended March 31, 2019
Unallocated Corporate Overhead	$ (46,244)
Add back:	
Acquisition related adjustments [2]	5,422
Total non-GAAP adjustments to operating expense	$ 5,422
Unallocated corporate overhead, excluding non-GAAP adjustments	$ (40,822)

(1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often-one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.

(2) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP NET INTEREST EXPENSE [1]
(dollars in thousands)

	Three Months Ended		
	June 30, 2019	March 30, 2019	June 30, 2018
GAAP Interest Expense, net	$ 20,561	$ 9,808	$ 18,461
Exclude:			
Write-off of deferred financing costs and fees related to debt refinancing	—	—	(1,799)
Non-GAAP Interest Expense, net	$ 20,561	$ 9,808	$ 16,662
Adjustments for foreign exchange forward contract and related interest expense [2]	(3,713)	6,422	—
Adjusted Net Interest Expense	$ 16,848	$ 16,230	$ 16,662

[1] Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.

[2] Amounts reported in total adjusted interest expense include $1.6 million loss on a forward contract and $1.7 million of additional interest expense.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GROSS/NET LEVERAGE RATIO, INCLUDING GAAP NET INCOME TO ADJUSTED EBITDA (1)
(dollars in thousands, except for per share data)

	June 29, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
DEBT (2):								
Total Debt & Capital Leases	$ 2,074,342	$ 1,668,014	$ 1,145,104	$ 1,235,009	$ 863,031	$ 777,863	$ 663,789	$ 666,520
Plus: Other adjustments per credit agreement	$ 719	$ 3,033	$ 298	$ 3,621	$ 1,370	$ 2,828	$ 9,787	$ 9,680
Total Indebtedness per credit agreement	$ 2,075,062	$ 1,671,047	$ 1,145,402	$ 1,238,630	$ 864,401	$ 780,691	$ 673,576	$ 676,200
Less: Cash and cash equivalents	(200,589)	(195,442)	(163,794)	(117,626)	(117,947)	(160,023)	(155,927)	(109,685)
Net Debt	$ 1,874,473	$ 1,475,605	$ 981,608	$ 1,121,004	$ 746,454	$ 620,668	$ 517,649	$ 566,515

	June 29, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
ADJUSTED EBITDA (2):								
Net income attributable to common shareholders	$ 218,895	$ 226,373	$ 123,355	$ 154,765	$ 149,313	$ 126,698	$ 102,828	$ 97,295
Adjustments:								
Less: Aggregate non-cash amount of nonrecurring gains	—	—	—	(685)	(9,878)	(2,048)	—	—
Plus: Interest expense	73,600	65,258	29,777	27,709	15,072	11,950	20,969	33,342
Plus: Provision for income taxes	52,540	54,996	171,369	66,835	43,391	46,685	32,142	24,894
Plus: Depreciation and amortization	179,677	161,779	131,159	126,658	94,881	96,445	96,636	81,275
Plus: Non-cash nonrecurring losses	244	559	17,716	6,792	10,427	1,615	4,202	12,283
Plus: Non-cash stock-based compensation	52,661	47,346	44,003	43,642	40,122	31,035	24,542	21,855
Plus: Permitted acquisition-related costs	24,169	19,181	6,687	22,653	13,451	6,285	1,752	3,676
Plus: Pro forma EBITDA adjustments for permitted acquisitions	37,229	15,648	690	18,573	9,199	10,787	—	253
Adjusted EBITDA (per the calculation defined in compliance certificates)	$ 639,015	$ 591,140	$ 524,756	$ 466,942	$ 365,978	$ 329,452	$ 283,071	$ 274,873

	June 29, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
LEVERAGE RATIO:								
Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA)	3.25x	2.83x	2.2x	2.7x	2.4x	2.4x	2.4x	2.5x
Net leverage ratio (net debt divided by adjusted EBITDA)	2.9x	2.5x	1.9x	2.4x	2.0x	1.9x	1.8x	2.1x

(1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often-one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.

(2) Pursuant to the definition in its credit agreement dated March 26. 2018, the Company has defined its pro forma leverage ratio as total debt divided by adjusted EBITDA for the trailing-twelve-month period following the close of, and pro forma for, the acquisition of CTL International. Adjusted EBITDA represents net income, prepared in accordance with accounting principles generally accepted in the U.S. (GAAP), adjusted for interest, taxes, depreciation and amortization, and certain items that management believes are not reflective of the operational performance of the business. These adjustments include, but are not limited to, acquisition-related expenses including transaction and advisory costs; asset impairments; changes in fair value of contingent consideration obligations; employee stock compensation; historical EBITDA of companies acquired during the period; and other items identified by the company.

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