2Q 2020 Results

August 5, 2020

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 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, including the pace of our M&A activity and re-evaluation of capital projects, 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 2020 and other future financial performance 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 annual guidance and two-year targets; the assumptions surrounding the COVID-19 pandemic that form the basis for our revised annual guidance; the expected performance of our venture capital and other strategic 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 foreign exchange; 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; our business strategy, including with respect to capital deployment and leverage; 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 HemaCare’s and Cellero’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, sites 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 COVID-19 pandemic, its duration, its impact on our business, results of operations, financial condition, liquidity, business practices, operations, suppliers, third party service providers, customers, 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 demand, the global economy and financial markets; 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 11, 2020 and the Quarterly Report on Form 10-Q as filed on May 7, 2020, 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.

Estimates of COVID-19 Impact

The Company has provided its estimates for the impact from the COVID-19 pandemic, including on the Company's revenue. These estimates were determined using methodologies and assumptions that vary depending on the specific reporting segment and situation. For the Research Models and Services segment, estimates were primarily based on comparisons to daily historical research model sales volumes prior to the COVID-19 pandemic and the subsequent reduction in research model order activity associated with our clients' COVID-19 pandemic-related site closures and/or their reduced on-site activity, as well as our discussions with clients, particularly of our research model services and HemaCare businesses, with regard to revenue expectations and operational impacts from the COVID-19 pandemic. For the Discovery and Safety Assessment segment, estimates were based on multiple factors including, but not limited to, discussions with clients with regard to the cause of delays to discovery projects and safety assessment studies, location-specific actions to ensure employee safety in our facilities, the impact of remote versus in-person activities and services, and supply chain delays and other resource constraints. For the Manufacturing Support segment, estimates were based on multiple factors including, but not limited to, analysis of the sales impact due to the COVID-19 pandemic, assessments of idle instruments and the related revenue stream due to the inability to access clients' sites, as well as discussions with clients with regard to their revenue expectations and operations. Further, we assumed for the purposes of formulating these estimates that (1) restrictions on economic activity, including stay-in-place orders and other similar government actions, will largely not be re-imposed for the remainder of the fiscal year; (2) the global economy, as it relates to demand for Charles River's products and services, will gradually improve through the remainder of 2020; and (3) most of the Company's essential personnel will be able to work on-site and that it will have the adequate supplies and resources to support its businesses. In addition, the estimated revenue loss related to COVID-19 is expected to be partially offset by incremental work on clients' COVID-19 programs. Because these estimates and assumptions involve risks and uncertainties, actual events and results may differ materially from these estimates and assumptions, and Charles River assumes no obligation and expressly disclaims any duty to update them.

Response to Global COVID-19 Pandemic

- Medical innovation has never been more critical
- Biomedical research community is rising to this challenge with unprecedented level of investment
- Charles River has never been so essential to our diverse and growing client base
- We are continuing to work on a wide range of drugs across multiple therapeutic areas, utilizing our unmatched suite of early-stage solutions
- Also helping clients develop drugs to find treatments for—and ultimately prevent—COVID-19

Weathering COVID-19 Challenges

- As anticipated, CRL experienced COVID-19 challenges in 2Q20, principally in the RMS segment; however, resilience of our business model has enabled us to weather these challenges extremely well
- Demonstrated by our 2Q20 performance, which widely exceeded our expectations
- Outperformance was due in part to:
  - Tireless efforts of our dedicated staff
  - Effectiveness of our comprehensive business continuity plans that enabled us to keep our operating sites open and adequately staffed
  - Global scale, broad scientific capabilities, and flexible outsourcing solutions of our unique, early-stage portfolio on which clients increasingly rely to move their programs forward in the face of business disruptions or delays at their own sites
  - Persistent client demand across many of our businesses, driven by robust biotech funding and continued innovation that is generating scientific breakthroughs across multiple therapeutic areas, including COVID-19

COVID-19 Impact on CRL

- Thank our employees around the globe for their hard work and unwavering commitment
  - Their extraordinary efforts kept all operating sites open and continuing to service clients
  - Because of their dedication to our mission, our clients are making progress on their critical research
- Believe that providing continued support to clients during the pandemic is leading to more outsourcing opportunities for CRL
- Clients—large and small—are outsourcing work to us that they previously performed internally or outsourced to others
- Working with one, large scientific partner like CRL enables them to implement a more flexible and efficient R&D solution over the longer term and helps them navigate the evolving COVID-19 situation in the nearer term
- Principally seeing the benefit of this outsourcing in Discovery, Safety Assessment, Biologics, and GEMS
- As we continue to perform these services, believe clients will become accustomed to our faster turnaround times, superior science, and cost effectiveness
- Believe we will retain a meaningful amount of this incremental work

COVID-19 Impact on CRL, cont.

- We are experiencing favorable trends across most of our businesses, including through July
  - In RMS, which was most affected by COVID-19, academic clients are opening facilities more quickly than anticipated around the world—particularly in Europe and Asia—and the services businesses continue to perform well
  - HemaCare's donor clinic reopened; largely returned to full operations
  - DSA continues to experience strong demand, with high proposal and booking volumes and only a small impact associated with COVID-19
  - Microbial Solutions faced some headwinds
  - Biologics continued to perform exceptionally well, with significant demand, especially for cell and gene therapy projects
    - COVID-19-related activities to a lesser extent

2Q20 Revenue

($ in millions)	2Q20	2Q19	YOY Δ
Revenue, reported	$682.6	$657.6	3.8%
(Increase)/decrease due to FX			0.8%
Contribution from acquisitions			(3.2)%
Revenue growth, organic			1.4%

- Organic revenue growth exceeded our prior outlook due to resilient client demand and less severe impact from COVID-19 than previously expected
- COVID-19 had a meaningful revenue impact on RMS of ~$35M in 2Q20
- Impact to DSA and Manufacturing was quite small, with both segments reporting healthy organic growth rate of 6.2% and 8.0%, respectively

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

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2Q20 Operating Margin

	2Q20	2Q19	YOY Δ
GAAP OM%	11.2%	12.1%	(90) bps
Non-GAAP OM%	17.3%	18.5%	(120) bps

- Non-GAAP operating margin decline principally reflects significant decline in RMS as a result of lower sales volume and the fixed-cost nature of the business
- Quite pleased with both DSA and Manufacturing segments, which reported meaningful operating margin expansion in 2Q20, reflecting:
  - Operating leverage in these businesses
  - Benefit of operating efficiencies, including temporary cost reduction initiatives in response to COVID-19

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

2Q20 EPS

	2Q20	2Q19	YOY Δ
GAAP EPS	$1.34	$0.88	52.3%
Non-GAAP EPS	$1.58	$1.63	(3.1)%

- Non-GAAP EPS widely exceeded our prior expectation of a 20%-30% decline
- Pleased to be able to generate Non-GAAP EPS nearly unchanged from 2Q19
- Demonstrates the resilience of our business and our continuity planning during this global crisis

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

Revised 2020 Guidance

	CURRENT	PRIOR
Revenue growth, reported	7.5%-9.0%	4.5%-8.0%
Contribution from acquisitions	~(4.0)%	~(4.0)%
Decrease/(Increase) due to FX	~0.5%	0.5%-1.0%
Revenue growth, organic	4.0%-5.5%	1.5%-4.5%
GAAP EPS	$4.70-$5.00	$4.25-$4.60
Acquisition-related amortization	~$1.75	$1.75-$1.80
Charges related to global efficiency initiatives	$0.25-$0.30	~$0.05
Acquisition-related adjustments	$0.20-$0.25	~$0.20
Other items	$0.25-$0.32	$0.25-$0.32
Venture capital & other strategic investment losses/(gains)	($0.20)	$0.18
Non-GAAP EPS	$7.05-$7.35	$6.75-$7.10

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

COVID-19 Impact on 2020 Guidance

- Based on better-than-expected 2Q20 performance and our expectation that COVID-19 will be less of a headwind than originally anticipated, increasing our revenue growth and non-GAAP EPS guidance for FY 2020
- Revenue loss from COVID-19 is now expected to be ~$100M
  - Below our previous range of $135-$215M
- Believe that we are beyond the worst of the COVID-19-related headwinds, but understand that there may still be additional challenges ahead
- Assessing the situation on an ongoing basis and will be diligent about addressing any new challenges, just as we did in 2Q20
- Guidance assumes that there will be additional recovery in client demand in 3Q20, principally in research models

RMS Results – Revenue

($ in millions)	2Q20	2Q19	YOY Δ
Revenue, reported	$116.5	$136.1	(14.3)%
(Increase)/decrease due to FX			0.6%
Contribution from acquisitions			(4.7)%
Revenue growth, organic			(18.4)%

- COVID-19 reduced 2Q20 RMS revenue by ~$35M
  - Favorable to our initial expectation as clients began to gradually resume research activities at their sites earlier than anticipated, particularly in Europe and Asia
- Had anticipated that demand for research models would improve in 3Q20 as biopharma resumed more normal research activities and Academic demand would begin to rebound by fall

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

RMS Results – Revenue, cont.

- However, “return-to-work” process began in 2Q20, with clients in Europe and China returning in the middle of the quarter and North American clients beginning in June
- Academic clients showed the most improvement by end of 2Q20, as these clients were most affected when institutions began closing abruptly in 1Q20
- Reopening activities resulted in a significant improvement in client ordering trends in June
- Expect these favorable trends will continue in coming months, but believe it will take time for research model volumes to return to pre-COVID-19 levels
- For FY 2020, expect RMS organic revenue to decline at a mid- to high-single-digit rate, a notable improvement from our prior outlook of at least a 10% decline

RMS Results – RM Services

- RM Services experienced little impact from COVID-19 in 2Q20
- Strong performance reflects value clients see in outsourcing these critical services to CRL, and for Insourcing Solutions (IS), efficiency of using our people or capacity to manage their research needs
- Seeing evidence that GEMS clients who previously managed their model colonies in-house have opted to outsource to CRL due to COVID-19 restrictions at their sites
- Continue to anticipate that much of this GEMS work will remain outsourced after COVID-19 crisis subsides

RMS Results – HemaCare

- After a strong 1Q20, HemaCare was negatively affected by a 2-month closure of its donor clinic, as well as reduced cell therapy development activities at its clients' sites due to stay-at-home orders and associated disruptions
  - Clinic reopened in May
- Client demand improved meaningfully in June
- Continue to believe that beyond 2020, HemaCare will grow in excess of 30% annually as more clients start their cell therapy discovery programs with CRL and remain with us through discovery, early-stage development, and manufacturing support process

Proposed Acquisition of Cellero

- On August 4th, CRL signed a definitive agreement to acquire Cellero, LLC for ~$38M in cash
- Complements HemaCare by enhancing our supply of critical biomaterials
  - Supplies a wide range of human-derived primary cell types to further support the discovery, development, and manufacturing of cell therapies
- Cellero expands our access to high-quality, human-derived cellular products with its donor sites in the eastern and western United States
- Enables CRL to provide a more comprehensive cell therapy solution
  - Allows clients to work iteratively with us through the cell therapy development and manufacturing process
  - Accelerates clients' speed-to-market and our client retention
- Continue to expect to generate revenue growth for human-derived cellular products, including Cellero and HemaCare, of at least 30% over the next 5 years, beginning in 2021
- Transaction expected to close in August

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RMS Results – Operating Margin

	2Q20	2Q19	YOY Δ
RMS GAAP OM%	3.3%	23.2%	(1990) bps
RMS Non-GAAP OM%	9.1%	25.5%	(1640) bps

- RMS non-GAAP operating margin decline driven almost exclusively by impact of COVID-19
- Segment benefited by temporary cost reduction initiatives we implemented
- Due to fixed-cost nature of the business, could not offset the sharp, short-term decline in research model volumes
- Believe RMS operating margin will improve meaningfully in 3Q20, as research model volumes continue to increase

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

DSA Results – Revenue

($ in millions)	2Q20	2Q19	YOY Δ
Revenue, reported	$442.6	$405.5	9.1%
(Increase)/decrease due to FX			0.8%
Contribution from acquisitions			(3.7)%
Revenue growth, organic			6.2%

- Much smaller impact from COVID-19-related study slippage and project delays than originally expected due to strong demand across Discovery and Safety Assessment (SA), as well as efforts to ensure both business and resource continuity
- Biotechnology clients were primary driver of DSA revenue growth
  - Not surprising given capital available to fund scientific innovation and the industry's focus on finding a cure for COVID-19

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

DSA Results – Discovery Services

- Discovery Services business had an excellent quarter of broad-based growth, particularly for early discovery and oncology services
- In May, we commented on indications from a small number of Discovery clients that they would slow initiation of new programs because of COVID-19
- There was only a very limited impact in 2Q20, as we believe our integrated discovery portfolio, scientific expertise, and track record for delivering clinical candidates encouraged clients to move their programs forward by partnering with CRL to overcome challenges at their own sites
- With continued strength in bookings, do not foresee any change in the robust business environment for our discovery services in 2H20

DSA Results - Safety Assessment (SA)

- SA performed well, with sustained growth in study volume
- As mentioned at conferences in June, proposal activity and bookings continued to be strong throughout 2Q20
- Believe both biotech and large biopharma companies are compensating for reduced on-site activities with increased outsourcing of their IND-enabling safety programs
- Believe our integrated, early-stage portfolio, spanning target identification through non-clinical development, uniquely positions us to enable clients to work with one trusted partner to ensure business continuity amidst challenges of COVID-19 crisis
- Believe this has, and will continue to, translate into additional outsourcing opportunities as we collaborate with clients to navigate today's challenges, as well as those that arise in the future
- Given the limited impact of COVID-19 to date and expectation that robust outsourcing trends will persist in 2H20, now expect DSA revenue to increase at a high-single-digit rate in FY 2020, effectively the same as our original outlook before COVID-19

DSA Results – Operating Margin

	2Q20	2Q19	YOY Δ
DSA GAAP OM%	16.3%	15.7%	60 bps
DSA Non-GAAP OM%	23.2%	21.1%	210 bps

- DSA operating margin increases driven by improvement in both the Discovery Services and SA businesses
- Driven by greater operating leverage on healthy revenue growth, as well as benefits of operating efficiencies

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

Manufacturing Results – Revenue

($ in millions)	2Q20	2Q19	YOY Δ
Revenue, reported	$123.5	$116.0	6.4%
(Increase)/decrease due to FX			1.6%
Revenue growth, organic			8.0%

- Biologics Testing Solutions (Biologics) and Avian Vaccine Services (Avian) had excellent quarters
- Revenue growth for Microbial Solutions was constrained by COVID-19
- Continue to expect FY 2020 organic revenue growth in the high-single-digit range for the Manufacturing segment

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

Manufacturing Results – Microbial Solutions

- Microbial Solutions was affected by reduced client activity and delayed instrument installations as certain client sites were inaccessible due to COVID-19
- This was a challenge, but expect to overcome it as more of these clients allow access to their sites and activity at these sites accelerates
  - This is already beginning to occur
- In addition, we are serving more of our clients via remote instrument installation
- As a result, Microbial Solutions' growth rate will improve in 2H20
- Overall, firmly believe our ability to provide clients with a comprehensive rapid and efficient microbial testing solution, as well as the quality and accuracy of our testing platform, are key differentiators from the competition
- Will lead clients to choose CRL for their critical quality-control testing requirements

Manufacturing Results – Biologics

- Biologics reported another exceptional quarter
- Revenue growth was driven in part by sustained, rapid increase in the number of biologics in development, as well as new opportunities such as cell and gene therapies and COVID-19 therapeutics that continue to propel market growth
- Believe Biologics market opportunity is expanding at a low-double-digit rate annually, which is why we will continue to modestly add capacity to accommodate demand
- Revenue growth was also driven by our successful efforts to gain new business
- Clients see the value in our extensive portfolio of services to support the safe manufacture of biologics
- Will continue to enhance our ability to support clients by developing new services such as additional assays for cell and gene therapy

Manufacturing – Operating Margin

	2Q20	2Q19	YOY Δ
Manufacturing GAAP OM%	34.8%	28.6%	620 bps
Manufacturing Non-GAAP OM%	37.4%	30.9%	650 bps

- Significant operating margin improvement related to:
  - Enhanced operating efficiency and process improvements in Microbial Solutions
  - Operating leverage from higher revenue in both Biologics and Avian
  - Elimination of duplicate costs related to last year’s transition to new Biologics facility in Pennsylvania

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Factors Driving CRL Strength

- Demand for our leading portfolio of early-stage and manufacturing support solutions remains robust
- Biotech funding levels continue to increase and are expected to reach record levels again in 2020
  - Biotech IPO activity is accelerating
- FDA drug approvals remain healthy
- Fewer clients have delayed or canceled work due to COVID-19 than we anticipated just 3 months ago
- Clients are essentially "business as usual" across most of CRL, as they emphasize investment in preclinical pipelines to move their programs forward
- Believe underlying strength in our markets and resilience of our business model have enabled us to withstand the challenges of COVID-19 better than many other companies to date
- Because of our strength and stability, we feel confident in our ability to move forward with execution of our M&A strategy, albeit cautiously
  - Today's announcement of the Cellero acquisition is consistent with that strategy

Acquisition Strategy

- Imperative that we continue to expand our portfolio of essential products and services to enhance our ability to comprehensively support our clients' drug research efforts
- Strategic acquisitions have always been our preferred use of capital
- After a pause in 2Q20, continuing to evaluate new opportunities using our disciplined and mindful approach
- Continues to be an abundance of M&A candidates available
  - Will evaluate opportunities including unique research tools, discovery capabilities, and manufacturing support activities
- Increasingly employing our strategic partnering strategy to stay current with new technologies and modalities and to add innovative capabilities and cutting-edge technologies with limited upfront risk

COVID-19 Outlook

- Continue to closely monitor the risk COVID-19 poses to human health, as well as to our clients' operations and our own
- Crisis is far from over globally, particularly in the US, and there will likely be a prolonged recovery until the world returns to some semblance of normalcy
- We will be diligent about addressing any new challenges
- Believe CRL has weathered the challenges of COVID-19 better than many other companies to-date because of:
  - Our clients' increased reliance on outsourcing across a wide range of therapeutic areas
  - Resilient biotech funding
  - Efforts of our dedicated staff
- As a result, confident in our ability to operate in the current environment and execute our strategy
- Fully anticipate this "new normal" will be with us for the rest of the year and likely well into next year, if not beyond, but believe the worst is behind us
- Barring any widespread changes in COVID-19 recovery, believe our 2-year financial targets of high-single-digit organic revenue growth and a 20% operating margin in FY 2021 remain intact

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Social Responsibility

- COVID-19 has affected us all and it is our responsibility to be good corporate citizens and lead by example
- Our immediate priority was to address the needs of our employees and fully support them during these challenging times through initiatives like enhanced workplace safety measures where necessary, flexible work hours and scheduling, and other forms of assistance as needed
- Beyond COVID-19 priorities, firmly committed to the need for equality in our world
- We will not stand for racism, inequality, discrimination, or harassment of any kind at CRL
  - Dedicated to supporting these values in our communities

Social Responsibility, cont.

- It is more important than ever to support each other
- Our culture celebrates and supports our differences
- Realize it is more important than ever to support each other and our communities through a posture of respect, listening, learning, and empathy
- This is our obligation and part of our core values at CRL
- As part of our commitment, launched a $2M charitable donation campaign in 2Q20 aimed at supporting our local communities through a range of initiatives and organizations that promote equality and social justice, and support local food banks, first responders, youth and family organizations, STEM education, and scientific causes
- As a Company and corporate citizen, we want CRL to be able to reflect on this extraordinary period and be proud of:
  - Our contribution to life-saving medicines
  - How we treated each other
  - How we supported our communities

2Q20 Results

($ in millions)	2Q20	2Q19	YOY Δ	Organic Δ
Revenue	$682.6	$657.6	3.8%	1.4%
GAAP OM%	11.2%	12.1%	(90) bps	
Non-GAAP OM%	17.3%	18.5%	(120) bps	
GAAP EPS	$1.34	$0.88	52.3%	
Non-GAAP EPS	$1.58	$1.63	(3.1)%	

- Very pleased with strong 2Q20 results, with revenue and non-GAAP EPS outperforming our prior outlook

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

Increased 2020 Guidance

	Current
Revenue growth, reported	7.5% - 9.0%
Revenue growth, organic	4.0% - 5.5%
GAAP EPS	\$4.70 - \$5.00
Non-GAAP EPS	\$7.05 - \$7.35

- 2Q20 performance and accelerated return of our RM clients give us greater confidence in our outlook for 2H20
- These collective factors also contributed to the increase in our revenue and EPS guidance for FY 2020

Updated Guidance Assumptions

- Believe that CRL will see more normalized level of business activity by the end of the year
- Updated guidance considers key assumptions for each of our businesses that vary based primarily on the timing of the recovery, particularly for the RMS segment
  - Assumptions consistent with those we provided in May
  - For the RM business, expect additional improvement will occur in 3Q20, particularly Academic clients in North America
  - For DSA businesses, do not foresee a notable change from the current robust trends
- Continue to believe that essential personnel will be able to work on-site, and that we will have adequate resources and supplies to support our businesses
- Have not assumed any widespread stay-at-home orders will resume for the remainder of 2020

Cost Reduction Initiatives

- Previously implemented cost reduction initiatives to mitigate the near-term margin impact from expected COVID-19 revenue loss, principally aimed at reducing compensation expense and discretionary costs
- Already reinstated merit increases and 401k contributions earlier than expected in 3Q20
  - Due to stronger financial performance and to appropriately recognize the extraordinary efforts of our staff during this challenging period
- Benefit from temporary cost reduction initiatives is expected to be ~$40M in FY 2020
  - Below prior target of $55-$90M
  - Better-than-expected results are more than offsetting the lower cost savings in our guidance

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Operating Margin

- Similar to our prior expectations, we expect 2H20 non-GAAP operating margin to improve meaningfully from 1H20 level, particularly for the RMS segment
  - Based on outlook for lower cost savings offset by additional top-line recovery in 3Q20
- For FY 2020, we believe that we are well positioned to generate some expansion in the non-GAAP operating margin compared to the 2019 level of 19.0%
  - Despite headwinds associated with COVID-19

Revised 2020 Segment Revenue Outlook

	2020 Reported Revenue Growth	2020 Organic Revenue Growth
RMS	Low-single-digit growth	Mid- to high-single-digit decline
DSA	Low-double-digit growth	High-single-digit growth
Manufacturing	Mid- to high-single-digit growth	High-single-digit growth
Consolidated CRL	7.5%-9.0%	4.0%-5.5%

- More favorable outlook for both RMS and DSA segments
  - For RMS, expect a more moderate mid-to-high-single-digit decline in organic revenue
    - Favorable to prior RMS outlook of at least 10% organic decline
  - For DSA, expect high-single-digit organic revenue growth
    - Favorable to prior DSA outlook of at least mid-single-digit organic growth
  - Manufacturing outlook is unchanged from May, with high-single-digit organic revenue growth

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Solid Financial Position

- Financial position remains very healthy
- At the end of 2Q20, we had an outstanding debt balance of $2.3B
  - Gross leverage ratio of 3.2x
  - Net leverage ratio of 2.6x
- Continue to target reducing gross leverage ratio to below 3x

Capital Priorities – M&A

- As the COVID-19 situation stabilizes, we intend to continue to evaluate acquisition candidates after a brief pause in 2Q20
  - Demonstrated through the announcement of the proposed Cellero acquisition
- M&A has always been our preferred use of capital
- Believe investing in strategic assets will:
  - Support our long-term growth strategy
  - Generate the greatest returns for shareholders
- Solid financial standing puts us in a strong position to begin to add to our early-stage portfolio again through strategic M&A

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Cash Flow

($ in millions)	2Q20	2Q19	2020 Outlook
Free cash flow (FCF)	$135.5	$104.8	$350-$365
Capex	$26.8	$24.8	~$130
Depreciation	$29.4	$26.8	~$125
Amortization [(1)]	$27.8	$22.4	~$110

- Free cash flow increased 29.3% YOY to $135.5M in 2Q20
  - Brings us to a record level for 1H20
  - Primary drivers were our strong operating performance and the timing of working capital, including the deferral of cash tax payments due to recent legislation
- As a result, we increased FCF outlook for FY 2020
- Now expect capex of ~$130M for FY 2020
  - Above our prior outlook of ~$120M as we ramp up our capital investments in expectation of our needs in 2021 to support growth

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

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Unallocated Corporate Expenses

($ in millions)	2Q20	1Q20	2Q19
GAAP	$42.2	$46.5	$48.4
Non-GAAP	$41.8	$39.8	$34.9

- Non-GAAP unallocated corporate costs were 6.1% of revenue in 2Q20, compared with 5.3% last year
  - Increase was primarily the result of initiatives related to our COVID-19 response
- Continue to expect unallocated corporate costs to be ~5.5% of total revenue in FY 2020

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

Net Interest Expense

($ in millions)	2Q20	1Q20	2Q19
GAAP interest expense, net	$19.1	$14.8	$20.5
Non-GAAP interest expense, net	$19.1	$14.8	$20.5
Adjustments for foreign exchange forward contract and related interest expense(1)	$ —	$4.2	($3.7)
Adjusted net interest expense	$19.1	$19.0	$16.8

- Adjusted net interest expense in 2Q20 was essentially flat on a sequential basis
- Now expect adjusted net interest expense for FY 2020 to be slightly lower, in a range of $76-$78M, reflecting our expectation for reduced debt levels

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

Tax Rate

	2Q20	1Q20	2Q19
GAAP	19.4%	8.3%	24.9%
Non-GAAP	21.0%	14.3%	22.1%

- 2Q20 non-GAAP tax rate declined 110 bps from 2Q19
  - Decrease was due to a 220-basis-point YOY excess tax benefit associated with stock-based compensation, resulting from higher stock price levels and the impact on equity exercise and award activity during 2Q20
- Lowering FY 2020 tax rate outlook to a range of 21%-22% (GAAP and non-GAAP), from prior outlook of 22%-23.5% (Non-GAAP), as a result of this favorable excess tax benefit

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

2020 Revised Guidance Summary

	GAAP	Non-GAAP
Revenue growth	7.5%-9.0% reported	4.0%-5.5% organic
Unallocated corporate	~5.5% of revenue	~5.5% of revenue
Net interest expense (total)	$72M-$74M	$76M-$78M (adjusted)
Tax rate	21.0%-22.0%	21.0%-22.0%
EPS	$4.70-$5.00	$7.05-$7.35
Cash flow	Operating cash flow: $480M-$495M	Free cash flow: $350M-$365M
Capital expenditures	~$130M	~$130M

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

3Q20 Outlook

	3Q20 Outlook
Reported revenue growth YOY	High-single-digit growth
Organic revenue growth YOY	Mid- to-high-single-digit growth
Non-GAAP EPS growth YOY	High-single-digit growth vs. 3Q19

- We continue to expect 3Q20 revenue growth rate to improve sequentially from 2Q20 level, based on client conversations and demand with respect to the COVID-19 recovery
- Greater confidence in 3Q20 outlook as clients have already begun to resume their research activities

Concluding Remarks

- Very pleased with 2Q20 results
- Thanks to the efforts of our colleagues around the world and the critical nature of the work we do, we continue to demonstrate to our clients that we can, and will, fully support their research efforts, both during the current extraordinary environment and in the future
- Continue to successfully demonstrate our commitment to our clients, employees, communities, and shareholders
- Focused on continued execution of our strategy and achieving our financial and operational targets
  - Resumption of M&A activity
  - 2-year financial targets from last September of high-single-digit organic revenue growth and a 20% non-GAAP operating margin in FY 2021

2Q20 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 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Research Models and Services				
Revenue	$ 116,549	$ 136,054	$ 262,545	$ 273,226
Operating income	3,844	31,512	31,217	69,344
Operating income as a % of revenue	3.3 %	23.2 %	11.9 %	25.4 %
Add back:				
Amortization related to acquisitions	5,919	349	11,571	701
Severance	509	565	500	725
Acquisition related adjustments [2][3]	292	2,201	577	2,201
Site consolidation costs, impairments and other items	30	76	259	257
Total non-GAAP adjustments to operating income	$ 6,750	$ 3,191	$ 12,907	$ 3,884
Operating income, excluding non-GAAP adjustments	$ 10,594	$ 34,703	$ 44,124	$ 73,228
Non-GAAP operating income as a % of revenue	9.1 %	25.5 %	16.8 %	26.8 %
Depreciation and amortization	$ 9,126	$ 4,981	$ 17,878	$ 9,303
Capital expenditures	$ 6,621	$ 5,049	$ 12,033	$ 9,161
Discovery and Safety Assessment				
Revenue	$ 442,564	$ 405,517	$ 881,247	$ 759,714
Operating income	72,241	63,514	144,524	110,219
Operating income as a % of revenue	16.3 %	15.7 %	16.4 %	14.5 %
Add back:				
Amortization related to acquisitions	23,128	19,772	46,135	36,507
Severance	3,481	672	3,564	685
Acquisition related adjustments [3]	1,095	1,738	2,384	3,992
Site consolidation costs, impairments and other items	2,934	-	2,934	-
Total non-GAAP adjustments to operating income	$ 30,638	$ 22,182	$ 55,017	$ 41,184
Operating income, excluding non-GAAP adjustments	$ 102,879	$ 85,696	$ 199,541	$ 151,403
Non-GAAP operating income as a % of revenue	23.2 %	21.1 %	22.6 %	19.9 %
Depreciation and amortization	$ 41,101	$ 37,549	$ 82,431	$ 71,333
Capital expenditures	$ 16,175	$ 15,141	$ 30,904	$ 23,989
Manufacturing Support				
Revenue	$ 123,471	$ 115,997	$ 245,851	$ 229,197
Operating income	42,930	33,141	84,042	64,640
Operating income as a % of revenue	34.8 %	28.6 %	34.2 %	28.2 %
Add back:				
Amortization related to acquisitions	2,217	2,274	4,464	4,598
Severance	1,396	74	1,652	301
Acquisition related adjustments [3]	(423)	106	(421)	156
Site consolidation costs, impairments and other items	-	297	-	1,305
Total non-GAAP adjustments to operating income	$ 3,190	$ 2,751	$ 5,695	$ 6,360
Operating income, excluding non-GAAP adjustments	$ 46,120	$ 35,892	$ 89,737	$ 71,000
Non-GAAP operating income as a % of revenue	37.4 %	30.9 %	36.5 %	31.0 %
Depreciation and amortization	$ 6,236	$ 5,782	$ 12,602	$ 11,587
Capital expenditures	$ 3,037	$ 4,272	$ 8,198	$ 7,878

CONTINUED ON NEXT SLIDE

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

CONTINUED FROM PREVIOUS SLIDE

	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Unallocated Corporate Overhead	$ (42,247)	$ (48,399)	$ (88,734)	$ (94,643)
Add back:				
Acquisition related adjustments [3]	869	12,470	7,852	17,892
Other items [4]	(463)	1,029	(750)	1,029
Total non-GAAP adjustments to operating expense	$ 406	$ 13,499	$ 7,102	$ 18,921
Unallocated corporate overhead, excluding non-GAAP adjustments	$ (41,841)	$ (34,900)	$ (81,632)	$ (75,722)
Total				
Revenue	$ 682,584	$ 657,568	$ 1,389,643	$ 1,262,137
Operating income	76,768	79,768	171,049	149,560
Operating income as a % of revenue	11.2 %	12.1 %	12.3 %	11.8 %
Add back:				
Amortization related to acquisitions	31,264	22,395	62,170	41,806
Severance	5,386	1,311	5,716	1,711
Acquisition related adjustments [2][3]	1,833	16,515	10,392	24,241
Site consolidation costs, impairments and other items [4]	2,501	1,402	2,443	2,591
Total non-GAAP adjustments to operating income	$ 40,984	$ 41,623	$ 80,721	$ 70,349
Operating income, excluding non-GAAP adjustments	$ 117,752	$ 121,391	$ 251,770	$ 219,909
Non-GAAP operating income as a % of revenue	17.3 %	18.5 %	18.1 %	17.4 %
Depreciation and amortization	$ 57,208	$ 49,146	$ 114,468	$ 94,504
Capital expenditures	$ 26,800	$ 24,781	$ 52,521	$ 41,512

(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 in the three and six months ended June 29, 2019.

(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 27, 2020	**June 29, 2019**	**June 27, 2020**	**June 29, 2019**
Net income attributable to common shareholders	$ 67,435	$ 43,728	$ 118,204	$ 98,861
Add back:				
Non-GAAP adjustments to operating income (Refer to previous schedule)	40,984	41,623	80,721	70,349
Venture capital and strategic equity investment (gains) losses, net	(23,911)	4,254	(11,876)	(6,321)
Tax effect of non-GAAP adjustments:				
Non-cash tax benefit related to international financing structure [(2)]	1,113	-	2,186	-
Tax effect of the remaining non-GAAP adjustments	(6,020)	(8,491)	(17,824)	(12,371)
Net income attributable to common shareholders, excluding non-GAAP adjustments	$ 79,601	$ 81,114	$ 171,411	$ 150,518
Weighted average shares outstanding - Basic	49,553	48,772	49,371	48,615
Effect of dilutive securities:				
Stock options, restricted stock units and performance share units	693	890	747	984
Weighted average shares outstanding - Diluted	50,246	49,662	50,118	49,599
Earnings per share attributable to common shareholders:				
Basic	$ 1.36	$ 0.90	$ 2.39	$ 2.03
Diluted	$ 1.34	$ 0.88	$ 2.36	$ 1.99
Basic, excluding non-GAAP adjustments	$ 1.61	$ 1.66	$ 3.47	$ 3.10
Diluted, excluding non-GAAP adjustments	$ 1.58	$ 1.63	$ 3.42	$ 3.03

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

Three Months Ended June 27, 2020	**Total CRL**	**RMS Segment**	**DSA Segment**	**MS Segment**
Revenue growth, reported	3.8 %	(14.3)%	9.1 %	6.4 %
Decrease due to foreign exchange	0.8 %	0.6 %	0.8 %	1.6 %
Contribution from acquisitions (2)	(3.2)%	(4.7)%	(3.7)%	- %
Non-GAAP revenue growth, organic (3)	**1.4 %**	**(18.4)%**	**6.2 %**	**8.0 %**

Six Months Ended June 27, 2020	**Total CRL**	**RMS Segment**	**DSA Segment**	**MS Segment**
Revenue growth, reported	10.1 %	(3.9)%	16.0 %	7.3 %
Decrease due to foreign exchange	0.8 %	0.7 %	0.6 %	1.5 %
Contribution from acquisitions (2)	(6.2)%	(6.8)%	(7.9)%	- %
Non-GAAP revenue growth, organic (3)	**4.7 %**	**(10.0)%**	**8.7 %**	**8.8 %**

(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) 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 26, 2020E

2020 GUIDANCE (1)	CURRENT	PRIOR
Revenue growth, reported	7.5% – 9.0%	4.5% – 8.0%
Less: Contribution from acquisitions (2)	~(4.0%)	~(4.0%)
Unfavorable/(favorable) impact of foreign exchange	~0.5%	0.5% – 1.0%
Revenue growth, organic (3)	4.0% – 5.5%	1.5% – 4.5%
GAAP EPS estimate	$4.70 – $5.00	$4.25 – $4.60
Acquisition-related amortization (4)	~$1.75	$1.75 – $1.80
Charges related to global efficiency initiatives (5)	$0.25 – $0.30	~$0.05
Acquisition-related adjustments (6)	$0.20 – $0.25	~$0.20
Other items (7)	$0.25 – $0.32	$0.25 – $0.32
Venture capital and other strategic investment losses/(gains), net (8)	($0.20)	$0.18
Non-GAAP EPS estimate	$7.05 – $7.35	$6.75 – $7.10
Free cash flow (9)	$350 – $365 million	$325 – $350 million

Footnotes to Guidance Table:

(1) The proposed acquisition of Cellero has not been included in the Company’s current financial guidance since the transaction has not yet been completed.

(2) The contribution from acquisitions reflects only those acquisitions that have been completed.

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

(4) Acquisition-related amortization includes an estimate of approximately $0.25 for the impact of the HemaCare acquisition as the purchase price allocation has not been finalized.

(5) 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.

(6) 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.

(7) These items primarily relate to charges of $0.15-$0.22 associated with the planned termination of the Company’s U.S. pension plan in the second half of 2020, as well as charges of approximately $0.10 primarily associated with U.S. and international tax legislation that necessitated changes to the Company’s international financing structure.

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

(9) The reconciliation of the current 2020 free cash flow guidance is as follows: Cash flow from operating activities of $480-$495 million, less capital expenditures of approximately $130 million, results in free cash flow of $350-$365 million.

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 27, 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	$ 2,260,871	$ 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	$ 2,142	$ 712	$ 3,033	$ 298	$ 3,621	$ 1,370	$ 2,828	$ 9,787	$ 9,680
Total Indebtedness per credit agreement	$ 2,263,012	$ 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	(402,020)	(238,014)	(195,442)	(163,794)	(117,626)	(117,947)	(160,023)	(155,927)	(109,685)
Net Debt	$ 1,860,992	$ 1,650,910	$ 1,475,605	$ 981,608	$ 1,121,004	$ 746,454	$ 620,668	$ 517,649	$ 566,515

	June 27, 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	$ 273,634	$ 252,019	$ 226,373	$ 123,355	$ 154,765	$ 149,313	$ 126,698	$ 102,828	$ 97,295
Adjustments:									
Less: Aggregate non-cash amount of nonrecurring gains	(352)	(310)	—	—	(685)	(9,878)	(2,048)	—	—
Plus: Interest expense	81,623	79,586	65,258	29,777	27,709	15,072	11,950	20,969	33,342
Plus: Provision for income taxes	46,050	50,023	54,996	171,369	66,835	43,391	46,685	32,142	24,894
Plus: Depreciation and amortization	218,744	198,095	161,779	131,159	126,658	94,881	96,445	96,636	81,275
Plus: Non-cash nonrecurring losses	5,371	427	559	17,716	6,792	10,427	1,615	4,202	12,283
Plus: Non-cash stock-based compensation	52,493	57,271	47,346	44,003	43,642	40,122	31,035	24,542	21,855
Plus: Permitted acquisition-related costs	26,636	34,827	19,181	6,687	22,653	13,451	6,285	1,752	3,676
Plus: Pro forma EBITDA adjustments for permitted acquisitions	—	12,320	15,648	690	18,573	9,199	10,787	—	253
Adjusted EBITDA (per the calculation defined in compliance certificates)	$ 704,199	$ 684,259	$ 591,140	$ 524,756	$ 466,942	$ 365,978	$ 329,452	$ 283,071	$ 274,873

	June 27, 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)	3.21x	2.76x	2.83x	2.2x	2.7x	2.4x	2.4x	2.4x	2.5x
Net leverage ratio (net debt divided by adjusted EBITDA)	2.6x	2.4x	2.5x	1.9x	2.4x	2.0x	1.9x	1.8x	2.1x

	June 27, 2020
INTEREST COVERAGE RATIO:	
Capital Expenditures	152,265
Cash Interest Expense	81,956
Interest Coverage ratio per the credit agreement (Adjusted EBITDA minus Capital Expenditures divided by cash interest expense)	6.73x

(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 and HemaCare Corporation. 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. 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.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF FREE CASH FLOW (NON-GAAP) [1]

(in thousands)

	Three Months Ended		Six Months Ended		Fiscal Year Ended
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019	December 26, 2020E
Net cash provided by operating activities	$ 162,306	$ 129,553	$ 230,896	$ 144,412	$480,000-$495,000
Less: Capital expenditures	(26,800)	(24,781)	(52,521)	(41,512)	(~130,000)
Free cash flow	$ 135,506	$ 104,772	$ 178,375	$ 102,900	$350,000-$365,000

[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.

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 28, 2020	
Unallocated Corporate Overhead	$	(46,487)
Add back:		
Acquisition related adjustments [2]		6,983
Other items [3]		(287)
Total non-GAAP adjustments to operating expense	$	6,696
Unallocated corporate overhead, excluding non-GAAP adjustments	$	(39,791)

(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.

(3) 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 TO NON-GAAP NET INTEREST EXPENSE[1]

(in thousands)

	Three Months Ended			Fiscal Year Ended
	June 27, 2020	March 28, 2020	June 29, 2019	December 26, 2020E
GAAP Interest expense, net	$ 19,076	$ 14,751	$ 20,561	$72,000-$74,000
Non-GAAP Interest expense, net	19,076	14,751	20,561	$72,000-$74,000
Adjustments for foreign exchange forward contract and related interest expense [2]	-	4,213	(3,713)	~4,000
Adjusted Interest expense, net	$ 19,076	$ 18,964	$ 16,848	$76,000-$78,000

[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, net include a $6.1 million gain on a forward contract partially offset by $1.4 million of additional interest expense for the three months ended March 28, 2020; and a $1.6 million loss on a forward contract and $1.7 million of additional interest expense for the three months ended June 29, 2019.

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 27, 2020	March 28, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Income from operations before income taxes & noncontrolling interests	$ 83,952	$ 55,459	$ 58,994	$ 139,411	$ 125,284
Add back:					
Amortization related to acquisitions	31,264	30,906	22,395	62,170	41,806
Severance	5,386	330	1,311	5,716	1,711
Acquisition related adjustments (2)(3)	1,833	8,559	16,515	10,392	24,241
Site consolidation costs, impairments and other items (4)	2,501	(58)	1,402	2,443	2,591
Venture capital and strategic equity investment (gains) losses, net	(23,911)	12,035	4,254	(11,876)	(6,321)
Income before income taxes & noncontrolling interests, excluding specified charges (Non-GAAP)	$ 101,025	$ 107,231	$ 104,871	$ 208,256	$ 189,312
Provision for income taxes (GAAP)	$ 16,284	$ 4,622	$ 14,685	$ 20,906	$ 25,287
Non-cash tax expense related to international financing structure (5)	(1,113)	(1,073)	-	(2,186)	-
Tax effect of the remaining non-GAAP adjustments	6,020	11,804	8,491	17,824	12,371
Provision for income taxes (Non-GAAP)	$ 21,191	$ 15,353	$ 23,176	$ 36,544	$ 37,658
Total rate (GAAP)	19.4 %	8.3 %	24.9 %	15.0 %	20.2 %
Total rate, excluding specified charges (Non-GAAP)	21.0 %	14.3 %	22.1 %	17.5 %	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 includes a $2.2 million charge recorded in the three and six months ended June 29, 2019 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.

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

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