

# Charles River Laboratories 3Q 2024 Results

November 6, 2024



# Safe Harbor

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 our expectations with respect to our projected future financial performance (including without limitation revenue and revenue growth rates, revenue growth drivers, operating income and margin, earnings per share, capital expenditures, operating and free cash flow, interest expense, interest rates, effective tax rate and tax benefits, foreign exchange rates, volume growth, corporate expenses and costs, profitability, and leverage ratios) whether reported, constant currency, organic, and/or factoring acquisitions, with respect to Charles River as a whole and/or any of our reporting or operating segments or business units, including with respect to our CDMO business; our ability to gain market share and capitalize on business opportunities; the impact and timing of our restructuring initiatives, including annualized and net savings and restructuring charges; the assumptions that form the basis for our revised annual guidance; our ability to achieve our financial goals; the timing and impact of our stock repurchase authorization; the impact and timing of specific actions intended to cause improvements to specific reporting or operating segments or business units, including actions to streamline our cost structure, optimize our global footprint, and drive greater operating efficiency, including our plan to further integrate our global discovery and safety assessment operating structure, and expected site closures and consolidations; our expectations with respect to the impact of external interest rate fluctuations; estimated diluted shares outstanding; the expected performance of our venture capital and other strategic investments; client demand, including trends and the future demand for drug discovery, development, and CDMO products and services, and our intentions to expand those businesses, including our investments in our portfolio; the impact of demand trends on infrastructure reinvestment; our expectations with respect to study volume; our expectations with respect to the timing and impact of product placements, the impact of foreign exchange; our expectations with respect to our booking activities and cancellation rate and the impact of such cancellations; the impact of potential changes in Federal Reserve interest rates; our expectations regarding our expected acquisition and divestiture activity, and debt repayment; the development and performance of our services and products; expectations with respect to pricing and scheduling of our products and services; market and industry conditions, including industry consolidation and the Company’s share of any market it participates in; outsourcing of services and identification and impact of spending and scheduling trends by our clients and funding available to them; non-human primate (NHP) supply and the impact related investigations by the U.S. Securities and Exchange Commission and Department of Justice, including but not limited to the impact on our projected future financial performance and study starts; our ability to cooperate fully with the U.S. government; the timing to develop and implement and provide additional disclosure regarding new procedures regarding importation of NHPs, including procedures to reasonably ensure that NHPs imported to the United States are purpose-bred; our expectations regarding the availability of NHPs, including the number of NHPs utilized in our studies; our expectations with respect to the adoption of animal alternatives; our ability to effectively manage constraints on NHP supply, including but not limited to as affected by our voluntary suspension of planned future shipments of NHPs from Cambodia, including expectations with respect to the amount of NHP-related work will be conducted in the U.S., any progress with regard to additional mitigation efforts, and the timing of shipments of NHPs from countries other than Cambodia; the impact of timing of NHP shipments; the potential outcome of, and impact to, our business and financial operations due to litigation and legal proceedings and tax law changes; our business strategy, including with respect to capital deployment and facilities expansion; our success in identifying, consummating, and integrating, and the impact of our acquisitions and divestitures, including the Noveprim acquisition, on the Company, our financial results, our service offerings, client perception, strategic relationships, earnings, and synergies; our ability to differentiate from the competition; our expectations regarding the financial performance of the companies we have acquired; our strategic agreements with our clients and opportunities for future similar arrangements; our ability to obtain new clients in targeted market segments and/or to predict which client segments will be future growth drivers; the impact of our investments in specified business lines, products, sites and geographies, including the impact of our virtual power purchase agreements; our ability to meet economic challenges; and Charles River’s future performance as otherwise delineated in our forward-looking guidance.

Forward-looking statements are based on Charles River’s current expectations and beliefs, and involve a number of risks and uncertainties that are difficult to predict and that could cause actual results to differ materially from those stated or implied by the forward-looking statements. Those risks and uncertainties include, but are not limited to: NHP supply constraints and the investigations by the U.S. Department of Justice, including the impact on our projected future financial performance, the timing of the resumption of Cambodia NHP imports, and our ability to manage supply impact; changes and uncertainties in the global economy and financial markets, including any changes in business, political, or economic conditions due to the November 16, 2022 announcement by the U.S. Department of Justice through the U.S. Attorney’s Office for the Southern District of Florida that a Cambodian NHP supplier and two Cambodian officials had been criminally charged in connection with illegally importing NHPs into the United States; the ability to successfully integrate businesses we acquire, including Noveprim; the balance of our financial outlook; 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 leverage and convert backlog to revenue; special interest groups; contaminations; industry trends; new displacement technologies; USDA and FDA regulations; changes in law; continued availability of products and supplies; loss of key personnel; interest rate and foreign currency exchange rate fluctuations; changes in tax regulation and laws; changes in generally accepted accounting principles; and any changes in business, political, or economic conditions due to the threat of future terrorist activity in the U.S. and other parts of the world, and related U.S. military action overseas. A further description of these risks, uncertainties, and other matters can be found in the Risk Factors detailed in Charles River’s Annual Report on Form 10-K as filed on February 14, 2024, 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](http://ir.criver.com).

# 3Q24 Financial Performance Exceeded Our Outlook

- Biopharma demand environment remains challenging but consistent with trends discussed on last quarter's call
- Revenue from small and mid-sized biotech clients was stable compared to 2Q24
- Forward-looking demand indicators for biotech clients continued to trend more favorably vs. 2023
  - Leading to our belief that the biotech demand environment will continue to recover
    - But at a more gradual pace than anticipated at the beginning of the year
  - Had already seen more favorable biotech funding translate to higher DSA bookings earlier this year and subsequently, incremental revenue for this client base
  - There are still puts and takes in terms of funding environment and interest rate sentiment that keep our outlook appropriately measured
- Revenue from global biopharma clients declined in 3Q24 both sequentially and YOY, after slightly increasing in 1H24
  - Expected due to tighter budgets and accelerated pipeline reprioritization activities this year in conjunction with major restructuring actions implemented by many large clients within the past 6-12 months, and some clients more recently
  - Believe recent restructuring actions further validate our commentary last quarter; however, forward-looking demand trends did not show signs of further deterioration in 3Q24 and improved from 2Q24 levels
  - Coupled with numerous discussion with clients, leads us to believe we have correctly called the near-term demand outlook for the global biopharma client base

# Forward-Looking Demand Indicators Stable

- Overall, these trends translated into slight, sequential improvement in the forward-looking demand indicators for the Safety Assessment business in 3Q24
  - Including improvements in net book-to-bill and the cancellation rate
- Important because it supports our belief that we appropriately reset our financial guidance for 2024 in August
- Net book-to-bill remains below 1x, so too early to assume when a recovery will occur, but pleased that demand environment does not appear to have further deteriorated
- Also too early to provide any specific commentary on 2025 guidance, but expect current trends will persist into 2025 and continue to pressure YOY growth rates
  - Particularly true for DSA, as we anticipate continued headwinds based on current pricing environment and until we anniversary step down of global biopharma demand that has occurred during 2H24

# Taking Decisive Action to Right-Size Infrastructure

- As discussed in August, taking decisive action to manage CRL through current demand environment, including appropriately right-sizing infrastructure
- Committed to initiatives to generate more revenue, contain costs, and protect shareholder value
- As outlined last quarter—and to ensure future success—focused on taking strategic actions in three areas:
  - Restructuring initiatives to manage costs and generate efficiency by reducing staffing levels to align with pace of demand, as well as evaluating global footprint to optimize, consolidate, and simplify operations
  - Focusing on commercial enhancements to promote a client-centric focus and gain additional market share. Goal is to enhance client experience and reinforce our role as a flexible and responsive partner to clients, including through leveraging technology such as Apollo™ platform and RMS e-commerce initiatives
  - Continuing to evaluate strategies to take additional costs out and to drive efficiency. Working on initiatives to further transform how we operate, ranging from continuing to better leverage technology, to adopting a global business service model to streamline processes, as well as generating greater procurement savings

# Update on Restructuring Initiatives

- Restructuring initiatives implemented to aggressively manage cost structure are already generating significant savings
- Headcount reduction
  - As planned, continued to further reduce staffing levels in 3Q24
  - Initiatives implemented since late 2023 have reduced total headcount by >6%
  - Imperative in this environment to keep staff well utilized in order to protect operating margin, which is our goal
- Global footprint optimization
  - Have undertaken a comprehensive review of global footprint
  - To provide context, built many of our businesses through acquisition, accumulating >150 sites at peak
  - Periodically consolidated or divested smaller sites over past several years to manage global infrastructure, including the consolidation of 7 small sites within the past year

# Update on Restructuring Initiatives, cont.

- Global footprint optimization efforts are focused on consolidating capacity that is no longer needed, and in many cases, transitioning services and clients to other larger sites
- Taking a client-centric approach towards these actions with goal of serving clients more efficiently and seamlessly in order to capture synergies and savings that extend beyond the facility costs
- Through optimization initiatives, have already begun to implement a process to close or consolidate ~15 smaller sites
  - Principally focused on DSA and RMS segments
- By the time the global footprint optimization program is completed in 2026, expect it will generate an incremental ~\$40M in annualized net savings through elimination of overhead and facility costs, as well as by reducing headcount
  - View these as durable savings because we do not believe reinvestment in similar infrastructure will be required when demand improves
- Footprint optimization efforts will enhance the efficiencies and economies of scale in our global infrastructure, leading to a more disciplined operating model

# Update on Restructuring Initiatives, cont.

	2024	2025	2026
Realized, Cumulative Cost Savings	~\$100M	>\$150M	~\$200M

- In total, restructuring initiatives implemented since late 2023 (including headcount reductions and global footprint optimization efforts) expected to generate ~\$200M in cumulative, annualized cost savings
  - Eliminating >5% of cost structure
- Approximately half of annualized cost savings will be realized in 2024, and at least \$150M in total will be realized in 2025



# Capital Allocation Update

- Pleased to report record quarterly free cash flow generation of over \$200M in 3Q24
- Strong cash generation is a long-term hallmark of CRL
- Coupled with moderating capital intensity of our business and lower debt, enabled us to reevaluate and rebalance capital priorities to include modest stock repurchases this year
  - Repurchased ~\$100M in common stock in 3Q24
- Collective efforts—from restructuring to capital allocation—aimed at CRL emerging as:
  - A leaner, more efficient organization when demand returns
  - A stronger partner to our clients
  - Better positioned to capture new business opportunities
  - Able to protect and ultimately enhance shareholder value

# 3Q24 Revenue

(\$ in millions, except per share amounts)	3Q24	3Q23	YOY Δ
Revenue, reported	\$1,009.8	\$1,026.6	(1.6)%
(Increase)/decrease due to FX			(0.4)%
Contribution from acquisitions			(0.9)%
Impact of divestitures			<u>0.2%</u>
Revenue growth, organic			(2.7)%

- As anticipated, 3Q24 organic revenue decline driven by DSA, partially offset by low-double-digit growth in Manufacturing and slightly higher RMS revenue
- By client segment, 3Q24 revenue declined YOY for both small and mid-sized biotechs and global biopharma
  - Revenue from biotech clients was stable sequentially

## 3Q24 Operating Margin

	3Q24	3Q23	YOY Δ
GAAP OM%	11.6%	14.8%	(320) bps
Non-GAAP OM%	19.9%	20.5%	(60) bps

- 3Q24 non-GAAP operating margin improved in each of our three business segments, due in part to benefit of cost savings
- However, higher unallocated corporate costs resulted in consolidated non-GAAP operating margin decline

## 3Q24 EPS

	3Q24	3Q23	YOY Δ
GAAP EPS	\$1.33	\$1.69	(21.3)%
Non-GAAP EPS	\$2.59	\$2.72	(4.8)%

- 3Q24 non-GAAP EPS decline reflected lower revenue and operating margin
- Despite decline, exceeded outlook provided in August
  - Due primarily to better-than-expected top-line performance, particularly in the DSA segment

# 2024 Updated Guidance

	REVISED	PRIOR
Revenue growth/(decrease), reported	(3.0)%-(2.0)%	(4.5)%-(2.5)%
Impact of divestitures/(acquisitions), net	~(0.5)%	~(0.5)%
(Increase)/decrease due to FX	<u>~(0.5)%</u>	---
Revenue growth/(decrease), organic	(4.0)%-(3.0)%	(5.0)%-(3.0)%
GAAP EPS estimate	\$5.30-\$5.50	\$5.65-\$5.95
Acquisition-related amortization	~\$2.50	~\$2.75
Acquisition and integration-related adjustments	~\$0.35	~\$0.20
Costs associated with restructuring actions	~\$1.50	~\$1.00
Certain venture capital and strategic investment losses/(gains), net	(\$0.17)	(\$0.14)
Incremental dividends related to Noveprim	\$0.25-\$0.35	~\$0.25
Other items	<u>~\$0.35</u>	<u>~\$0.20</u>
Non-GAAP EPS estimate	\$10.10-\$10.30	\$9.90-\$10.20

## Updated 2024 Guidance, cont.

- Narrowing and slightly raising full-year guidance for revenue and non-GAAP EPS from midpoint of previous ranges to reflect 3Q24 performance
  - Revenue outlook to a 3% - 4% decrease on an organic basis
  - Non-GAAP EPS to range of \$10.10 - \$10.30
- While we are never pleased with declining revenue, financial outlook already demonstrates that we are beginning to see benefits of disciplined management of our cost structure

# DSA Results – Revenue

(\$ in millions)	3Q24	3Q23	YOY Δ
Revenue, reported	\$615.1	\$664.0	(7.4)%
(Increase)/decrease due to FX			(0.3)%
Impact of divestitures			<u>0.3%</u>
Revenue growth, organic			(7.4)%

- 3Q24 revenue decline driven by lower sales volume in both Discovery Services and Safety Assessment businesses
- DSA revenue modestly exceeded our prior outlook of 10% decline in 2H24 because global biopharma demand trends held up better than expected
- Now believe DSA segment revenue will decline at a high-single-digit rate organically in 2H24, consistent with our full-year outlook

# DSA Results – Safety Assessment (SA)

- Revenue decrease primarily driven by lower study volume
- Pricing was essentially flat YOY and is expected to turn slightly lower in 4Q24, consistent with our previous expectations
- From our perspective, SA pricing environment (or spot market for new proposals) has not changed materially for most of 2024
- Pleased that gross bookings and cancellations improved from 2Q24 levels, resulting in improvement in net book-to-bill ratio to most favorable level since 1Q23
- As mentioned earlier, these forward-looking indicators for global biopharma rebounded in 3Q24, which reassured us that demand environment was not further deteriorating
- In addition, biotech trends remained stable in 3Q24, and overall, forward-looking demand KPIs for this client base remain more favorable in 2024 than last year



## DSA Results – Safety Assessment (SA), cont.

- Headwinds still exist, ranging from net book-to-bill remaining below 1x to pricing and the overhang from our clients' major restructuring efforts
- Therefore, continue to take a cautious view with respect to near-term outlook for SA until sustained demand trends are more supportive of a return to revenue growth
- DSA backlog decreased just slightly on a sequential basis, to \$2.12B at end of 3Q24, from \$2.16B at end of 2Q24

# Global DSA Integration Efforts

- Working to further integrate the global discovery and safety assessment operating structure into “One DSA” over the next year
- For last two years, global DSA operations have been managed by Shannon Parisotto (EVP, Global DSA)
- During this time, Shannon has comprehensively evaluated strengths and opportunities that exist within the businesses, focused on enhancing its future vision
- In concert with senior management, has developed a plan that we believe will unlock greater synergies and ultimately make us a stronger and even more responsive partner for clients
  - Many changes will be subtle both internally and from a client perspective
- Focused on a combined salesforce and leadership approach, integrated scientific programming, and a more seamless client experience as their programs transition from discovery to early development
- Insights already gained from migrating towards this model have influenced global footprint optimization plans, including consolidation of several smaller sites and transitioning services to other DSA locations

# DSA Results – Operating Margin

	3Q24	3Q23	YOY Δ
DSA GAAP OM%	20.6%	22.1%	(150) bps
DSA Non-GAAP OM%	27.4%	27.2%	20 bps

- YOY and sequential non-GAAP operating margin improvements driven by increasing benefits from cost-saving actions we have implemented

# RMS Results – Revenue

(\$ in millions)	3Q24	3Q23	YOY Δ
Revenue, reported	\$197.8	\$186.8	5.9%
(Increase)/decrease due to FX			(0.4)%
Contribution from acquisitions			<u>(4.9)%</u>
Revenue growth, organic			0.6%

- Revenue increase primarily driven by benefit of higher pricing and small model sales volume in China, largely offset by lower revenue for research model services and Cell Solutions

# RMS Results – Research Models

- As has been the case all year, small model revenue in North America and Europe driven by higher pricing
- Unit volume for small models has declined in conjunction with:
  - Large pharma restructuring activities that have led to spending cuts and reduction in research staff
  - Funding environment has resulted in slowdown in new biotech company creation
- These trends had largely been reflected in our original outlook for the year
- We also continue to realize price increases because small models are essential, low-cost tools for drug research
- China business continues to perform well despite macroeconomic pressures in country, primarily driven by share gains associated with our geographic expansions

# RMS Results – Research Model Services

- Research Model Services experienced a modest revenue decline in 3Q24, including our CRADL™ operations
  - Largely reflecting the overall biopharma demand environment
- While CRADL®'s business model continues to resonate with clients, it experienced lower occupancy as clients selectively narrowed room utilization to cut costs in 3Q24
- GEMS has been modestly affected by similar slowdown in client demand
- As part of footprint optimization efforts, in the process of consolidating several CRADL® sites
- Have also consolidated Cell Solutions operations at its largest site in California
- Existing demand trends are expected to result in essentially flat RMS organic revenue in 2024

# RMS Results – Operating Margin

	3Q24	3Q23	YOY Δ
RMS GAAP OM%	13.9%	15.2%	(130) bps
RMS Non-GAAP OM%	21.0%	18.9%	210 bps

- 3Q24 non-GAAP operating margin improvement was primarily due to higher pricing, favorable revenue mix related to Noveprim, and benefit of cost-saving actions

# Manufacturing Results – Revenue

(\$ in millions)	3Q24	3Q23	YOY Δ
Revenue, reported	\$196.9	\$175.7	12.0%
(Increase)/decrease due to FX			<u>(0.2)%</u>
Revenue growth, organic			11.8%

- Each of segment’s businesses contributed to robust revenue growth
- Given continued strong performance, raising the segment’s full-year revenue outlook to high-single digit organic growth from prior outlook of mid-to high-single-digit growth
- CDMO business led Manufacturing growth with a robust quarter, particularly for cell therapy
  - Client interest and booking activity remained strong in 3Q24
  - CDMO business remains on track to have another solid year in 2024



# Manufacturing Results – Biologics Testing

- Biologics Testing business continued to perform well, driven by demand for core testing activities
  - Including cell banking, viral clearance, and viral safety testing
- Also pleased that synergies between CDMO and Biologics Testing continue to strengthen
  - It is critical to provide analytical testing capabilities to expedite production process for clients' cell and gene therapies
- More than half of our CDMO clients now utilize our Biologics Testing capabilities, which is testament to synergies between these businesses

# Manufacturing Results – Microbial Solutions

- Microbial Solutions had a strong quarter, driven primarily by demand for Endosafe® testing consumables, as well as improving instrument placements
- Believe 3Q24 performance demonstrated that demand for Microbial products has rebounded from pressures last year which resulted from client destocking activity and tighter budgets in the drug manufacturing sector
- Belief was supported by placement of 7 larger, automated systems (Endosafe® NEXUS™ platform) during 3Q24 and similar number of placements is expected in 4Q24
- In addition to the fact that these high-throughput systems are expected to drive meaningful, incremental cartridge use, we view installation of these new systems as further evidence that both existing and new clients are utilizing our comprehensive, rapid manufacturing quality-control testing solutions to enhance their product release testing speed and efficiency

# Manufacturing Results – Operating Margin

	3Q24	3Q23	YOY Δ
Manufacturing GAAP OM%	20.4%	15.0%	540 bps
Manufacturing Non-GAAP OM%	28.7%	24.5%	420 bps

- 3Q24 non-GAAP operating margin improvement largely a result of leverage from higher sales volume across each of segment's businesses

# Conclusion

- Continuing to navigate through this challenging period by:
  - Remaining laser focused on our strategy
  - Aggressively managing our cost structure
  - Enhancing our clients' experiences to gain additional share
  - Protecting shareholder value
- CRL has always distinguished the Company through exquisite science and preclinical focus, extending our leading position as our clients' preferred, global, non-clinical drug development partner
- Have navigated challenges before and expect to emerge from this period as a stronger, leaner, and more profitable company, and an even more responsive partner for our clients

# 3Q24 Results

(\$ in millions, except per share amounts)	3Q24	3Q23	YOY $\Delta$	Organic $\Delta$
Revenue	\$1,009.8	\$1,026.6	(1.6)%	(2.7)%
GAAP OM%	11.6%	14.8%	(320) bps	
Non-GAAP OM%	19.9%	20.5%	(60) bps	
GAAP EPS	\$1.33	\$1.69	(21.3)%	
Non-GAAP EPS	\$2.59	\$2.72	(4.8)%	

- 3Q24 organic revenue decrease was better than prior outlook of a mid-single digit decline
- Non-GAAP EPS was favorable to prior outlook of a low-double-digit decline
- Outperformance was largely driven by better-than-expected DSA results

# 2024 Guidance

	2024 Guidance
Revenue growth/(decrease), reported	(3.0)%-(2.0)%
Revenue growth/(decrease), organic	(4.0)%-(3.0)%
GAAP EPS	\$5.30-\$5.50
Non-GAAP EPS	\$10.10-\$10.30

- Narrowed and slightly raised full year revenue and EPS guidance to reflect the stronger third-quarter performance

# 2024 Segment Revenue & Operating Margin Outlook

	2024 Reported Revenue Growth	2024 Organic Revenue Growth <sup>(1)</sup>
RMS	Low- to mid-single-digit growth	Approximately flat
DSA	Favorable end of high-single-digit decline	Favorable end of high-single-digit decline
Manufacturing	High-single-digit growth	High-single-digit growth
Consolidated	(3.0)%-(2.0%) decline	(4.0)%-(3.0)% decline

- Revenue outlooks (organic) for each segment are either narrowed or unchanged
- Consolidated operating margin outlook (non-GAAP) is also unchanged
  - Slightly below last year's level as cost savings and lower performance-based bonus accruals will nearly offset the revenue shortfall at the margin level in 2024

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

# Highlighting Three Key Updates from 3Q24

- Additional savings from restructuring initiatives
- Re-initiation of stock repurchases
- Strong free cash flow generation



# Restructuring Initiatives

- As mentioned in August, we have begun to implement additional restructuring initiatives to deliver further cost savings to help preserve the bottom line
  - This will result in the consolidation of ~15 smaller sites, primarily in the DSA and RMS segments
  - Most of these actions have already started
- Planning a sale-and-leaseback arrangement for our Wilmington RMS and corporate campus
  - Will reduce fixed costs and improve efficiencies
  - Will enable us to continue to operate at the Wilmington site
- Expect footprint optimization efforts will be completed in 2026 and generate ~\$40M in incremental, net savings

# Restructuring Initiatives, cont.

- Inclusive of actions taken since late 2023, successfully identified annualized savings of ~\$200M
  - ~\$100M will be realized this year
  - \$50M in each of the next two years to achieve the full run rate in 2026 (to reach the total of ~\$200M that will be fully realized in 2026)
- Expect to incur ~\$100M of restructuring charges from footprint optimization efforts, associated with site consolidation and transition costs, lease impairments, severance, and related items
  - A portion of the cash charges will be offset by expected cash proceeds from the sale of real estate
  - Excluded from our non-GAAP results
  - Majority of charges will be recorded in 2025
- By taking actions now, we are positioning the Company for future profitable growth utilizing a more scalable footprint

# Stock Repurchase Program

- Board recently approved a new stock repurchase authorization of \$1B
- Commenced stock repurchases under the new authorization in August
  - Repurchased a total of 500,000 shares for \$100.7M
  - Achieved our goal to offset annual share count dilution from equity awards for this year
- Company will regularly re-evaluate the best uses of capital inclusive of stock repurchases, debt repayment, and strategic M&A to accelerate growth and maximize shareholder value

# Cash Flow

(\$ in millions)	3Q24	3Q23	FY 2024 GUIDANCE
Free cash flow (FCF)	\$213.1	\$139.5	>\$450
Capex	\$38.7	\$65.9	\$220-\$240
Depreciation <sup>(1)</sup>	\$48.5	\$44.6	\$190-\$195
Amortization <sup>(1)</sup>	\$39.7	\$34.3	~\$160

- Achieved record quarterly free cash flow
- Improvement driven by disciplined working capital management and lower capex

(1) Amortization includes all amortization and inventory step-up items, including amortization of intangible assets, amortization of inventory fair value adjustments included in cost of products sold or costs of services provided, and amortization of biological assets principally related to the Noveprim acquisition. See [ir.criver.com](http://ir.criver.com) for reconciliations of GAAP to Non-GAAP results

# Unallocated Corporate Expenses

(\$ in millions)	3Q24	2Q24	3Q23
GAAP	\$76.8	\$53.9	\$49.9
Non-GAAP	\$66.2	\$50.5	\$48.0

- 3Q24 non-GAAP increase to 6.6% of revenue (from 4.7% in 3Q23) primarily due to higher health and fringe-related costs and absence of benefits from virtual power purchase agreements (vPPAs) that were recognized in the prior year
- Expect 2024 non-GAAP unallocated corporate costs to be slightly above the mid-5% range as a percent of revenue

# Tax Rate

(\$ in millions)	3Q24	2Q24	3Q23
GAAP	23.0%	21.2%	22.0%
Non-GAAP	21.3%	21.1%	21.6%

- Decrease in non-GAAP tax rate YOY was primarily due to favorable geographic earnings mix
- Now expect 2024 non-GAAP tax rate will be in a range of 21.5%-22.0%

# Net Interest Expense

(\$ in millions)	3Q24	2Q24	3Q23
Interest expense, net	\$28.8	\$29.8	\$32.4

- Net interest expense represented both a sequential and YOY decline
- Reductions are primarily the result of shifting debt to lower-interest-rate geographies and continued debt repayment
- Expect net interest expense will be at the lower end of our prior outlook of \$118M – \$122M

# Effective Capital Management

- We are pleased with the effectiveness of our capital management activities
- Lowered net interest expense by repaying over \$300M in debt this year
  - Brought gross leverage ratio to 2.25x and net leverage ratio to 2.2x at the end of 3Q24
- Ability to repay debt while absorbing ~\$100M to re-initiate stock repurchases in August
- As a reminder, entered into \$500M fixed interest rate swap two years ago that has proven to be economically advantageous
  - >85% of \$2.3B debt at end of 3Q24 was at a fixed rate, including swap that expires in November



# 2024 Guidance Summary

	GAAP	Non-GAAP
Revenue growth/(decrease)	(3.0)%-(2.0%) reported	(4.0)%-(3.0)% organic <sup>(1)</sup>
Unallocated corporate	~6% of revenue	Slightly above mid-5% of revenue
Operating margin	Below 2023	Slightly below 2023
Net interest expense	Lower end of \$118M-\$122M	Lower end of \$118M-\$122M
Tax rate	22.0% – 22.5%	21.5% – 22.0%
EPS	\$5.30-\$5.50	\$10.10-\$10.30
Cash flow	Operating cash flow \$670M-\$690M	Free cash flow >\$450M
Capital expenditures	\$220M-\$240M	\$220M-\$240M

(1) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, divestitures, and foreign currency translation

See [ir.criver.com](http://ir.criver.com) for reconciliations of GAAP to Non-GAAP results

# 4Q24 Outlook

	4Q24 Outlook
Reported revenue YOY	Low to-mid-single-digit decline
Organic revenue YOY	Low to-mid-single-digit decline
Non-GAAP EPS	\$2.45 - \$2.65

- 4Q24 outlook is effectively embedded in FY 2024 guidance
- May be quarterly variability in RMS results due to timing of NHP shipments
- Manufacturing segment's growth rate is expected to moderate from strong, low-double-digit performance in 3Q24 due primarily to the timing of CDMO projects

# Closing Remarks

- Looking ahead to 2025, we continue to expect the current trends will persist largely due to:
  - Global biopharmaceutical clients' ongoing restructuring programs
  - Continued, gradual recovery in biotech growth
- As a reminder, we plan to provide our 2025 outlook when we report year-end financial results in February, which is our standard practice
- Pleased with 3Q24 performance in this challenging environment
- We are focused on being well positioned to drive growth when the market rebounds
- Our unwavering commitment to continuing to deliver high-quality, scientific solutions to our clients as we transform into a leaner, more agile organization is a testament to our Company's strength and resilience

# 3Q24

## Regulation G Financial Reconciliations & Appendix



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

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
<b>Research Models and Services</b>				
Revenue	\$ 197,824	\$ 186,848	\$ 625,120	\$ 596,562
Operating income	27,544	28,326	100,641	117,653
Operating income as a % of revenue	13.9 %	15.2 %	16.1 %	19.7 %
Add back:				
Amortization related to acquisitions	9,086	5,398	26,731	16,383
Acquisition and integration-related adjustments <sup>(2)</sup>	—	604	337	2,431
Severance	2,651	965	3,685	965
Site consolidation and impairment charges	2,318	—	18,892	—
Total non-GAAP adjustments to operating income	<u>\$ 14,055</u>	<u>\$ 6,967</u>	<u>\$ 49,645</u>	<u>\$ 19,779</u>
Operating income, excluding non-GAAP adjustments	\$ 41,599	\$ 35,293	\$ 150,286	\$ 137,432
Non-GAAP operating income as a % of revenue	21.0 %	18.9 %	24.0 %	23.0 %
Depreciation and amortization	\$ 18,389	\$ 13,872	\$ 53,050	\$ 41,310
Capital expenditures	\$ 7,186	\$ 9,192	\$ 36,543	\$ 35,769
<b>Discovery and Safety Assessment</b>				
Revenue	\$ 615,060	\$ 664,028	\$ 1,847,931	\$ 1,989,838
Operating income	126,436	146,819	379,651	479,788
Operating income as a % of revenue	20.6 %	22.1 %	20.5 %	24.1 %
Add back:				
Amortization related to acquisitions	19,818	17,749	58,712	52,980
Acquisition and integration-related adjustments <sup>(2)</sup>	1,714	630	7,497	3,233
Severance	12,550	2,001	20,463	2,001
Site consolidation and impairment charges	1,324	11,219	3,668	11,219
Third-party legal costs <sup>(3)</sup>	6,713	2,099	11,014	6,396
Total non-GAAP adjustments to operating income	<u>\$ 42,119</u>	<u>\$ 33,698</u>	<u>\$ 101,354</u>	<u>\$ 75,829</u>
Operating income, excluding non-GAAP adjustments	\$ 168,555	\$ 180,517	\$ 481,005	\$ 555,617
Non-GAAP operating income as a % of revenue	27.4 %	27.2 %	26.0 %	27.9 %
Depreciation and amortization	\$ 47,751	\$ 44,088	\$ 141,269	\$ 129,662
Capital expenditures	\$ 22,773	\$ 41,967	\$ 91,176	\$ 155,477
<b>Manufacturing Solutions</b>				
Revenue	\$ 196,879	\$ 175,747	\$ 574,389	\$ 529,533
Operating income	40,188	26,275	111,099	52,784
Operating income as a % of revenue	20.4 %	15.0 %	19.3 %	10.0 %
Add back:				
Amortization related to acquisitions	10,802	11,164	32,363	34,310
Acquisition and integration-related adjustments <sup>(2)</sup>	143	3,279	1,386	6,290
Severance	4,892	612	8,086	4,045
Site consolidation and impairment charges	502	364	1,592	3,118
Third-party legal costs <sup>(3)</sup>	—	1,336	—	8,194
Total non-GAAP adjustments to operating income	<u>\$ 16,339</u>	<u>\$ 16,755</u>	<u>\$ 43,427</u>	<u>\$ 55,957</u>
Operating income, excluding non-GAAP adjustments	\$ 56,527	\$ 43,030	\$ 154,526	\$ 108,741
Non-GAAP operating income as a % of revenue	28.7 %	24.5 %	26.9 %	20.5 %
Depreciation and amortization	\$ 20,298	\$ 20,070	\$ 60,176	\$ 59,677
Capital expenditures	\$ 8,735	\$ 14,349	\$ 28,180	\$ 46,949

CONTINUED ON NEXT SLIDE

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

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
<b>CONTINUED FROM PREVIOUS SLIDE</b>				
<b>Unallocated Corporate Overhead</b>	\$ (76,763)	\$ (49,918)	\$ (196,357)	\$ (165,886)
Add back:				
Acquisition and integration-related adjustments <sup>(2)</sup>	4,082	1,958	7,719	8,960
Severance	6,443	—	9,237	—
Total non-GAAP adjustments to operating expense	<u>\$ 10,525</u>	<u>\$ 1,958</u>	<u>\$ 16,956</u>	<u>\$ 8,960</u>
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (66,238)	\$ (47,960)	\$ (179,401)	\$ (156,926)
<b>Total</b>				
Revenue	\$ 1,009,763	\$ 1,026,623	\$ 3,047,440	\$ 3,115,933
Operating income	117,405	151,502	395,034	484,339
Operating income as a % of revenue	11.6 %	14.8 %	13.0 %	15.5 %
Add back:				
Amortization related to acquisitions	39,706	34,311	117,806	103,673
Acquisition and integration-related adjustments <sup>(2)</sup>	5,939	6,471	16,939	20,914
Severance	26,536	3,578	41,471	7,011
Site consolidation and impairment charges	4,144	11,583	24,152	14,337
Third-party legal costs <sup>(3)</sup>	6,713	3,435	11,014	14,590
Total non-GAAP adjustments to operating income	<u>\$ 83,038</u>	<u>\$ 59,378</u>	<u>\$ 211,382</u>	<u>\$ 160,525</u>
Operating income, excluding non-GAAP adjustments	\$ 200,443	\$ 210,880	\$ 606,416	\$ 644,864
Non-GAAP operating income as a % of revenue	19.9 %	20.5 %	19.9 %	20.7 %
Depreciation and amortization	\$ 88,198	\$ 78,870	\$ 259,637	\$ 233,610
Capital expenditures	\$ 38,721	\$ 65,947	\$ 157,351	\$ 240,205

<sup>(1)</sup> 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.

<sup>(2)</sup> These adjustments are related to the evaluation and integration of acquisitions and divestitures, and primarily include transaction, advisory, certain third-party integration, and related costs; as well as fair value adjustments associated with contingent consideration arrangements.

<sup>(3)</sup> Third-party legal costs are related to (a) an environmental litigation related to the Microbial Solutions business and (b) investigations by the U.S. government into the NHP supply chain applicable to our Safety Assessment business.

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 28, 2024</u>	<u>September 30, 2023</u>	<u>September 28, 2024</u>	<u>September 30, 2023</u>
Net income available to Charles River Laboratories International, Inc. common shareholders	\$ 68,679	\$ 87,389	\$ 225,996	\$ 287,540
Add back:				
Adjustment of redeemable noncontrolling interest <sup>(2)</sup>	379	—	1,081	—
Incremental dividends attributable to noncontrolling interest holders <sup>(3)</sup>	599	—	9,621	—
Non-GAAP adjustments to operating income <sup>(4)</sup>	82,315	59,378	209,332	160,525
Venture capital and strategic equity investment (gains) losses, net	(2,507)	7,249	(9,171)	12,404
(Gain) loss on divestitures <sup>(5)</sup>	—	433	658	995
Other <sup>(6)</sup>	—	—	—	495
Tax effect of non-GAAP adjustments:				
Non-cash tax provision related to international financing structure <sup>(7)</sup>	292	1,283	1,504	3,703
Enacted tax law changes	3,596	—	3,596	—
Tax effect of the remaining non-GAAP adjustments	(19,608)	(15,271)	(46,323)	(43,929)
Net income attributable to Charles River Laboratories International, Inc. common shareholders, excluding non-GAAP adjustments	<u>\$ 133,745</u>	<u>\$ 140,461</u>	<u>\$ 396,294</u>	<u>\$ 421,733</u>
Weighted average shares outstanding - Basic	51,394	51,283	51,461	51,199
Effect of dilutive securities:				
Stock options, restricted stock units and performance share units	189	324	252	294
Weighted average shares outstanding - Diluted	<u>51,583</u>	<u>51,607</u>	<u>51,713</u>	<u>51,493</u>
Earnings per share attributable to common shareholders:				
Basic	\$ 1.34	\$ 1.70	\$ 4.39	\$ 5.62
Diluted	\$ 1.33	\$ 1.69	\$ 4.37	\$ 5.58
Basic, excluding non-GAAP adjustments	\$ 2.60	\$ 2.74	\$ 7.70	\$ 8.24
Diluted, excluding non-GAAP adjustments	\$ 2.59	\$ 2.72	\$ 7.66	\$ 8.19

<sup>(1)</sup> 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.

<sup>(2)</sup> This amount represents accretion adjustments of the Noveprim redeemable noncontrolling interest.

<sup>(3)</sup> This amount represents incremental declared and undeclared dividends attributable to Noveprim noncontrolling interest holders who receive preferential dividends for fiscal year 2024.

<sup>(4)</sup> This amount excludes Non-GAAP adjustments attributable to noncontrolling interest holders.

<sup>(5)</sup> The amount included in 2024 relates to a loss on the sale of a Safety Assessment site. Adjustments included in 2023 relate to the gain on the sale of our Avian Vaccine business, which was divested in 2022.

<sup>(6)</sup> Amounts included in 2023 relate to a final adjustment on the termination of a Canadian pension plan.

<sup>(7)</sup> This amount 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) <sup>(1)</sup>**

<b>Three Months Ended September 28, 2024</b>	<b>Total CRL</b>	<b>RMS Segment</b>	<b>DSA Segment</b>	<b>MS Segment</b>
Revenue growth, reported	(1.6)%	5.9 %	(7.4)%	12.0 %
(Increase) decrease due to foreign exchange	(0.4)%	(0.4)%	(0.3)%	(0.2)%
Contribution from acquisitions <sup>(2)</sup>	(0.9)%	(4.9)%	— %	— %
Impact of divestitures <sup>(3)</sup>	0.2 %	— %	0.3 %	— %
<b>Non-GAAP revenue growth, organic <sup>(4)</sup></b>	<b>(2.7)%</b>	<b>0.6 %</b>	<b>(7.4)%</b>	<b>11.8 %</b>
<b>Nine Months Ended September 28, 2024</b>	<b>Total CRL</b>	<b>RMS Segment</b>	<b>DSA Segment</b>	<b>MS Segment</b>
Revenue growth, reported	(2.2)%	4.8 %	(7.1)%	8.5 %
(Increase) decrease due to foreign exchange	(0.1)%	0.1 %	(0.3)%	— %
Contribution from acquisitions <sup>(2)</sup>	(1.0)%	(5.0)%	— %	— %
Impact of divestitures <sup>(3)</sup>	0.2 %	— %	0.4 %	— %
<b>Non-GAAP revenue growth, organic <sup>(4)</sup></b>	<b>(3.1)%</b>	<b>(0.1)%</b>	<b>(7.0)%</b>	<b>8.5 %</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> The contribution from acquisitions reflects only completed acquisitions.

<sup>(3)</sup> Impact of divestitures relates to the sale of a site within our Safety Assessment business.

<sup>(4)</sup> Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, divestitures, and foreign exchange.



**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**  
**RECONCILIATION OF GAAP TO NON-GAAP REVENUE AND EARNINGS PER SHARE (EPS)**  
**Guidance for the Twelve Months Ended December 28, 2024E**

<b>2024 GUIDANCE</b>	<b>CURRENT</b>	<b>PRIOR</b>
Revenue growth/(decrease), reported	(3.0)%-(2.0)%	(4.5)% – (2.5)%
Impact of divestitures/(acquisitions), net	~(0.5)%	~(0.5)%
(Favorable)/unfavorable impact of foreign exchange	~(0.5)%	--
Revenue growth/(decrease), organic (1)	(4.0)% – (3.0)%	(5.0)% – (3.0)%
GAAP EPS estimate	\$5.30 - \$5.50	\$5.65 – \$5.95
Acquisition-related amortization (2)	~\$2.50	~\$2.75
Acquisition and integration-related adjustments (3)	~\$0.35	~\$0.20
Costs associated with restructuring actions (4)	~\$1.50	~\$1.00
Certain venture capital and other strategic investment losses/(gains), net (5)	(\$0.17)	(\$0.14)
Incremental dividends related to Noveprim (6)	\$0.25 – \$0.30	~\$0.25
Other items (7)	~\$0.35	~\$0.20
Non-GAAP EPS estimate	\$10.10 – \$10.30	\$9.90 – \$10.20

Footnotes to Guidance Table:

- (1) Organic revenue growth is defined as reported revenue growth adjusted for completed acquisitions and divestitures, as well as foreign currency translation.
- (2) These adjustments include amortization related to intangible assets, as well as the purchase accounting step-up on inventory and certain long-term biological assets.
- (3) These adjustments are related to the evaluation and integration of acquisitions and divestitures, and primarily include transaction, advisory, certain third-party integration, and related costs; as well as fair value adjustments associated with contingent consideration arrangements.
- (4) These adjustments primarily include site consolidation (including site transition costs), severance, impairment, and other costs related to the Company's restructuring actions.
- (5) Certain venture capital and other strategic investment performance only includes recognized gains or losses on certain investments. The Company does not forecast the future performance of these investments.
- (6) This item primarily relates to incremental dividends attributable to Noveprim noncontrolling interest holders who have and may continue to receive preferential dividends for fiscal year 2024.
- (7) These items primarily relate to (i) certain third-party legal costs related to investigations by the U.S. government into the NHP supply chain related to our Safety Assessment business; and (ii) charges associated with U.S. and international tax legislation that necessitated changes to the Company's international financing structure.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**  
**RECONCILIATION OF GAAP TAX RATE TO NON-GAAP TAX RATE (UNAUDITED) <sup>(1)</sup>**  
(in thousands)

	Three Months Ended			Nine Months Ended	
	September 28, 2024	June 29, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Income before income taxes & noncontrolling interests	\$ 91,241	\$ 119,653	\$ 112,873	\$ 309,905	\$ 372,578
Add back:					
Amortization related to acquisitions	39,706	38,423	34,311	117,806	103,673
Acquisition and integration-related adjustments <sup>(2)</sup>	5,939	8,417	6,471	16,939	20,914
Severance	26,536	5,898	3,578	41,471	7,011
Site consolidation and impairment charges	4,144	12,055	11,583	24,152	14,337
Third-party legal costs <sup>(3)</sup>	6,713	2,110	3,435	11,014	14,590
Venture capital and strategic equity investment (gains) losses, net	(2,507)	(902)	7,249	(9,171)	12,404
(Gain) loss on divestitures <sup>(4)</sup>	—	—	433	658	995
Other <sup>(5)</sup>	—	—	—	—	495
Income before income taxes & noncontrolling interests, excluding specified charges (Non-GAAP)	<u>\$ 171,772</u>	<u>\$ 185,654</u>	<u>\$ 179,933</u>	<u>\$ 512,774</u>	<u>\$ 546,997</u>
Provision for income taxes (GAAP)	\$ 20,946	\$ 25,392	\$ 24,852	\$ 70,867	\$ 81,160
Non-cash tax benefit related to international financing structure <sup>(6)</sup>	(292)	(871)	(1,283)	(1,504)	(3,703)
Enacted tax law changes	(3,596)	—	—	(3,596)	—
Tax effect of the remaining non-GAAP adjustments	19,608	14,687	15,271	46,323	43,929
Provision for income taxes (Non-GAAP)	<u>\$ 36,666</u>	<u>\$ 39,208</u>	<u>\$ 38,840</u>	<u>\$ 112,090</u>	<u>\$ 121,386</u>
Total rate (GAAP)	23.0 %	21.2 %	22.0 %	22.9 %	21.8 %
Total rate, excluding specified charges (Non-GAAP)	21.3 %	21.1 %	21.6 %	21.9 %	22.2 %

<sup>(1)</sup> 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.

<sup>(2)</sup> These adjustments are related to the evaluation and integration of acquisitions and divestitures, and primarily include transaction, advisory, certain third-party integration, and related costs; as well as fair value adjustments associated with contingent consideration arrangements.

<sup>(3)</sup> Third-party legal costs are related to (a) an environmental litigation related to the Microbial Solutions business and (b) investigations by the U.S. government into the NHP supply chain applicable to our Safety Assessment business.

<sup>(4)</sup> The amount included in 2024 relates to a loss on the sale of a Safety Assessment site. Adjustments included in 2023 relate to the gain on the sale of our Avian Vaccine business, which was divested in 2022.

<sup>(5)</sup> Amounts included in 2023 relate to a final adjustment on the termination of a Canadian pension plan.

<sup>(6)</sup> This amount 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 FREE CASH FLOW (NON-GAAP) <sup>(1)</sup>**  
**(in thousands)**

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 28, 2024</u>	<u>September 30, 2023</u>	<u>September 28, 2024</u>	<u>September 30, 2023</u>
Net cash provided by operating activities	\$ 251,792	\$ 205,450	\$ 575,215	\$ 462,955
Less: Capital expenditures	(38,721)	(65,947)	(157,351)	(240,205)
Free cash flow	<u>\$ 213,071</u>	<u>\$ 139,503</u>	<u>\$ 417,864</u>	<u>\$ 222,750</u>

<sup>(1)</sup> 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 GROSS/NET LEVERAGE RATIO, INCLUDING GAAP NET INCOME TO ADJUSTED EBITDA <sup>(1)</sup>**  
(dollars in thousands, except for per share data)

	September 28, 2024	June 29, 2024	March 30, 2024	December 30, 2023	December 31, 2022	December 25, 2021	December 26, 2020	December 28, 2019
<b>DEBT <sup>(2)</sup>:</b>								
Total Debt & Finance Leases	\$ 2,329,853	\$ 2,412,593	\$ 2,663,087	\$ 2,652,717	\$ 2,711,208	\$ 2,666,359	\$ 1,979,784	\$ 1,888,211
Plus: Other adjustments per credit agreement	39,893	38,335	33,265	33,265	13,431	37,244	2,328	712
Less: Unrestricted Cash and Cash Equivalents up to \$150M	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	—	—
Total Indebtedness per credit agreement	\$ 2,219,746	\$ 2,300,928	\$ 2,546,352	\$ 2,535,982	\$ 2,574,639	\$ 2,553,603	\$ 1,982,112	\$ 1,888,924
Less: Cash and cash equivalents (net of \$150M above)	(60,171)	(29,213)	(177,039)	(126,771)	(83,912)	(91,214)	(228,424)	(238,014)
Net Debt	\$ 2,159,575	\$ 2,271,715	\$ 2,369,313	\$ 2,409,211	\$ 2,490,727	\$ 2,462,389	\$ 1,753,688	\$ 1,650,910

	September 28, 2024	June 29, 2024	March 30, 2024	December 31, 2022	December 31, 2022	December 25, 2021	December 26, 2020	December 28, 2019
<b>ADJUSTED EBITDA <sup>(2)</sup>:</b>								
Net income available to Charles River Laboratories International, Inc. common shareholders	\$ 413,080	\$ 431,790	\$ 438,822	\$ 474,624	\$ 486,226	\$ 390,982	\$ 364,304	\$ 252,019
Adjustments:								
Adjust: Non-cash gains/losses of VC partnerships & strategic investments	(107,901)	(98,048)	(96,148)	(79,288)	35,498	66,004	—	—
Less: Aggregate non-cash amount of nonrecurring gains	—	—	—	—	(32,638)	(42,247)	(1,361)	(310)
Plus: Interest expense	131,598	135,056	137,331	136,710	108,870	107,224	76,825	79,586
Plus: Provision for income taxes	90,621	94,527	98,356	100,914	130,379	81,873	81,808	50,023
Plus: Depreciation and amortization	340,151	330,823	322,412	314,124	303,870	265,540	234,924	198,095
Plus: Non-cash nonrecurring losses	38,543	46,341	36,834	44,077	16,572	8,573	16,810	427
Plus: Non-cash stock-based compensation	72,177	75,643	75,326	72,048	73,617	71,461	56,341	57,271
Plus: Permitted acquisition-related costs	6,743	11,547	14,354	15,639	34,453	51,256	18,750	34,827
Plus: Pro forma EBITDA adjustments for permitted acquisitions	1,278	8,242	15,437	18,542	5,306	4,008	8	12,320
Adjusted EBITDA (per the calculation defined in compliance certificates)	\$ 986,290	\$ 1,035,921	\$ 1,042,724	\$ 1,097,390	\$ 1,162,153	\$ 1,004,675	\$ 848,408	\$ 684,259

	September 28, 2024	June 29, 2024	March 30, 2024	December 31, 2022	December 31, 2022	December 25, 2021	December 26, 2020	December 28, 2019
<b>LEVERAGE RATIO:</b>								
Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA)	2.25	2.22	2.44	2.31	2.22	2.54	2.34	2.76
Net leverage ratio (net debt divided by adjusted EBITDA)	2.2	2.2	2.3	2.2	2.1	2.5	2.1	2.4

	September 28, 2024	June 29, 2024	March 30, 2024	December 31, 2022	December 31, 2022	December 25, 2021
<b>INTEREST COVERAGE RATIO:</b>						
Capital Expenditures	236,496	264,955	294,085	323,050	326,338	232,149
Cash Interest Expense	132,814	137,245	139,961	139,545	110,731	107,389
Interest Coverage ratio per the credit agreement (Adjusted EBITDA minus Capital Expenditures divided by cash interest expense)	5.65x	5.62x	5.35x	5.55x	7.55x	7.19x

<sup>(1)</sup> 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.

<sup>(2)</sup> Pursuant to the definition in its credit agreement dated April 21, 2021, the Company has defined its pro forma leverage ratio as total debt divided by adjusted EBITDA for the trailing-twelve-month period. The Company has defined interest coverage ratio as adjusted EBITDA for the trailing-twelve-month period less the aggregate amount of capital expenditures for the trailing-twelve-period; divided by the consolidated interest expense for the period of four consecutive fiscal quarters.

Total Debt represents third-party debt and financial lease obligations minus up to \$150M of unrestricted cash and cash equivalents. Adjusted EBITDA represents net income, prepared in accordance with accounting principles generally accepted in the U.S. (GAAP), adjusted for interest, taxes, depreciation and amortization, and certain items that management believes are not reflective of the operational performance of the business. These adjustments include, but are not limited to, non-cash gains/loss on venture capital portfolios and strategic partnerships, acquisition-related expenses including transaction and advisory costs; asset impairments; changes in fair value of contingent consideration obligations; employee stock compensation; historical EBITDA of companies acquired during the period; and other items identified by the company.

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

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

	<b>Three Months Ended</b>
	<b>June 29, 2024</b>
Unallocated Corporate Overhead	\$ (53,902)
Add back:	
Acquisition and integration-related adjustments <sup>(2)</sup>	2,108
Severance	1,304
Total non-GAAP adjustments to operating expense	\$ 3,412
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (50,490)

<sup>(1)</sup> 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.

<sup>(2)</sup> These adjustments are related to the evaluation and integration of acquisitions and divestitures, and primarily include transaction, advisory, certain third-party integration, and related costs; as well as fair value adjustments associated with contingent consideration arrangements.

**CRL**  

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**LISTED**  

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**NYSE**

  
charles river