

3Q19 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		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Research Models and Services				
Revenue	\$ 132,546	\$ 126,811	\$ 405,772	\$ 391,195
Operating income	34,385	32,121	103,729	104,893
Operating income as a % of revenue	25.9 %	25.3 %	25.6 %	26.8 %
Add back:				
Amortization related to acquisitions	341	385	1,042	1,202
Severance	381	65	1,106	808
Acquisition related adjustments ⁽²⁾	—	—	2,201	—
Site consolidation costs, impairments and other items	—	238	257	822
Total non-GAAP adjustments to operating income	<u>\$ 722</u>	<u>\$ 688</u>	<u>\$ 4,606</u>	<u>\$ 2,832</u>
Operating income, excluding non-GAAP adjustments	\$ 35,107	\$ 32,809	\$ 108,335	\$ 107,725
Non-GAAP operating income as a % of revenue	26.5 %	25.9 %	26.7 %	27.5 %
Depreciation and amortization	\$ 4,895	\$ 4,811	\$ 14,198	\$ 14,565
Capital expenditures	\$ 5,818	\$ 8,166	\$ 14,979	\$ 18,105
Discovery and Safety Assessment				
Revenue	\$ 420,079	\$ 352,257	\$ 1,179,793	\$ 958,665
Operating income	64,995	62,909	175,214	160,391
Operating income as a % of revenue	15.5 %	17.9 %	14.9 %	16.7 %
Add back:				
Amortization related to acquisitions	21,560	16,204	58,067	39,796
Severance	1,848	30	2,533	973
Acquisition related adjustments ⁽³⁾	4,524	269	8,516	1,466
Site consolidation costs, impairments and other items	(207)	26	(207)	(117)
Total non-GAAP adjustments to operating income	<u>\$ 27,725</u>	<u>\$ 16,529</u>	<u>\$ 68,909</u>	<u>\$ 42,118</u>
Operating income, excluding non-GAAP adjustments	\$ 92,720	\$ 79,438	\$ 244,123	\$ 202,509
Non-GAAP operating income as a % of revenue	22.1 %	22.6 %	20.7 %	21.1 %
Depreciation and amortization	\$ 39,898	\$ 31,433	\$ 111,231	\$ 83,262
Capital expenditures	\$ 21,141	\$ 10,800	\$ 45,130	\$ 34,496
Manufacturing Support				
Revenue	\$ 115,326	\$ 106,227	\$ 344,523	\$ 314,706
Operating income	39,253	33,266	103,893	95,904
Operating income as a % of revenue	34.0 %	31.3 %	30.2 %	30.5 %
Add back:				
Amortization related to acquisitions	2,204	2,217	6,802	6,816
Severance	248	—	549	870
Acquisition related adjustments ⁽³⁾	62	(15)	218	—
Site consolidation costs, impairments and other items	180	—	1,485	159
Total non-GAAP adjustments to operating income	<u>\$ 2,694</u>	<u>\$ 2,202</u>	<u>\$ 9,054</u>	<u>\$ 7,845</u>
Operating income, excluding non-GAAP adjustments	\$ 41,947	\$ 35,468	\$ 112,947	\$ 103,749
Non-GAAP operating income as a % of revenue	36.4 %	33.4 %	32.8 %	33.0 %
Depreciation and amortization	\$ 5,990	\$ 5,709	\$ 17,577	\$ 17,313
Capital expenditures	\$ 6,421	\$ 2,709	\$ 14,299	\$ 12,731

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 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
CONTINUED FROM PREVIOUS SLIDE				
Unallocated Corporate Overhead	\$ (45,831)	\$ (43,934)	\$ (140,474)	\$ (132,287)
Add back:				
Severance	—	4,619	—	5,278
Acquisition related adjustments ⁽³⁾	5,296	1,801	23,188	15,698
Other items ⁽⁴⁾	\$ 379	\$ —	\$ 1,408	\$ —
Total non-GAAP adjustments to operating expense	\$ 5,675	\$ 6,420	\$ 24,596	\$ 20,976
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (40,156)	\$ (37,514)	\$ (115,878)	\$ (111,311)
Total				
Revenue	\$ 667,951	\$ 585,295	\$ 1,930,088	\$ 1,664,566
Operating income	\$ 92,802	\$ 84,362	\$ 242,362	\$ 228,901
Operating income as a % of revenue	13.9 %	14.4 %	12.6 %	13.8 %
Add back:				
Amortization related to acquisitions	24,105	18,806	65,911	47,814
Severance and executive transition costs	2,477	4,714	4,188	7,929
Acquisition related adjustments ⁽²⁾⁽³⁾	9,882	2,055	34,123	17,164
Site consolidation costs, impairments and other items ⁽⁴⁾	352	264	2,943	864
Total non-GAAP adjustments to operating income	\$ 36,816	\$ 25,839	\$ 107,165	\$ 73,771
Operating income, excluding non-GAAP adjustments	\$ 129,618	\$ 110,201	\$ 349,527	\$ 302,672
Non-GAAP operating income as a % of revenue	19.4 %	18.8 %	18.1 %	18.2 %
Depreciation and amortization	\$ 51,758	\$ 43,592	\$ 146,262	\$ 120,198
Capital expenditures	\$ 35,163	\$ 22,439	\$ 76,675	\$ 71,378

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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.
- (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>Nine Months Ended</u>	
	<u>September 28, 2019</u>	<u>September 29, 2018</u>	<u>September 28, 2019</u>	<u>September 29, 2018</u>
Net income attributable to common shareholders	\$ 72,810	\$ 60,368	\$ 171,671	\$ 166,708
Less: Income from discontinued operations, net of income taxes	—	—	—	1,506
Net income from continuing operations attributable to common shareholders	72,810	60,368	171,671	165,202
Add back:				
Non-GAAP adjustments to operating income (Refer to Schedule 4)	36,816	25,839	107,165	73,771
Write-off of deferred financing costs and fees related to debt refinancing	—	—	—	5,060
Venture capital (gains) losses	598	(5,376)	(5,724)	(22,760)
Tax effect of non-GAAP adjustments:				
Tax effect from U.S. Tax Reform ⁽²⁾	—	(2,800)	—	(2,800)
Tax effect from divestiture of CDMO business	—	(1,000)	—	(1,000)
Non-cash tax benefit related to international financing structure ⁽³⁾	(20,368)	—	(20,368)	—
Tax effect of the remaining non-GAAP adjustments	(6,073)	(5,476)	(18,443)	(11,822)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	<u>\$ 83,783</u>	<u>\$ 71,555</u>	<u>\$ 234,301</u>	<u>\$ 205,651</u>
Weighted average shares outstanding - Basic	48,818	48,310	48,682	48,098
Effect of dilutive securities:				
Stock options, restricted stock units, performance share units and restricted stock	897	1,016	945	1,020
Weighted average shares outstanding - Diluted	<u>49,715</u>	<u>49,326</u>	<u>49,627</u>	<u>49,118</u>
Earnings per share from continuing operations attributable to common shareholders				
Basic	\$ 1.49	\$ 1.25	\$ 3.53	\$ 3.43
Diluted	\$ 1.46	\$ 1.22	\$ 3.46	\$ 3.36
Basic, excluding non-GAAP adjustments	\$ 1.72	\$ 1.48	\$ 4.81	\$ 4.28
Diluted, excluding non-GAAP adjustments	\$ 1.69	\$ 1.45	\$ 4.72	\$ 4.19

- (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 is related to the refinement of one-time charges associated with the enactment of U.S. Tax Reform related to the transition tax on unrepatriated earnings (also known as the toll tax), and the revaluation of U.S. federal net deferred tax liabilities.
- (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 LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP REVENUE GROWTH
TO NON-GAAP REVENUE GROWTH, ORGANIC (UNAUDITED) ⁽¹⁾

Three Months Ended September 28, 2019	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	14.1 %	4.5 %	19.3 %	8.6 %
Decrease (increase) due to foreign exchange	1.3 %	1.3 %	1.1 %	2.2 %
Contribution from acquisitions ⁽²⁾	(7.5)%	—%	(12.5)%	(0.2)%
Non-GAAP revenue growth, organic ⁽³⁾	7.9 %	5.8 %	7.9 %	10.6 %
Nine Months Ended September 28, 2019	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	16.0 %	3.7 %	23.1 %	9.5 %
Decrease (increase) due to foreign exchange	1.9 %	2.3 %	1.4 %	3.1 %
Contribution from acquisitions ⁽²⁾	(8.9)%	—%	(15.4)%	(0.2)%
Non-GAAP revenue growth, organic ⁽³⁾	9.0 %	6.0 %	9.1 %	12.4 %

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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 28, 2019E

2019 GUIDANCE	CURRENT	PRIOR
Revenue growth, reported	15.0% - 15.5%	16% - 17%
Less: Contribution from acquisitions (1)	8.5% - 9.0%	8.5% - 9.0%
Add: Negative impact of foreign exchange	1.5% - 2.0%	1.0% - 1.5%
Revenue growth, organic (2)	8.25% - 8.75%	8.5% - 9.5%
GAAP EPS estimate	\$4.65-\$4.75	\$4.65-\$4.80
Amortization of intangible assets (3)	~\$1.35	\$1.35-\$1.40
Charges related to global efficiency initiatives (4)	\$0.20-\$0.25	~\$0.07
Acquisition-related adjustments (5)	\$0.72-\$0.75	\$0.40-\$0.45
Other items (6)	~\$0.05	~\$0.03
Venture capital investment (gains)/losses (7)	(~\$0.08)	(~\$0.09)
Discrete tax benefit (8)	(\$0.41)	--
Non-GAAP EPS estimate	\$6.50 - \$6.60	\$6.45 - \$6.60
Free cash flow (9)	\$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 are partially offset by the net impact of discrete tax benefit items.
- (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. In addition, other items include the write-off of deferred financing costs and fees related to debt financing.
- (7) Venture capital investment performance only includes recognized gains or losses. The Company does not forecast future venture capital investment gains or losses.
- (8) This item includes a non-cash, discrete tax benefit related to the Company's international financing structure. The Company recorded a \$20.4 million deferred tax asset relating to foreign indefinite-lived tax loss carryforwards, which it now expects to utilize in the future.
- (9) The reconciliation of the current 2019 free cash flow guidance is as follows: Cash flow from operating activities of \$450-\$460 million, less capital expenditures of approximately \$140 million, equates to free cash flow of \$310-\$320 million.

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>		<u>Fiscal Year Ended</u>
	<u>September 28,</u> <u>2019</u>	<u>September 29,</u> <u>2018</u>	<u>September 28,</u> <u>2019</u>	<u>September 29,</u> <u>2018</u>	<u>December 28,</u> <u>2019E</u>
Net cash provided by operating activities	\$ 155,847	\$ 117,244	\$ 300,259	\$ 301,167	\$450,000-\$460,000
Less: Capital expenditures	<u>(35,163)</u>	<u>(22,439)</u>	<u>(76,675)</u>	<u>(71,378)</u>	<u>(~140,000)</u>
Free cash flow	<u>\$ 120,684</u>	<u>\$ 94,805</u>	<u>\$ 223,584</u>	<u>\$ 229,789</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>Nine Months Ended</u>	
	<u>September 28, 2019</u>	<u>September 29, 2018</u>	<u>September 28, 2019</u>	<u>September 29, 2018</u>
Income from continuing operations before income taxes & noncontrolling interest	73,235	73,305	198,519	206,633
Add back:				
Amortization related to acquisitions	24,105	18,806	65,911	47,814
Severance and executive transition costs	2,477	4,714	4,188	7,929
Acquisition related adjustments ⁽²⁾⁽³⁾	9,882	2,055	34,123	17,164
Site consolidation costs, impairments and other items ⁽⁴⁾	352	264	2,943	864
Write-off of deferred financing costs and fees related to debt refinancing	—	—	—	5,060
Venture capital (gains) losses	598	(5,376)	(5,724)	(22,760)
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	<u>\$ 110,649</u>	<u>\$ 93,768</u>	<u>\$ 299,960</u>	<u>\$ 262,704</u>
(Benefit) provision for income taxes (GAAP)	(317)	12,403	24,970	39,613
Tax effect from U.S. Tax Reform ⁽⁵⁾	—	2,800	—	2,800
Tax effect from divestiture of CDMO business	—	1,000	—	1,000
Non-cash tax benefit related to international financing structure ⁽⁶⁾	20,368	—	20,368	—
Tax effect of the remaining non-GAAP adjustments	6,073	5,476	18,443	11,822
Provision for income taxes (Non-GAAP)	<u>26,124</u>	<u>21,679</u>	<u>63,781</u>	<u>55,235</u>
Total rate (GAAP)	-0.4%	16.9%	12.6%	19.2%
Total rate, excluding specified charges (Non-GAAP)	23.6%	23.1%	21.3%	21.0%

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- (2) This amount includes 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.
- (5) This adjustment is related to the refinement of one-time charges associated with the enactment of U.S. Tax Reform related to the transition tax on unrepatriated earnings (also known as the toll tax), and the revaluation of U.S. federal net deferred tax liabilities.
- (6) 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 TAX RATE TO NON-GAAP TAX RATE (UNAUDITED)⁽¹⁾
(in thousands)

	Three Months Ended
	June 29, 2019
Income from continuing operations before income taxes & noncontrolling interest	\$ 58,994
Add back:	
Amortization related to acquisitions	22,395
Severance and executive transition costs	1,311
Acquisition related adjustments ⁽²⁾⁽³⁾	16,515
Site consolidation costs, impairments and other items ⁽⁴⁾	1,402
Write-off of deferred financing costs and fees related to debt refinancing	-
Venture capital (gains) losses	4,254
 Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	 \$ 104,871
 Provision for income taxes (GAAP)	 \$ 14,685
Tax effect of non-GAAP adjustments	8,491
Provision for income taxes (Non-GAAP)	\$ 23,176
 Total rate (GAAP)	 24.9%
Total rate, excluding specified charges (Non-GAAP)	22.1%

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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 TO NON-GAAP TAX RATE GUIDANCE ⁽¹⁾

	<u>Fiscal Year Ended</u> December 28, 2019E
GAAP Tax Rate	16.0%-17.0%
Non-cash discrete tax benefit related to international financing structure	7.2%
Amortization of intangible assets, acquisition related adjustments, charges related to global efficiency initiatives and other items	(~1.2%)
Non-GAAP Tax Rate	22.0%-23.0%

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

	Three Months Ended
	June 29, 2019
Unallocated Corporate Overhead	\$ (48,399)
Add back:	
Acquisition related adjustments ⁽²⁾	12,470
Other items ⁽³⁾	1,029
Total non-GAAP adjustments to operating expense	\$ 13,499
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (34,900)

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- (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		
	September 28, 2019	June 29, 2019	September 29, 2018
GAAP Interest expense, net	\$ 5,313	\$ 20,561	\$ 16,967
Non-GAAP Interest expense, net	\$ 5,313	\$ 20,561	\$ 16,967
Adjustments for foreign exchange forward contract and related interest expense ⁽²⁾	12,087	(3,713)	—
Adjusted Interest expense, net	\$ 17,400	\$ 16,848	\$ 16,967

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⁽²⁾ Amounts reported in total adjusted interest expense include \$14.3 million gain on a forward contract and \$1.8 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)

	September 28, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013
<u>DEBT (2):</u>							
Total Debt & Capital Leases	\$ 1,916,204	\$ 1,668,014	\$ 1,145,104	\$ 1,235,009	\$ 863,031	\$ 777,863	\$ 663,789
Plus: Other adjustments per credit agreement	\$ 692	\$ 3,033	\$ 298	\$ 3,621	\$ 1,370	\$ 2,828	\$ 9,787
Total Indebtedness per credit agreement	\$ 1,916,896	\$ 1,671,047	\$ 1,145,402	\$ 1,238,630	\$ 864,401	\$ 780,691	\$ 673,576
Less: Cash and cash equivalents	(165,614)	(195,442)	(163,794)	(117,626)	(117,947)	(160,023)	(155,927)
Net Debt	<u>\$ 1,751,282</u>	<u>\$ 1,475,605</u>	<u>\$ 981,608</u>	<u>\$ 1,121,004</u>	<u>\$ 746,454</u>	<u>\$ 620,668</u>	<u>\$ 517,649</u>
<u>ADJUSTED EBITDA (2):</u>							
Net income attributable to common shareholders	\$ 231,337	\$ 226,373	\$ 123,355	\$ 154,765	\$ 149,313	\$ 126,698	\$ 102,828
Adjustments:							
Less: Aggregate non-cash amount of nonrecurring gains	(207)	—	—	(685)	(9,878)	(2,048)	—
Plus: Interest expense	76,405	65,258	29,777	27,709	15,072	11,950	20,969
Plus: Provision for income taxes	39,821	54,996	171,369	66,835	43,391	46,685	32,142
Plus: Depreciation and amortization	187,843	161,779	131,159	126,658	94,881	96,445	96,636
Plus: Non-cash nonrecurring losses	76	559	17,716	6,792	10,427	1,615	4,202
Plus: Non-cash stock-based compensation	54,867	47,346	44,003	43,642	40,122	31,035	24,542
Plus: Permitted acquisition-related costs	31,886	19,181	6,687	22,653	13,451	6,285	1,752
Plus: Pro forma EBITDA adjustments for permitted acquisitions	24,773	15,648	690	18,573	9,199	10,787	—
Adjusted EBITDA (per the calculation defined in compliance certificates)	<u>\$ 646,799</u>	<u>\$ 591,140</u>	<u>\$ 524,756</u>	<u>\$ 466,942</u>	<u>\$ 365,978</u>	<u>\$ 329,452</u>	<u>\$ 283,071</u>
<u>LEVERAGE RATIO:</u>							
Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA)	2.96x	2.83x	2.2x	2.7x	2.4x	2.4x	2.4x
Net leverage ratio (net debt divided by adjusted EBITDA)	2.7x	2.5x	1.9x	2.4x	2.0x	1.9x	1.8x

(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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