

2Q19 Regulation G Financial Reconciliations

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

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

CONTINUED ON NEXT SLIDE

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

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

- (1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often-one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.
- (2) This amount represents a \$2.2 million charge recorded in connection with the modification of the option to purchase the remaining 8% equity interest in Vital River.
- (3) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.
- (4) This amount relates to third-party costs, net of insurance reimbursements, associated with the remediation of the unauthorized access into the Company's information systems which was detected in March 2019.

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

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

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

Three Months Ended June 29, 2019	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	12.3 %	4.3 %	17.1 %	7.0 %
Decrease (increase) due to foreign exchange	1.9 %	2.5 %	1.2 %	3.1 %
Contribution from acquisitions ⁽²⁾	(5.7)%	—%	(9.6)%	(0.3)%
Non-GAAP revenue growth, organic ⁽³⁾	8.5 %	6.8 %	8.7 %	9.8 %
Six Months Ended June 29, 2019	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	16.9 %	3.3 %	25.3 %	9.9 %
Decrease (increase) due to foreign exchange	2.4 %	2.8 %	1.6 %	3.8 %
Contribution from acquisitions ⁽²⁾	(9.7)%	—%	(17.1)%	(0.3)%
Non-GAAP revenue growth, organic ⁽³⁾	9.6 %	6.1 %	9.8 %	13.4 %

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- (2) The contribution from acquisitions reflects only completed acquisitions. Manufacturing Support includes an immaterial acquisition of an Australian Microbial Solutions business.
- (3) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions and foreign exchange.

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

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

Footnotes to Guidance Table:

- (1) The contribution from acquisitions reflects only those acquisitions which have been completed.
- (2) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions and foreign currency translation.
- (3) Amortization of intangible assets includes an estimate of approximately \$0.20 for the impact of the Citoxlab acquisition based on the preliminary purchase price allocation.
- (4) These charges, which primarily include severance and other costs, relate primarily to the Company's planned efficiency initiatives. Other projects in support of global productivity and efficiency initiatives are expected, but these charges reflect only the decisions that have already been finalized.
- (5) These adjustments are related to the evaluation and integration of acquisitions, and primarily include transaction, advisory, and certain third-party integration costs, as well as certain costs associated with acquisition-related efficiency initiatives. In addition, these adjustments include a charge associated with modification of a purchase option for the remaining 8% equity interest in Vital River. These costs will be partially offset by an anticipated discrete tax benefit.
- (6) Other items include third-party costs, net of insurance reimbursements, associated with the remediation of the unauthorized access into the Company's information systems, which was detected in March 2019.
- (7) Venture capital investment performance only includes recognized gains or losses. The Company does not forecast future venture capital investment gains or losses.
- (8) The reconciliation of 2019 free cash flow guidance is as follows: Cash flow from operating activities of \$480-\$490 million, less capital expenditures of ~\$170 million, equates to free cash flow of \$310-\$320 million.

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

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

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

(in thousands)

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

(1)

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(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.

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(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 TAX RATE TO NON-GAAP TAX RATE (UNAUDITED)⁽¹⁾
(in thousands)

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

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- (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 TAX RATE GUIDANCE ⁽¹⁾

	<u>Fiscal Year Ended</u> December 28, 2019E
GAAP Tax Rate	20%-21%
Amortization of intangible assets, acquisition related adjustments, charges related to global efficiency initiatives and other items	~2.5%
Non-GAAP Tax Rate	<hr style="border: 0.5px solid black;"/> 22.5%-23.5% <hr style="border: 0.5px solid black;"/>

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP
SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)⁽¹⁾

(in thousands, except percentages)

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

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

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

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

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

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

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

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

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

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

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