3Q 2022 Results

November 2, 2022

Charles River Laboratories

charles river

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 about the impact of the COVID-19 pandemic for our business, financial condition and results of operations, including the long-term growth prospects and as compared to other companies, and the prospects for recovery therefrom; the effectiveness of our capital deployment strategy, in light of the COVID-19 pandemic and our ability to reduce capex, preserve jobs, support client research programs and sustain our financial position; our compliance with the maintenance covenants under our credit agreement; our projected future financial performance (including without limitation revenue and revenue growth rates, operating income and margin, earnings per share, capital expenditures, operating and free cash flow, net interest expense, effective tax rate, foreign exchange rates, corporate expenses, and leverage ratios) whether reported, constant currency, organic, and/or factoring acquisitions, with respect to Charles River as a whole and/or any of our reporting or operating segments or business units; our expectations with respect to the impact of external interest rate fluctuations; our annual and other financial guidance; the assumptions that form the basis for our revised annual guidance, including the anticipated impact of higher compensation costs and of the 53rd week in 2022; the estimated diluted shares outstanding; the expected performance of our venture capital and other strategic investments; client demand, particularly the future demand for drug discovery, development, and CDMO products and services, and our intentions to expand those businesses, including our investments in our portfolio; the impact of foreign exchange; our expectations regarding our expected acquisition and divestiture activity, stock repurchases and debt repayment; the development and performance of our services and products; expectations with respect to pricing of our products and services; market and industry conditions, including industry consolidation and the Company’s share of any market it participates in, 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; our business strategy, including with respect to capital deployment and facilities expansion; our success in identifying, consummating, and integrating, and the impact of, our acquisitions, on the Company, our service offerings, client perception, strategic relationships, revenue, revenue growth rates, earnings, and synergies; our expectations regarding the financial performance of the companies we have acquired; 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, sites and geographies; our ability to meet economic challenges; 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 COVID-19 pandemic, its duration, its impact on our business, results of operations, financial condition, liquidity, business practices, operations, suppliers, third party service providers, clients, employees, industry, ability to meet future performance obligations, ability to efficiently implement advisable safety precautions, and internal controls over financial reporting; the COVID-19 pandemic’s impact on client demand, the global economy and financial markets; the ability to successfully integrate businesses we acquire (including Explora Biolabs, Cognate BioServices and Vigene Biosciences and risks and uncertainties associated with Cognate’s and Vigene’s products and services, which are in areas that the Company did not previously operate); 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; USDA and FDA regulations; changes in law; continued availability of products and supplies; loss of key personnel; interest rate and foreign currency exchange rate fluctuations; 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 16, 2022, 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.

3Q22 Financial Performance

($ in millions)	3Q22	3Q21	YOY Δ	Organic Δ
Revenue	$989.2	$895.9	10.4%	15.3%
GAAP OM%	15.3%	17.4%	(210) bps	
Non-GAAP OM%	20.4%	21.4%	(100) bps	
GAAP EPS	$1.88	$2.01	(6.5)%	
Non-GAAP EPS	$2.63	$2.70	(2.6)%	

- 3Q22 organic revenue growth rate accelerated by 580 basis points from 2Q22 level, due primarily to DSA segment, which delivered outstanding growth rate >20%
  - In line with outlook since beginning of year
- DSA growth acceleration reflects continued, robust price increases and meaningfully higher study volume in Safety Assessment (SA) business
  - Supported by strength of backlog that continues to afford excellent visibility into future client demand

Uniquely Positioned as Leading, Global, Non-Clinical Drug Development Partner

- Strong operating performance, against backdrop of escalating macroeconomic pressures, demonstrates the power of our unique portfolio
- Differentiates CRL from other companies that provide R&D support services to biopharmaceutical industry
- Uniquely positioned as the leading, global, non-clinical drug development partner, working with clients from discovery and early-stage development through the safe manufacture of life-saving therapies
- Our focus is centered on preclinical R&D, which requires extensive scientific knowledge and ability to innovate, understand, and distinguish viable molecules from those that are not
- Post-pandemic, CRL is an even more essential partner to biopharmaceutical clients, because our core competencies are precisely tailored to their intensified focus on scientific breakthroughs, personalized medicine, and speed to market

Comprehensive Early-Stage Portfolio

- With a comprehensive portfolio spanning small molecules, biologics, and cell and gene therapies (C&GT), CRL provides a flexible and efficient platform that accelerates early-stage biomedical research and therapeutic innovation
- Leading global partner for outsourced discovery and regulated safety assessment services
- Largest provider of small research models and associated services that enable clients to conduct their own research
- Offering a comprehensive portfolio of manufacturing solutions, from quality-control testing solutions to production of cell and gene therapies
  - Enables us to continue supporting clients as they work with other providers to conduct human clinical trials and reach commercialization

Large and Diversified Client Base

- Large and diversified client base makes CRL an exceptional barometer for health of the broader biopharmaceutical industry, and unlike clinical providers, greatly reduces our reliance on a small group of clients
- Worked with >2,000 biopharmaceutical clients this year
- Top-25 clients are primarily large biopharmas that are well financed
  - Also have been stable source of sustained revenue growth with accelerated spending in 3Q22
- Top 25 clients represented only 28% of total revenue last year, and largest client represented just above 3% of total revenue

Biotech Clients Continue to Drive Growth

- Believe biotech clients will remain a sustained growth engine for CRL
- Averaged adding >400 new biotech clients per year since 2017
  - Already above that level this year
- Biotech clients continued to be principal driver of revenue growth, increasing at healthy double-digit rates in 3Q22 and YTD Sept. 2022
  - Trend that we believe supports our view that biotechs with promising molecules are continuing to find available funding
- In addition, saw early indications of return of IPOs and secondary offerings in 3Q22
  - Venture capital funding remained very healthy
  - Large pharma continued to support biotech industry
- Concentration of “at-risk” biotechs remained low, at ~5% of both DSA and total CRL revenue, for public biotechs with <2 years cash on hand
  - Slightly below prior estimate which evaluated DSA backlog
- Believe early-stage research that we conduct is instrumental in biotech clients’ achievement of important milestones that enable them to secure their next rounds of funding; therefore, we believe they view continuing regulated safety assessment programs as critical to continued success

Differentiated Through Our Non-Clinical Focus

- Total cost of a regulated safety assessment program is a fraction of the cost of clinical trials, typically ranging from $6-$8M including post-IND studies
  - Yet an important milestone to demonstrate that clients' efforts are driving innovation and validating the efficacy and safety profile of lead compounds
- At 5x-10x less than cost of clinical trials, biotech clients are motivated to plan spending around achievement of IND approval, before seeking additional funding or finding a larger biopharmaceutical partner to move into clinical trials
- Both biotech and larger biopharma clients are continuing to move their regulated safety assessment programs through pipelines

3Q22 Revenue

($ in millions)	3Q22	3Q21	YOY Δ
Revenue, reported	$989.2	$895.9	10.4%
(Increase)/decrease due to FX			4.5%
Contribution from acquisitions			(1.7)%
Impact of divestitures			2.1%
Revenue growth, organic			15.3%

- Organic revenue growth of 15.3% exceeded prior outlook of at least a low-double-digit increase
- All three business segments reported solid revenue growth
  - Particularly DSA due to robust performance of Safety Assessment (SA)
  - Financial results reflect sustained trends that continue to support our businesses

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

3Q22 Operating Margin

	3Q22	3Q21	YOY Δ
GAAP OM%	15.3%	17.4%	(210) bps
Non-GAAP OM%	20.4%	21.4%	(100) bps

- Decline driven by lower margins in Manufacturing and RMS segments, as well as higher unallocated corporate costs
  - Both were previously anticipated

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

3Q22 EPS

	3Q22	3Q21	YOY Δ
GAAP EPS	$1.88	$2.01	(6.5)%
Non-GAAP EPS	$2.63	$2.70	(2.6)%

- Higher revenue offset by operating margin decline, increased interest expense, and higher tax rate

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

Updated 2022 Guidance

	REVISED	PRIOR
Revenue growth, reported	10.0%-11.0%	9.0%-11.0%
Contribution from acquisitions/divestitures, net	~(1.0)%	~(1.0)%
Impact of 53rd week in 2022	~(1.5)%	~(1.5)%
(Increase)/Decrease due to FX	~3.5%	~3.5%
Revenue growth, organic	11.0%-12.0%	10.0%-12.0%
GAAP EPS	$7.90-$8.05	$7.90-$8.15
Acquisition-related amortization	~$2.20	~$2.20
Acquisition and integration-related adjustments	~$0.35	--
VC and other strategic investment losses/(gains)	$0.30	$0.35
Other items	$0.05-$0.10	~$0.25
Non-GAAP EPS	$10.80-$10.95	$10.70-$10.95

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

Updated 2022 Guidance, cont.

- Based on 3Q22 performance, narrowing 2022 revenue growth and non-GAAP earnings per share guidance to upper ends of previous ranges
- Expect organic revenue growth in a range of 11%-12%
- Expect non-GAAP earnings per share of $10.80-$10.95

charles river

DSA Results – Revenue

($ in millions)	3Q22	3Q21	YOY Δ
Revenue, reported	$619.5	$531.8	16.5%
(Increase)/decrease due to FX			4.3%
Contribution from acquisitions			---
Revenue growth, organic			20.8%

- DSA growth rate surpassed 20% level, tracking to initial plan that had forecast meaningful DSA growth acceleration throughout the year
- Exceptional demand, which has manifested itself in sustained backlog growth, is a function of clients' robust pipelines, our competitive strengths, and scientific breadth and geographic reach of our portfolio

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

DSA Results – Safety Assessment (SA)

- Broad-based growth in Safety Assessment (SA) was principal driver of nearly two-fold increase in DSA revenue growth rate from 2Q22
- Factors that led to meaningful step-up were substantially higher study volume and continued, meaningful price increases
- Study volume was a significant contributor, driven by strong demand across SA for most major study types of general and specialty toxicology
- As expected, study volume rebounded meaningfully from first-half levels
- Able to accommodate additional client demand as a result of having hired and trained additional staff over the last year
- Continuing to successfully recruit and retain staff to support future growth
- Do not foresee any challenges with staffing levels as we head into next year

DSA Results - Safety Assessment (SA), cont.

- Pricing also continued to trend meaningfully higher YOY and sequentially
- Believe pricing reflects complexity and specialized nature of work we do, today's inflationary cost environment, and fact that capacity remains well utilized
- Although pass-through were higher in 3Q22, accounted for less than half of sequential step-up in SA growth rate, and had effectively no margin impact
  - Pass-throughs are higher costs for certain study-related resources that are passed on directly to clients
- Pricing, exclusive of impact of pass-throughs, increased broadly in 3Q22

DSA Results - Safety Assessment (SA), cont.

- Clients continue to emphasize breadth of capabilities, study lead times, and availability of space, more so than price, when determining their preferred partner for preclinical programs
- As the premier partner for clients' non-clinical development programs, it is not surprising that clients are continuously choosing to work with CRL for our broad and scientifically differentiated portfolio, superior client service, and speed
  - We aim to take an additional year out of their early-stage development timelines

DSA Results – Discovery Services

- Discovery Services revenue growth rate moderated in 3Q22, as expected
- Clients lengthened decision-making timeframe for starting new projects
  - Trend which we discussed in August
- Believe Discovery business continues to demonstrate favorable, long-term growth prospects
- Many clients, including biotechs, prefer to outsource drug discovery projects rather than maintain in-house infrastructure
- Prefer an integrated, full-service partner like CRL, given critical importance of early-stage research,

DSA Revenue Outlook & Management Promotion

- Continue to expect mid-teens DSA organic revenue growth in FY 2022
- DSA backlog and booking activity through 3Q22 continues to support sustained growth
- For 2023, significant amount of safety assessment work already booked
- Shannon Parisotto (formerly SVP, Global Safety Assessment) has assumed responsibility for Discovery Services and been promoted to Executive Vice President, Discovery and Safety Assessment
  - Joined CRL >20 years ago at our Nevada Safety Assessment operations
  - Has led Safety Assessment to its strong performance and she has significant operational and financial experience

DSA Results – Operating Margin

	3Q22	3Q21	YOY Δ
DSA GAAP OM%	22.9%	21.9%	100 bps
DSA Non-GAAP OM%	26.2%	24.3%	190 bps

- Operating margin increase driven primarily by operating leverage from substantial, quarterly increase in SA study volume and pricing

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

RMS Results – Revenue

($ in millions)	3Q22	3Q21	YOY Δ
Revenue, reported	$180.1	$171.3	5.2%
(Increase)/decrease due to FX			4.0%
Contribution from acquisitions			(8.8)%
Impact of divestitures			7.6%
Revenue growth, organic			8.0%

- RMS continued to sustain high-single-digit growth, consistent with our outlook for the year

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

RMS Growth Potential

- RMS growth potential has trended upwards recently, from a low- to mid-single-digit rate several years ago, due to combination of accelerating growth for research models services and research models
- These factors were principal drivers of RMS revenue growth in 3Q22:
  - CRADL™ initiative (Charles River Accelerator and Development Labs), including recent Explora acquisition, is a significant driver of growth rate increase
  - Renewed focus on biomedical research has led to increased demand and share gains for small research models, particularly in North America and China
  - Meaningful price increases, in part to offset inflationary cost pressures

RMS Results – Research Models

- North America continued to generate strong revenue growth and China rebounded from impact of COVID-related restrictions in 2Q22
- No meaningful impact on client order activity from COVID-related restrictions in 3Q22
- Continuing to expand in China outside of Beijing and Shanghai regions to gain additional market share
- Believe level of biomedical research activity, coupled with expansion plans in China, will continue to generate robust, double-digit growth in the region

RMS Results – RM Services & CRADL™/Explora

- RM Services growth led by Insourcing Solutions, particularly CRADL™ and Explora operations
- Clients increasingly adopting this flexible model to access laboratory space without having to invest in internal infrastructure
- Explora has continued to perform very well, with integration on track
- Added 5 new sites the last six months in California and Washington State
- Now operate 27 vivarium facilities totaling over 370,000 square feet of turnkey rental capacity
- CRADL™ and Explora provide us with new and unique pathway to connect with clients at earlier stages, enabling clients to easily access additional services across our comprehensive discovery and non-clinical development portfolio

RMS Results – Operating Margin

	3Q22	3Q21	YOY Δ
RMS GAAP OM%	19.9%	22.8%	(290) bps
RMS Non-GAAP OM%	23.5%	26.1%	(260) bps

- Operating margin decline driven primarily by revenue mix and higher costs in China, due in part to regional expansions
- Modest margin impact from opening new CRADL™ and Explora sites this year
  - Profitability will improve as client utilization increases in newly opened sites

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

Manufacturing Results – Revenue

($ in millions)	3Q22	3Q21	YOY Δ
Revenue, reported	$189.6	$192.9	(1.7)%
(Increase)/decrease due to FX			5.4%
Contribution from acquisitions			---
Impact of divestitures			2.3%
Revenue growth, organic			6.0%

- Lower CDMO revenue more than offset by higher growth rates for both Biologics Testing and Microbial Solutions
  - Drivers of CDMO revenue decline were discussed last quarter
- Growth prospects for the legacy manufacturing quality-control businesses (Biologics Testing and Microbial) remain robust
  - Will continue to be principally driven by demand for biologic drugs, including cell and gene therapies and other complex biologics

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

Manufacturing Results – Microbial Solutions

- Microbial Solutions benefitted from broad-based growth across Endosafe® endotoxin testing and Accugenix® microbial identification testing platforms
- Continuing to convert the marketplace to our more efficient and reliable quality-control testing platform
- Continued expansion of the installed base of instruments drives demand for consumable cartridges and reagents, which provides a healthy, recurring revenue stream

Manufacturing Results – Biologics Testing

- Biologics Testing also had a strong quarter, with virology, viral clearance, and microbiology testing services driving growth in both U.S. and Europe
- Demand for traditional biologics remains strong, but cell and gene therapy clients are driving a disproportionate amount of recent growth
- Continuing to add capabilities to our extensive portfolio to support the manufacture of biologics, including addition of new cell and gene therapy assays

Manufacturing Results – CDMO Outlook

- Initiatives implemented to improve performance of CDMO business are beginning to gain traction and earn positive feedback from clients
- Do not expect financial performance to meaningfully improve until next year
  - Still early but pleased with initial progress
- Response to creation of Centers of Excellence for cell therapies, viral vectors, and plasmids has been well received, and coupled with focus on CDMO development efforts, generating new client interest
- Recently announced a gene therapy manufacturing partnership with Nanoscope Therapeutics to produce plasmid DNA and viral vectors for their late-stage clinical trials of a therapy targeting degenerative ocular diseases
- Have a number of clients in late-stage clinical trials with cell or gene therapies, and we are investing in our sites to ensure we are commercially ready should clients receive regulatory approval
- As mentioned last quarter, our Memphis cell therapy site received European approval from the EMA to commercially manufacture cell therapy products

Manufacturing Results – CDMO Outlook, Cont.

- Continue to believe in the long-term growth prospects for cell and gene therapies
- Enhancing service offering to generate new business and provide incremental opportunities for clients to streamline biologics development workflows by utilizing CRL for analytical testing, process development, and manufacturing activities

Manufacturing – Operating Margin

	3Q22	3Q21	YOY Δ
Manufacturing GAAP OM%	16.6%	25.2%	(860) bps
Manufacturing Non-GAAP OM%	28.6%	32.7%	(410) bps

- Operating margin decline almost entirely driven by CDMO business

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

Divestiture of Avian Vaccine Business

- As announced this morning, signed an agreement to divest Avian Vaccine
  - Part of Manufacturing Solutions segment
- Sale price of ~$170M, plus potential contingent payments up to an additional $30M
- Routinely evaluate strategic fit and fundamental performance of our global infrastructure, and as we did at this time last year, have sold or closed operations that did not meet key business criteria
- Decision to divest Avian Vaccine was consistent with evaluation process
  - Determined production of SPF eggs principally for avian vaccine manufacturers and researchers was no longer a core competency

Concluding Remarks

- Confident we will finish 2022 on a strong note and encouraged by solid growth prospects as we head into 2023
- Economy will present challenges in the coming year, but believe we are well positioned to meet challenges and continue to deliver exquisite science, superior client support, and greater efficiency to our clients
- Focus in recent years on enhancing capabilities in biologics and cell and gene therapies, investing in people and space, and continuing to build greater digital connectivity with clients has further differentiated CRL from competition, and enabled us to forge even deeper relationships with clients
- We are the bridge between the biopharmaceutical industry and patients that enables innovation to move forward
- Will continue to distinguish ourselves scientifically and through our preclinical focus

3Q22 Results

($ in millions)	3Q22	3Q21	YOY Δ	Organic Δ
Revenue	$989.2	$895.9	10.4%	15.3%
GAAP OM%	15.3%	17.4%	(210) bps	
Non-GAAP OM%	20.4%	21.4%	(100) bps	
GAAP EPS	$1.88	$2.01	(6.5)%	
Non-GAAP EPS	$2.63	$2.70	(2.6)%	

- Pleased with solid 3Q22 results, with revenue and non-GAAP earnings per share outperforming prior outlook

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

Unallocated Corporate Expenses

($ in millions)	3Q22	2Q22	3Q21
GAAP	$58.5	$43.4	$48.4
Non-GAAP	$57.5	$40.2	$45.0

- Unallocated corporate costs increased in 3Q22, totaling 5.8% of revenue, compared to 5.0% of revenue last year
  - Increase was primarily the result of higher health and fringe-related costs
- For 2022, we continue to expect unallocated corporate costs to be ~5% as a percent of revenue

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

Net Interest Expense

($ in millions)	3Q22	2Q22	3Q21
GAAP interest expense, net	$11.3	$3.5	$16.3
Non-GAAP interest expense, net	$11.3	$3.5	$16.3
Adjustments for foreign exchange forward contract and related interest expense(1)	$16.0	$19.4	$4.4
Adjusted net interest expense	$27.3	$22.9	$20.7

- Increase in total adjusted net interest expense of $4.4M sequentially and $6.6M YOY, reflecting:
  - Federal Reserve's interest rate increases in 2022
  - Higher debt balances from recent acquisitions YOY
- For 2022, total adjusted net interest expense outlook of $106-$110M remains unchanged, as more aggressive interest rate hikes will be offset by additional debt repayment

(1) 3Q22 amounts reported in total adjusted interest expense include a $17.4M gain on forward contracts partially offset by $1.3M of additional interest expense.

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

Net Interest Expense, cont.

- Current interest expense guidance can accommodate an additional 75-100-bps rate increase, should that be the outcome of November's Fed meeting
  - Given the late timing of a potential December increase, we do not expect a material impact on 2022 interest expense
- Entered into interest rate swap agreement this week on $500M of USD-denominated debt on revolving credit facility
  - Swap will effectively fix the interest rate for two years at 5.825% (4.7%(1) rate plus current spread of 112.5 bps)
  - ~Two-thirds of our $2.9B in total debt is now at a fixed rate
- Remainder of floating-rate debt on revolving credit facility uses the one-month LIBOR rate or equivalents, plus the current spread of 112.5 bps
- Looking beyond 2022 and to help with modeling, a 100-bps increase in interest rates is expected to result in incremental interest expense of ~$9M on an annualized basis, based on remaining floating-rate debt after the swap

(1) Fixed 4.7% interest rate replaces one-month LIBOR on $500M of USD-denominated debt for two years. Rate effective when CRL gross leverage ratio between 2.0x-3.0x.

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

Capital Priorities

- Gross and net leverage ratios were ~2.7x at end of 3Q22
- Over the longer-term, we continue to believe that strategic M&A will generate the greatest shareholder returns and enhance our growth potential
  - In the near term, we will focus on shorter-term initiatives like debt repayment
- Plan to divest our Avian Vaccine business by the end of 2022
  - Will receive gross proceeds of ~$170M upfront
  - Intend to redeploy that capital, including for debt repayment

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

Tax Rate

	3Q22	2Q22	3Q21
GAAP	20.7%	23.2%	14.7%
Non-GAAP	20.2%	21.1%	17.0%

- 3Q22 non-GAAP tax rate represented a 320-bps increase YOY due primarily to:
  - A lower excess tax benefit associated with stock-based compensation related to the lower stock price
  - Higher discrete tax benefits in 2021 associated with R&D tax credits
- For 2022, we now expect the tax rate to be ~20% on a non-GAAP basis, slightly below the outlook provided in August and at the low end of longer-term target in the low-20% range

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

Cash Flow

($ in millions)	3Q22	3Q21	2022 Outlook
Free cash flow (FCF)	$60.4	$119.2	~$360
Capex	$72.4	$55.5	~$340
Depreciation	$39.1	$35.8	~$160
Amortization (1)	$35.5	$32.9	$145-$150

- Decrease of 49% in 3Q22 FCF was primarily due:
  - Changes in working capital
  - Higher capex
- Capex increased nearly $17M in 3Q22 compared to last year, as we continued to make growth-related investments
- For 2022, FCF and capex guidance remain unchanged at ~$360M and ~$340M, respectively

(1) Amortization of intangible assets only. Excludes amortization of inventory fair value adjustments included in cost of products sold or costs of services provided.

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

Updating 2022 Guidance

	Current	Prior
Revenue growth, reported	10.0% - 11.0%	9.0% - 11.0%
Revenue growth, organic	11.0% - 12.0%	10.0% - 12.0%
GAAP EPS	$7.90 - $8.05	$7.90 - $8.15
Non-GAAP EPS	$10.80 - $10.95	$10.70 - $10.95

- Narrowed revenue growth and non-GAAP EPS guidance to upper end of prior ranges
  - Reported revenue growth includes a 350-bps FX headwind, unchanged from August outlook
- Continue to expect non-GAAP operating margin will be essentially flat with 2021
- Narrowed non-GAAP EPS guidance to $10.80-$10.95, or ~4.5%-6% growth vs. 2021
  - Excluding an estimated FX headwind of $0.43/share YOY, as well as a $0.20/share headwind from interest expense compared to our initial outlook, non-GAAP EPS growth would be in the low-double-digit range for 2022

2022 Segment Revenue Outlook

	2022 Reported Revenue Growth	2022 Organic Revenue Growth
RMS	High-single digits	High-single digits
DSA	Low-teens	Mid-teens
Manufacturing	High-single-digit	Mid-single-digits
Consolidated CRL	10.0%-11.0%	11.0%-12.0%

- Segment revenue growth outlook remains unchanged from previous guidance
- Avian divestiture will not have a meaningful impact on 2022 financial results
  - In 2023, transaction will reduce annual revenue by ~$80M, and non-GAAP EPS by ~$0.35
  - Expect to offset a portion of this dilution through benefits of redeploying proceeds towards other capital priorities

(1) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, divestitures, the 53rd week in 2022, and foreign currency translation.

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

charles river

2022 Updated Guidance Summary

	GAAP	Non-GAAP
Revenue growth	10.0%-11.0% reported	11.0%-12.0% organic(1)
Operating margin	Essentially flat from 16.7% in 2021	Essentially flat from 21.0% in 2021
Unallocated corporate	~5% range as a % of revenue	~5% range as a % of revenue
Net interest expense (total)	$59M-$63M	$106M-$110M
Tax rate	~20% range	~20% range
EPS	$7.90-$8.05	$10.80-$10.95
Cash flow	Operating cash flow ~$700M	Free cash flow ~$360M
Capital expenditures	~$340M	~$340M

(1) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, divestitures, the 53rd week in 2022, and foreign currency translation.

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

charles river

4Q22 Outlook

	4Q22 Outlook
Reported revenue growth YOY	Low- to mid-teens growth
Organic revenue growth YOY	At least low-double-digit growth
Non-GAAP EPS growth YOY	~$2.65 – $2.80

- With one quarter remaining, 4Q22 outlook is effectively embedded in 2022 guidance
- 2022 includes a 53rd week in 4Q22 to true up fiscal year end to a December 31st calendar year end
  - Historically characterized as a partial week of revenue and a full week of costs
  - Expect impact will be a benefit to reported revenue growth of ~550 bps in 4Q22
  - Modest operating margin headwind for 4Q22, particularly in the RMS segment

Concluding Remarks

- Well positioned to finish 2022 on a strong note
- 2H22 DSA growth acceleration is occurring as expected, and substantial backlog firmly supports our 2022 financial guidance
- Looking to the future, we are focused on:
  - Continuing to drive growth
  - Executing on our strategy
  - Enhancing our position as the leading, global non-clinical drug development partner
  - Working with our clients from discovery and preclinical development through safe manufacture of their life-saving therapies

charles river

3Q22 Regulation G Financial Reconciliations

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		Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Research Models and Services				
Revenue	$ 180,114	$ 171,258	$ 543,066	$ 524,862
Operating income	35,891	39,111	123,299	126,626
Operating income as a % of revenue	19.9 %	22.8 %	22.7 %	24.1 %
Add back:				
Amortization related to acquisitions	5,467	5,344	14,777	16,029
Severance	(110)	—	1,017	7
Acquisition related adjustments [2]	1,126	241	2,480	1,217
Total non-GAAP adjustments to operating income	$ 6,483	$ 5,585	$ 18,274	$ 17,253
Operating income, excluding non-GAAP adjustments	$ 42,374	$ 44,696	$ 141,573	$ 143,879
Non-GAAP operating income as a % of revenue	23.5 %	26.1 %	26.1 %	27.4 %
Depreciation and amortization	$ 13,128	$ 9,927	$ 35,825	$ 29,450
Capital expenditures	$ 10,743	$ 18,026	$ 33,239	$ 29,521
Discovery and Safety Assessment				
Revenue	$ 619,463	$ 531,823	$ 1,755,639	$ 1,573,095
Operating income	142,143	116,548	375,922	312,011
Operating income as a % of revenue	22.9 %	21.9 %	21.4 %	19.8 %
Add back:				
Amortization related to acquisitions	20,039	20,983	63,253	64,807
Severance	(28)	(180)	433	1,160
Acquisition related adjustments [2]	(395)	(9,316)	(5,909)	(3,642)
Site consolidation costs, impairments and other items [3]	645	961	3,001	1,254
Total non-GAAP adjustments to operating income	$ 20,261	$ 12,448	$ 60,778	$ 63,579
Operating income, excluding non-GAAP adjustments	$ 162,404	$ 128,996	$ 436,700	$ 375,590
Non-GAAP operating income as a % of revenue	26.2 %	24.3 %	24.9 %	23.9 %
Depreciation and amortization	$ 43,913	$ 44,072	$ 135,328	$ 132,268
Capital expenditures	$ 43,400	$ 23,270	$ 133,908	$ 60,783
Manufacturing Solutions				
Revenue	$ 189,580	$ 192,856	$ 577,512	$ 537,153
Operating income	31,479	48,563	140,350	154,717
Operating income as a % of revenue	16.6 %	25.2 %	24.3 %	28.8 %
Add back:				
Amortization related to acquisitions	10,115	7,888	33,386	17,914
Severance	241	1,515	619	2,344
Acquisition related adjustments [2]	10,555	4,116	(4,191)	4,844
Site consolidation costs, impairments and other items [3]	1,741	1,074	3,681	1,114
Total non-GAAP adjustments to operating income	$ 22,652	$ 14,593	$ 33,495	$ 26,216
Operating income, excluding non-GAAP adjustments	$ 54,131	$ 63,156	$ 173,845	$ 180,933
Non-GAAP operating income as a % of revenue	28.6 %	32.7 %	30.1 %	33.7 %
Depreciation and amortization	$ 17,005	$ 13,953	$ 53,487	$ 34,474
Capital expenditures	$ 18,137	$ 13,296	$ 65,396	$ 34,008

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		Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
CONTINUED FROM PREVIOUS SLIDE				
Unallocated Corporate Overhead	$ (58,537)	$ (48,420)	$ (152,406)	$ (176,299)
Add back:				
Severance	(193)	—	1,061	(151)
Acquisition related adjustments [2]	1,229	3,387	8,359	29,011
Total non-GAAP adjustments to operating expense	$ 1,036	$ 3,387	$ 9,420	$ 28,860
Unallocated corporate overhead, excluding non-GAAP adjustments	$ (57,501)	$ (45,033)	$ (142,986)	$ (147,439)
Total				
Revenue	$ 989,157	$ 895,937	$ 2,876,217	$ 2,635,110
Operating income	150,976	155,802	487,165	417,055
Operating income as a % of revenue	15.3 %	17.4 %	16.9 %	15.8 %
Add back:				
Amortization related to acquisitions	35,621	34,215	111,416	98,750
Severance	(90)	1,335	3,130	3,360
Acquisition related adjustments [2]	12,515	(1,572)	739	31,430
Site consolidation costs, impairments and other items [3]	2,386	2,035	6,682	2,368
Total non-GAAP adjustments to operating income	$ 50,432	$ 36,013	$ 121,967	$ 135,908
Operating income, excluding non-GAAP adjustments	$ 201,408	$ 191,815	$ 609,132	$ 552,963
Non-GAAP operating income as a % of revenue	20.4 %	21.4 %	21.2 %	21.0 %
Depreciation and amortization	$ 74,605	$ 68,686	$ 226,325	$ 198,299
Capital expenditures	$ 72,393	$ 55,536	$ 235,709	$ 129,997

[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, fair value adjustments associated with contingent consideration, and an adjustment related to certain indirect tax liabilities.

[3] Other items include certain third-party legal costs related to (a) an environmental litigation related to the Microbial business and (b) responses to a U.S. government industry-wide supply chain management inquiry applicable to our Safety Assessment business.

charles river

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

	Three Months Ended		Nine Months Ended	
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Net income attributable to common shareholders	$ 96,473	$ 103,426	$ 298,816	$ 253,404
Add back:				
Non-GAAP adjustments to operating income (Refer to previous schedule)	50,432	36,013	121,967	135,908
Write-off of deferred financing costs and fees related to debt financing	—	—	—	26,089
Venture capital and strategic equity investment losses (gains), net	(3,447)	10,367	20,068	17,277
Other [2]	240	—	4,205	(2,942)
Tax effect of non-GAAP adjustments:				
Non-cash tax provision related to international financing structure [3]	1,161	1,461	3,624	3,781
Enacted tax law changes	—	—	—	10,036
Tax effect of the remaining non-GAAP adjustments	(10,115)	(12,139)	(30,928)	(41,468)
Net income attributable to common shareholders, excluding non-GAAP adjustments	$ 134,744	$ 139,128	$ 417,752	$ 402,085
Weighted average shares outstanding - Basic	50,870	50,425	50,778	50,234
Effect of dilutive securities:				
Stock options, restricted stock units and performance share units	413	1,133	507	1,126
Weighted average shares outstanding - Diluted	51,283	51,558	51,285	51,360
Earnings per share attributable to common shareholders:				
Basic	$ 1.90	$ 2.05	$ 5.88	$ 5.04
Diluted	$ 1.88	$ 2.01	$ 5.83	$ 4.93
Basic, excluding non-GAAP adjustments	$ 2.65	$ 2.76	$ 8.23	$ 8.00
Diluted, excluding non-GAAP adjustments	$ 2.63	$ 2.70	$ 8.15	$ 7.83

(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) Adjustments included in 2022 primarily relate to a purchase price adjustment in connection with the 2021 divestiture of RMS Japan and a reversal of an indemnification asset related to a prior acquisition. Adjustments included in 2021 include gains on an immaterial divestiture and the finalization of an annuity purchase related to the termination of the Company's U.S. pension plan.

(3) This adjustment relates to the recognition of deferred tax assets expected to be utilized as a result of changes to the Company's international financing structure.

charles river

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

Three Months Ended September 24, 2022	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	10.4 %	5.2 %	16.5 %	(1.7)%
Decrease due to foreign exchange	4.5 %	4.0 %	4.3 %	5.4 %
Contribution from acquisitions [2]	(1.7)%	(8.8)%	— %	— %
Impact of divestitures [3]	2.1 %	7.6 %	— %	2.3 %
Non-GAAP revenue growth, organic [4]	**15.3 %**	**8.0 %**	**20.8 %**	**6.0 %**

Nine Months Ended September 24, 2022	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	9.1 %	3.5 %	11.6 %	7.5 %
Decrease due to foreign exchange	3.2 %	2.7 %	3.1 %	4.2 %
Contribution from acquisitions [2]	(2.9)%	(5.3)%	(0.2)%	(8.2)%
Impact of divestitures [3]	2.0 %	7.5 %	— %	1.8 %
Non-GAAP revenue growth, organic [4]	**11.4 %**	**8.4 %**	**14.5 %**	**5.3 %**

[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.

[3] The Company sold both its RMS Japan operations and its gene therapy CDMO site in Sweden on October 12, 2021. This adjustment represents the revenue from these businesses for all applicable periods in 2021.

[4] Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, divestitures 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 31, 2022E

2022 GUIDANCE	CURRENT	PRIOR
Revenue growth, reported	10.0% - 11.0%	9.0%-11.0%
Less: Contribution from acquisitions/divestitures, net	~(1.0%)	~(1.0%)
Less: Impact of 53rd week in 2022	~(1.5%)	~(1.5%)
Unfavorable/(favorable) impact of foreign exchange	~3.5%	~3.5%
Revenue growth, organic [(1)]	11.0%-12.0%	10.0%-12.0%
GAAP EPS estimate	$7.90-$8.05	$7.90-$8.15
Acquisition-related amortization	~$2.20	~$2.20
Acquisition and integration-related adjustments [(2)]	$0.20-$0.25	--
Venture capital and other strategic investment losses/(gains), net [(3)]	$0.30	$0.35
Other items [(4)]	~$0.20	~$0.25
Non-GAAP EPS	$10.80-$10.95	$10.70-$10.95
Cash flow from operating activities	~$700 million	~$810 million
Capital expenditures	~$340 million	~$360 million
Free cash flow	~$360 million	~$450 million

Footnotes to Guidance Table:

(1) Organic revenue growth is defined as reported revenue growth adjusted for completed acquisitions and divestitures, the 53rd week in 2022, and foreign currency translation.

(2) These adjustments are related to the evaluation and integration of acquisitions and divestitures, and primarily include transaction, advisory, certain third-party integration costs, and certain costs associated with acquisition-related efficiency initiatives, offset by adjustments related to contingent consideration and certain indirect tax liabilities.

(3) Venture capital and other strategic investment performance only includes recognized gains or losses. The Company does not forecast the future performance of these investments.

(4) These items primarily relate to charges associated with U.S. and international tax legislation that necessitated changes to the Company's international financing structure; certain third-party legal costs related to (a) environmental litigation related to the Microbial Solutions business and (b) responses to a U.S. government industry-wide supply chain management inquiry applicable to our Safety Assessment business; and severance and other costs related to the Company's efficiency initiatives.

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

	Three Months Ended June 25, 2022
Unallocated Corporate Overhead	$ (43,411)
Add back:	
Severance	167
Acquisition related adjustments [2]	3,014
Total non-GAAP adjustments to operating expense	$ 3,181
Unallocated corporate overhead, excluding non-GAAP adjustments	$ (40,230)

(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]
(in thousands)

	Three Months Ended			Fiscal Year Ended
	September 24, 2022	June 25, 2022	September 25, 2021	December 31, 2022E
GAAP Interest expense, net	$ 11,253	$ 3,515	$ 16,318	$59,000-$63,000
Exclude:				
Write-off of deferred financing costs and fees related to debt financing	—	—	—	—
Non-GAAP Interest expense, net	11,253	3,515	16,318	$59,000-$63,000
Adjustments for foreign exchange forward contract and related interest expense, net [2]	16,006	19,423	4,417	47,000
Adjusted Interest expense, net	$ 27,259	$ 22,938	$ 20,735	$106,000-$110,000

(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.

(2) Amounts reported in total adjusted interest expense include a $17.4 million gain on a forward contract and $1.3 million of additional interest expense for the three months ended September 24, 2022; a $20.5 million gain on a forward contract and $0.7 million of additional interest expense for the three months ended June 25, 2022; and a $5.0 million gain on a forward contract and $0.1 million of additional interest expense for the three months ended September 25, 2021.

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)

	September 24, 2022	December 25, 2021	December 26, 2020	December 28, 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 & Finance Leases	$ 2,939,135	$ 2,666,359	$ 1,979,784	$ 1,888,211	$ 1,668,014	$ 1,145,104	$ 1,235,009	$ 863,031	$ 777,863	$ 663,789	$ 666,520
Plus: Other adjustments per credit agreement	$ 8,661	$ 37,244	$ 2,328	$ 712	$ 3,033	$ 298	$ 3,621	$ 1,370	$ 2,828	$ 9,787	$ 9,680
Less: Unrestricted Cash and Cash Equivalents up to $150M	$ (150,000)	$ (150,000)									
Total Indebtedness per credit agreement	$ 2,797,796	$ 2,553,603	$ 1,982,112	$ 1,888,924	$ 1,671,047	$ 1,145,402	$ 1,238,630	$ 864,401	$ 780,691	$ 673,576	$ 676,200
Less: Cash and cash equivalents (net of $150M above)	(43,701)	(91,214)	(228,424)	(238,014)	(195,442)	(163,794)	(117,626)	(117,947)	(160,023)	(155,927)	(109,685)
Net Debt	$ 2,754,095	$ 2,462,389	$ 1,753,688	$ 1,650,909	$ 1,475,605	$ 981,608	$ 1,121,004	$ 746,454	$ 620,668	$ 517,649	$ 566,515

	September 24, 2022	December 25, 2021	December 26, 2020	December 28, 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	$ 436,394	$ 390,982	$ 364,304	$ 252,019	$ 226,373	$ 123,355	$ 154,765	$ 149,313	$ 126,698	$ 102,828	$ 97,295
Adjustments:											
Adjust: Non-cash gains/losses of VC partnerships & strategic investments	41,966	66,004									
Less: Aggregate non-cash amount of nonrecurring gains	(64,220)	(42,247)	(1,361)	(310)	—	—	(685)	(9,878)	(2,048)	—	—
Plus: Interest expense	94,808	107,224	76,825	79,586	65,258	29,777	27,709	15,072	11,950	20,969	33,342
Plus: Provision for income taxes	98,380	81,873	81,808	50,023	54,996	171,369	66,835	43,391	46,685	32,142	24,894
Plus: Depreciation and amortization	293,565	265,540	234,924	198,095	161,779	131,159	126,658	94,881	96,445	96,636	81,275
Plus: Non-cash nonrecurring losses	18,095	8,573	16,810	427	559	17,716	6,792	10,427	1,615	4,202	12,283
Plus: Non-cash stock-based compensation	70,735	71,461	56,341	57,271	47,346	44,003	43,642	40,122	31,035	24,542	21,855
Plus: Permitted acquisition-related costs	31,399	51,256	18,750	34,827	19,181	6,687	22,653	13,451	6,285	1,752	3,676
Plus: Pro forma EBITDA adjustments for permitted acquisitions	8,924	4,008	8	12,320	15,648	690	18,573	9,199	10,787	—	253
Adjusted EBITDA (per the calculation defined in compliance certificates)	$ 1,030,046	$ 1,004,675	$ 848,408	$ 684,259	$ 591,140	$ 524,756	$ 466,942	$ 365,978	$ 329,452	$ 283,071	$ 274,873

	September 24, 2022	December 25, 2021	December 26, 2020	December 28, 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)	2.72	2.54	2.34	2.76	2.83	2.18	2.65	2.36	2.37	2.38	2.46
Net leverage ratio (net debt divided by adjusted EBITDA)	2.7	2.5	2.1	2.4	2.5	1.9	2.4	2.0	1.9	1.8	2.1

	September 24, 2022	December 25, 2021	December 26, 2020
INTEREST COVERAGE RATIO:			
Capital Expenditures	337,153	166,560	166,560
Cash Interest Expense	96,165	77,145	77,145
Interest Coverage ratio per the credit agreement (Adjusted EBITDA minus Capital Expenditures divided by cash interest expense)	7.21x	10.86x	8.84x

[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 April 21. 2021, the Company has defined its pro forma leverage ratio as total debt divided by adjusted EBITDA for the trailing-twelve-month period. The Company has defined interest coverage ratio as adjusted EBITDA for the trailing-twelve-month period less the aggregate amount of capital expenditures for the trailing-twelve-period; divided by the consolidated interest expense for the period of four consecutive fiscal quarters.

Total Debt represents third-party debt and financial lease obligations minus up to $150M of unrestricted cash and cash equivalents. 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, non-cash gains/loss on venture capital portfolios and strategic partnerships, 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.

Total Debt and EBITDA have not been restated for periods prior to Q1 2021.

charles river

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

	Three Months Ended			Nine Months Ended	
	September 24, 2022	June 25, 2022	September 25, 2021	September 24, 2022	September 25, 2021
Income before income taxes & noncontrolling interests	$ 123,107	$ 144,113	$ 123,270	$ 378,066	$ 317,068
Add back:					
Amortization related to acquisitions	35,621	37,694	34,215	111,416	98,750
Severance	(90)	1,278	1,335	3,130	3,360
Acquisition related adjustments [2]	12,515	(17,494)	(1,572)	739	31,430
Site consolidation costs, impairments and other items [3]	2,386	2,806	2,035	6,682	2,368
Write-off of deferred financing costs and fees related to debt financing	—	—	—	—	26,089
Venture capital and strategic equity investment losses (gains), net	(3,447)	9,612	10,367	20,068	17,277
Other [4]	240	3,608	—	4,205	(2,942)
Income before income taxes & noncontrolling interests, excluding specified charges (Non-GAAP)	$ 170,332	$ 181,617	$ 169,650	$ 524,306	$ 493,400
Provision for income taxes (GAAP)	$ 25,495	$ 33,449	$ 18,111	$ 74,564	$ 58,058
Non-cash tax benefit related to international financing structure [5]	(1,161)	(1,341)	(1,461)	(3,624)	(3,781)
Enacted tax law changes	—	—	—	—	(10,036)
Tax effect of the remaining non-GAAP adjustments	10,115	6,293	12,139	30,928	41,468
Provision for income taxes (Non-GAAP)	$ 34,449	$ 38,401	$ 28,789	$ 101,868	$ 85,709
Total rate (GAAP)	20.7 %	23.2 %	14.7 %	19.7 %	18.3 %
Total rate, excluding specified charges (Non-GAAP)	20.2 %	21.1 %	17.0 %	19.4 %	17.4 %

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

(3) Other items include certain third-party legal costs related to (a) an environmental litigation related to the Microbial business and (b) responses to a U.S. government industry-wide supply chain management inquiry applicable to our Safety Assessment business.

(4) Adjustments included in 2022 primarily relate to a purchase price adjustment in connection with the 2021 divestiture of RMS Japan and a reversal of an indemnification asset related to a prior acquisition. Adjustments included in 2021 include gains on an immaterial divestiture and the finalization of an annuity purchase related to the termination of the Company's U.S. pension plan.

(5) This adjustment relates to the recognition of deferred tax assets expected to be utilized as a result of changes to the Company's international financing structure.

charles river

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

	Three Months Ended		Nine Months Ended		Fiscal Year Ended
	September 24, 2022	September 25, 2021	September 24, 2022	September 25, 2021	December 31, 2022E
Net cash provided by operating activities	$ 132,779	$ 174,722	$ 384,883	$ 531,541	~$700,000
Less: Capital expenditures	(72,393)	(55,536)	(235,709)	(129,997)	(~340,000)
Free cash flow	$ 60,386	$ 119,186	$ 149,174	$ 401,544	~$360,000

[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.

CRL

LISTED

NYSE

charles river