

# 4Q18/FY18 Regulation G Financial Reconciliations

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP TO NON-GAAP

SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)<sup>(1)(2)</sup>

(in thousands, except percentages)

	Three Months Ended		Twelve Months Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
<b>Research Models and Services</b>				
Revenue	\$ 128,487	\$ 120,432	\$ 519,682	\$ 493,615
Operating income	31,575	12,639	136,468	114,588
Operating income as a % of revenue	24.6 %	10.5 %	26.3 %	23.2 %
Add back:				
Amortization related to acquisitions	383	438	1,585	1,676
Severance	353	429	1,161	429
Government billing adjustment and related expenses	—	—	—	150
Acquisition related adjustments <sup>(3)</sup>	(23)	—	(23)	—
Site consolidation costs, impairments and other items	—	17,716	822	17,716
Total non-GAAP adjustments to operating income	\$ 713	\$ 18,583	\$ 3,545	\$ 19,971
Operating income, excluding non-GAAP adjustments	\$ 32,288	\$ 31,222	\$ 140,013	\$ 134,559
Non-GAAP operating income as a % of revenue	25.1 %	25.9 %	26.9 %	27.3 %
Depreciation and amortization	\$ 4,904	\$ 4,318	\$ 19,469	\$ 19,627
Capital expenditures	\$ 17,067	\$ 7,110	\$ 35,172	\$ 20,879
<b>Discovery and Safety Assessment</b>				
Revenue	\$ 358,189	\$ 253,226	\$ 1,316,854	\$ 980,022
Operating income	67,186	46,802	227,577	182,796
Operating income as a % of revenue	18.8 %	18.5 %	17.3 %	18.7 %
Add back:				
Amortization related to acquisitions	14,415	7,775	54,211	29,882
Severance	41	—	1,014	356
Acquisition related adjustments <sup>(3)</sup>	1,313	630	2,779	2,933
Site consolidation costs, impairments and other items	—	94	(117)	929
Total non-GAAP adjustments to operating income	\$ 15,769	\$ 8,499	\$ 57,887	\$ 34,100
Operating income, excluding non-GAAP adjustments	\$ 82,955	\$ 55,301	\$ 285,464	\$ 216,896
Non-GAAP operating income as a % of revenue	23.2 %	21.8 %	21.7 %	22.1 %
Depreciation and amortization	\$ 29,714	\$ 20,688	\$ 112,976	\$ 79,355
Capital expenditures	\$ 38,929	\$ 11,064	\$ 73,425	\$ 36,616
<b>Manufacturing Support</b>				
Revenue	\$ 114,854	\$ 104,819	\$ 429,560	\$ 383,964
Operating income	40,308	36,335	136,212	123,898
Operating income as a % of revenue	35.1 %	34.7 %	31.7 %	32.3 %
Add back:				
Amortization related to acquisitions	2,219	2,244	9,035	9,812
Severance <sup>(4)</sup>	357	873	1,227	2,493
Acquisition related adjustments <sup>(3)</sup>	112	—	112	26
Site consolidation costs, impairments and other items	—	—	159	—
Total non-GAAP adjustments to operating income	\$ 2,688	\$ 3,117	\$ 10,533	\$ 12,331
Operating income, excluding non-GAAP adjustments	\$ 42,996	\$ 39,452	\$ 146,745	\$ 136,229
Non-GAAP operating income as a % of revenue	37.4 %	37.6 %	34.2 %	35.5 %
Depreciation and amortization	\$ 5,216	\$ 5,572	\$ 22,529	\$ 22,893
Capital expenditures	\$ 10,592	\$ 8,077	\$ 23,323	\$ 15,188

CONTINUED ON NEXT SLIDE

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP TO NON-GAAP

SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)<sup>(1)(2)</sup>

(in thousands, except percentages)

	Three Months Ended		Twelve Months Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
<b>CONTINUED FROM PREVIOUS SLIDE</b>				
<b>Unallocated Corporate Overhead</b>	\$ (36,587)	\$ (32,948)	\$ (168,874)	\$ (133,000)
Add back:				
Severance and executive transition costs	—	—	\$ 5,278	\$ —
Acquisition related adjustments <sup>(3)</sup>	618	1,189	16,316	3,728
Total non-GAAP adjustments to operating expense	\$ 618	\$ 1,189	\$ 21,594	\$ 3,728
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (35,969)	\$ (31,759)	\$ (147,280)	\$ (129,272)
<b>Total</b>				
Revenue	\$ 601,530	\$ 478,477	\$ 2,266,096	\$ 1,857,601
Operating income	\$ 102,482	\$ 62,828	\$ 331,383	\$ 288,282
Operating income as a % of revenue	17.0 %	13.1 %	14.6 %	15.5 %
Add back:				
Amortization related to acquisitions	17,017	10,457	64,831	41,370
Severance	751	1,302	8,680	3,278
Acquisition related adjustments <sup>(3)</sup>	2,020	1,819	19,184	6,687
Government billing adjustment and related expenses	—	—	—	150
Site consolidation costs, impairments and other items	—	17,810	864	18,645
Total non-GAAP adjustments to operating income	\$ 19,788	\$ 31,388	\$ 93,559	\$ 70,130
Operating income, excluding non-GAAP adjustments	\$ 122,270	\$ 94,216	\$ 424,942	\$ 358,412
Non-GAAP operating income as a % of revenue	20.3 %	19.7 %	18.8 %	19.3 %
Depreciation and amortization	\$ 41,581	\$ 33,484	\$ 161,779	\$ 131,159
Capital expenditures	\$ 68,676	\$ 28,503	\$ 140,054	\$ 82,431

- 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.
- Effective in the first quarter of 2018, the Company adopted new accounting standard ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." Prior-year income statement amounts were recast to reflect the retrospective adoption of the new pension accounting standard.
- 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.
- The adjustment for FY 2017 includes transition costs associated with the February 2017 divestiture of the CDMO business.

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

(in thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Net income (loss) attributable to common shareholders	\$ 59,665	\$ (29,849)	\$ 226,373	\$ 123,355
Less: Income (loss) from discontinued operations, net of income taxes	—	(23)	1,506	(137)
Net income (loss) from continuing operations attributable to common shareholders	59,665	(29,826)	224,867	123,492
Add back:				
Non-GAAP adjustments to operating income (Refer to Schedule 3 of 4Q18 Earnings Release)	19,788	31,388	93,559	70,130
Gain on divestiture of CDMO business	—	—	—	(10,577)
Write-off of deferred financing costs and fees related to debt financing	—	—	5,060	—
Gain on bargain purchase <sup>(2)</sup>	—	(277)	—	(277)
Debt forgiveness associated with a prior acquisition <sup>(3)</sup>	—	(1,863)	—	(1,863)
Tax effect of non-GAAP adjustments:				
Tax effect from U.S. Tax Reform <sup>(4)(5)</sup>	(2,650)	78,537	(5,450)	78,537
Tax effect from divestiture of CDMO business	—	(300)	(1,000)	17,705
Tax effect of the remaining non-GAAP adjustments	(3,617)	(9,482)	(21,656)	(21,184)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	<u>\$ 73,186</u>	<u>\$ 68,177</u>	<u>\$ 295,380</u>	<u>\$ 255,963</u>
Weighted average shares outstanding - Basic	48,143	47,337	47,947	47,481
Effect of dilutive securities:				
Stock options, restricted stock units, performance share units and restricted stock	1,067	1,290	1,071	1,083
Weighted average shares outstanding - Diluted	<u>49,210</u>	<u>48,627</u>	<u>49,018</u>	<u>48,564</u>
Earnings (loss) per share from continuing operations attributable to common shareholders				
Basic	\$ 1.24	\$ (0.63)	\$ 4.69	\$ 2.60
Diluted	\$ 1.21	\$ (0.63)	\$ 4.59	\$ 2.54
Basic, excluding non-GAAP adjustments	\$ 1.52	\$ 1.44	\$ 6.16	\$ 5.39
Diluted, excluding non-GAAP adjustments	\$ 1.49	\$ 1.40	\$ 6.03	\$ 5.27

- (1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often-one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.
- (2) The amount relates to an immaterial acquisition that represents the excess of the estimated fair value of the net assets acquired over the purchase price.
- (3) The amount represents the forgiveness of a liability related to the acquisition of Vital River.
- (4) The amounts for 4Q18 and FY 2018 reflect an adjustment that 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.
- (5) The amount for 4Q17 and FY 2017 includes a \$78.5 million estimate for the impact of the enactment of U.S. Tax Reform legislation. The estimated impact of U.S. Tax Reform consists of the one-time transition tax on unrepatriated earnings (also known as the toll tax), withholding and state taxes related to the Company's withdrawal of its indefinite reinvestment assertion regarding unremitted earnings, and the revaluation of U.S. federal net deferred tax liabilities. The final impact of U.S. Tax Reform may differ from these estimates, due to, among other things, changes in interpretations, analysis, and assumptions made by the Company, additional guidance that may be issued by regulatory agencies, and any updated or changes to estimates the Company utilized to calculate the transition impact.

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

<b>For the three months ended December 29, 2018</b>	<b><u>Total CRL</u></b>	<b><u>RMS Segment</u></b>	<b><u>DSA Segment</u></b>	<b><u>MS Segment</u></b>
Revenue growth, reported	25.7 %	6.7 %	41.5 %	9.6 %
Decrease due to foreign exchange	1.4 %	1.4 %	1.0 %	2.1 %
Contribution from acquisitions <sup>(2)</sup>	(15.7)%	—%	(29.6)%	(0.3)%
<b>Non-GAAP revenue growth, organic <sup>(4)</sup></b>	<b><u>11.4 %</u></b>	<b><u>8.1 %</u></b>	<b><u>12.9 %</u></b>	<b><u>11.4 %</u></b>
<b>For the twelve months ended December 29, 2018</b>	<b><u>Total CRL</u></b>	<b><u>RMS Segment</u></b>	<b><u>DSA Segment</u></b>	<b><u>MS Segment</u></b>
Revenue growth, reported	22.0 %	5.3 %	34.4 %	11.9 %
Increase due to foreign exchange	(1.3)%	(1.6)%	(1.1)%	(1.4)%
Contribution from acquisitions <sup>(2)</sup>	(12.1)%	—%	(22.9)%	(0.1)%
Impact of CDMO divestiture <sup>(3)</sup>	0.1 %	—%	—%	0.5 %
<b>Non-GAAP revenue growth, organic <sup>(4)</sup></b>	<b><u>8.7 %</u></b>	<b><u>3.7 %</u></b>	<b><u>10.4 %</u></b>	<b><u>10.9 %</u></b>

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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) The CDMO business, which was acquired as part of WIL Research on April 4, 2016, was divested on February 10, 2017. This adjustment represents the revenue from the CDMO business.
- (4) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, the divestiture of the CDMO business, 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**

<b>2019 GUIDANCE excluding Citoxlab</b>	
Revenue growth, reported	10.5% - 12.0%
Less: Contribution from acquisitions (1)	(~3.0%)
Less: Favorable impact of foreign exchange	~0.5%
Revenue growth, organic (2)	8.0% - 9.5%
GAAP EPS estimate	\$5.05 - \$5.20
Amortization of intangible assets (3)	~\$1.10
Charges related to global efficiency initiatives (4)	~\$0.05
Acquisition-related adjustments (5)	~\$0.05
Non-GAAP EPS estimate	\$6.25 - \$6.40
Free cash flow (6)	\$320 - \$330 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) GAAP EPS guidance and related adjustments do not include any acquisition-related costs and charges associated with the planned acquisition of Citoxlab because the transaction has not been completed and estimates for these costs have not been
- (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 completed prior to February 2019, and primarily include transaction, advisory, and certain third-party integration costs, as well as certain costs associated with acquisition-related efficiency initiatives.
- (6) See Schedule 6 of 4Q18 Earnings Release for a GAAP to non-GAAP reconciliation of Cash Flow from Operating Activities to Free Cash Flow.

**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**

<b>2019 GUIDANCE including Citoxlab</b>	
Charles River revenue growth, reported	10.5% - 12.0%
Contribution from Citoxlab	5% - 6%
Revenue growth including Citoxlab, reported	16% - 18%
Charles River non-GAAP EPS estimate	\$6.25 - \$6.40
Contribution from Citoxlab	~\$0.15
Non-GAAP EPS estimate including Citoxlab (1)	\$6.40 - \$6.55

Footnotes to Guidance Table:

(1) Additional items excluded from non-GAAP earnings per share are expected to include Citoxlab acquisition and integration-related costs, which primarily include amortization of intangible assets, transaction, advisory, and integration costs. Estimates of these costs have not been finalized.

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

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>		<u>Fiscal Year Ended</u>
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017	December 28, 2019E
Net cash provided by operating activities	\$ 139,973	\$ 124,236	\$ 441,140	\$ 318,074	\$480,000-\$490,000
Addback: Tax impact of CDMO divestiture (2)	--	--	--	6,500	--
Less: Capital expenditures	(68,676)	(28,503)	(140,054)	(82,431)	(~160,000)
Free cash flow	<u>\$ 71,297</u>	<u>\$ 95,733</u>	<u>\$ 301,086</u>	<u>\$ 242,143</u>	<u>\$320,000-\$330,000</u>

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(2) Free cash flow has been adjusted to exclude the cash tax impact related to the divestiture of the CDMO business, which is recorded in Cash Flows relating to Operating Activities, because divestitures are outside of our normal operations, the corresponding cash proceeds from the divestiture are reflected in Cash Flows relating to Investing Activities, and the impact of the CDMO divestiture is large, which can adversely affect the comparability of our results on a period-to-period basis.



**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**  
**RECONCILIATION OF GAAP TO NON-GAAP NET INTEREST EXPENSE**

(dollars in thousands)

	<u>Twelve Months Ended</u> <u>December 29,</u> <u>2018</u>
GAAP Interest Expense, net	\$ 62,960
Exclude:	
Write-off of deferred financing costs and fees related to debt financing	(5,060)
Non-GAAP Interest Expense, net	<u>\$ 57,900</u>

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

(in thousands)

	Three Months Ended		Twelve Months Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Income from continuing operations before income taxes & noncontrolling interest	\$ 75,048	\$ 69,053	\$ 281,681	\$ 296,955
Add back:				
Amortization of intangible assets and inventory step-up related to acquisitions	17,017	10,457	64,831	41,370
Severance and executive transition costs	751	1,302	8,680	3,278
Acquisition related adjustments (3)	2,020	1,819	19,184	6,687
Government billing adjustment and related expenses	-	-	-	150
Site consolidation costs, impairments and other items	-	17,810	864	18,645
Write-off of deferred financing costs and fees related to debt refinancing	-	-	5,060	-
Gain on bargain purchase <sup>(2)</sup>	-	(277)	-	(277)
Debt forgiveness associated with a prior acquisition <sup>(4)</sup>	-	(1,863)	-	(1,863)
Gain on CDMO divestiture	-	-	-	(10,577)
	<u>94,836</u>	<u>98,301</u>	<u>380,300</u>	<u>354,368</u>
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	\$ 94,836	\$ 98,301	\$ 380,300	\$ 354,368
Provision for income taxes (GAAP)	\$ 14,850	\$ 98,097	\$ 54,463	\$ 171,369
Tax effect from U.S. Tax Reform (5)	\$ 2,650	(78,537)	\$ 5,450	(78,537)
Tax effect from divestiture of CDMO business	\$ —	300	\$ 1,000	(17,705)
Tax effect of the remaining non-GAAP adjustments	3,617	9,482	21,656	21,184
Provision for income taxes (Non-GAAP)	\$ 21,117	\$ 29,342	\$ 82,569	\$ 96,311
Total rate (GAAP)	19.8%	142.1%	19.3%	57.7%
Total rate, excluding specified charges (Non-GAAP)	22.3%	29.8%	21.7%	27.2%

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- (2) The amount relates to an immaterial acquisition that represents the excess of the estimated fair value of the net assets acquired over the purchase price.
- (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) The amount represents the forgiveness of a liability related to the acquisition of Vital River.
- (5) The amount for 4Q17 and FY 2017 includes a \$78.5 million estimate for the impact of the enactment of U.S. Tax Reform legislation. The 4Q18 and FY 2018 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.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.  
RECONCILIATION OF GAAP TO NON-GAAP TAX RATE GUIDANCE**

	<u><b>Fiscal Year Ended</b></u> <b>December 28,</b> <b>2019E</b>
<b>GAAP Tax Rate</b>	<b>21%-22%</b>
Amortization of intangible assets, acquisition related adjustments, and charges related to global efficiency initiatives	~2.5%
<b>Non-GAAP Tax Rate</b>	<hr/> <hr/> <b>23.5%-24.5%</b> <hr/> <hr/>

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**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)

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

	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
<b><u>IUSTED EBITDA (2):</u></b>							
Net income attributable to common shareholders	\$ 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	65,258	29,777	27,709	15,072	11,950	20,969	33,342
Plus: Provision for income taxes	54,996	171,369	66,835	43,391	46,685	32,142	24,894
Plus: Depreciation and amortization	161,779	131,159	126,658	94,881	96,445	96,636	81,275
Plus: Non-cash nonrecurring losses	559	17,716	6,792	10,427	1,615	4,202	12,283
Plus: Non-cash stock-based compensation	47,346	44,003	43,642	40,122	31,035	24,542	21,855
Plus: Permitted acquisition-related costs	19,181	6,687	22,653	13,451	6,285	1,752	3,676
Plus: Pro forma EBITDA adjustments for permitted acquisitions	15,648	690	18,573	9,199	10,787	—	253
Adjusted EBITDA (per the calculation defined in compliance certificates)	\$ 591,140	\$ 524,756	\$ 466,942	\$ 365,978	\$ 329,452	\$ 283,071	\$ 274,873

	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
<b><u>LEVERAGE RATIO:</u></b>							
Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA)	2.8x	2.2x	2.7x	2.4x	2.4x	2.4x	2.5x
Net leverage ratio (net debt divided by adjusted EBITDA)	2.5x	1.9x	2.4x	2.0x	1.9x	1.8x	2.1x

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.

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 MPL. 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.

# Reconciliation of Non-GAAP EPS Recast To Exclude Venture Capital (VC) Investment Performance

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

SUPPLEMENTAL SCHEDULE: PRIOR PERIODS RECAST FOR VENTURE CAPITAL (GAINS) LOSSES NON-GAAP TREATMENT (UNAUDITED)<sup>(1)</sup>

(in thousands, except per share data)

	Three Months Ended				
	March 31, 2018	June 30, 2018	September 29, 2018	December 29, 2018	Total YTD
Net income attributable to common shareholders	\$ 52,631	\$ 53,709	\$ 60,368	\$ 59,665	\$ 226,373
Less: Income (loss) from discontinued operations, net of income taxes	(23)	1,529	-	-	\$ 1,506
Net income from continuing operations attributable to common shareholders	52,654	52,180	60,368	59,665	224,867
Add back:					
Amortization related to acquisitions	10,268	18,740	18,806	17,017	64,831
Severance and executive transition costs	1,139	2,076	4,714	751	8,680
Acquisition related adjustments <sup>(2)</sup>	3,294	11,815	2,055	2,020	19,184
Site consolidation costs, impairments and other items	531	69	264	—	864
Write-off of deferred financing costs and fees related to debt refinancing	3,261	1,799	—	—	5,060
Venture capital (gains) losses	(6,451)	(10,933)	(5,376)	6,832	(15,928)
Tax effect of non-GAAP adjustments:					
Tax effect from U.S. Tax Reform <sup>(3)</sup>	—	—	(2,800)	(2,650)	(5,450)
Tax effect from divestiture of CDMO business	—	—	(1,000)	—	(1,000)
Tax effect of the non-GAAP adjustments	(1,879)	(4,467)	(5,476)	(5,344)	(17,166)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	\$ 62,817	\$ 71,279	\$ 71,555	\$ 78,291	\$ 283,942
Weighted average shares outstanding - Basic	47,785	48,198	48,310	48,143	47,947
Effect of dilutive securities:					
Stock options, restricted stock units, performance share units and restricted stock	1,043	845	1,016	1,067	1,071
Weighted average shares outstanding - Diluted	48,828	49,043	49,326	49,210	49,018
Earnings per share from continuing operations attributable to common shareholders <sup>(4)</sup>					
Basic	\$ 1.10	\$ 1.08	\$ 1.25	\$ 1.24	\$ 4.69
Diluted	\$ 1.08	\$ 1.06	\$ 1.22	\$ 1.21	\$ 4.59
Basic, excluding non-GAAP adjustments	\$ 1.31	\$ 1.48	\$ 1.48	\$ 1.63	\$ 5.92
Diluted, excluding non-GAAP adjustments	\$ 1.29	\$ 1.45	\$ 1.45	\$ 1.59	\$ 5.80

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

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

(3) This 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 the U.S. federal net deferred tax liabilities.

(4) Full-year amounts may not sum due to rounding.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**  
**SUPPLEMENTAL SCHEDULE: PRIOR PERIODS RECAST FOR VENTURE CAPITAL (GAINS) LOSSES NON-GAAP TREATMENT (UNAUDITED) <sup>(1)</sup>**

(in thousands, except per share data)

	Three Months Ended				
	April 1, 2017	July 1, 2017	September 30, 2017	December 30, 2017	Total YTD
Net income (loss) attributable to common shareholders	\$ 46,778	\$ 53,952	\$ 52,474	\$ (29,849)	\$ 123,355
Less: Income (loss) from discontinued operations, net of income taxes	\$ (4)	\$ (71)	\$ (39)	\$ (23)	\$ (137)
Net income (loss) from continuing operations attributable to common shareholders	46,782	54,023	52,513	(29,826)	123,492
Add back:					
Amortization related to acquisitions	10,738	9,818	10,357	10,457	41,370
Severance	1,017	323	636	1,302	3,278
Acquisition related adjustments <sup>(2)</sup>	750	2,016	2,102	1,819	6,687
Government billing adjustment and related expenses	93	57	—	—	150
Site consolidation costs, impairments and other items	409	150	276	17,810	18,645
Gain on divestiture of CDMO business	(10,577)	—	—	—	(10,577)
Gain on bargain purchase <sup>(3)</sup>	—	—	—	(277)	(277)
Debt forgiveness associated with a prior acquisition <sup>(4)</sup>	—	—	—	(1,863)	(1,863)
Venture capital (gains) losses	(4,103)	(2,586)	(5,631)	(10,337)	(22,657)
Tax effect of non-GAAP adjustments:					
Tax effect from U.S. Tax Reform <sup>(5)</sup>	—	—	—	78,537	78,537
Tax effect from divestiture of CDMO business	18,005	—	—	(300)	17,705
Tax effect of the non-GAAP adjustments	(3,039)	(2,811)	(876)	(5,560)	(12,286)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	<u>\$ 60,075</u>	<u>\$ 60,990</u>	<u>\$ 59,377</u>	<u>\$ 61,762</u>	<u>\$ 242,204</u>
Weighted average shares outstanding - Basic	47,546	47,591	47,451	47,337	47,481
Effect of dilutive securities:					
Stock options, restricted stock units, performance share units and restricted stock	875	751	939	1,290	1,083
Weighted average shares outstanding - Diluted	<u>48,421</u>	<u>48,342</u>	<u>48,390</u>	<u>48,627</u>	<u>48,564</u>
Earnings (loss) per share from continuing operations attributable to common shareholders <sup>(6)</sup>					
Basic	\$ 0.98	\$ 1.14	\$ 1.11	\$ (0.63)	\$ 2.60
Diluted	\$ 0.97	\$ 1.12	\$ 1.09	\$ (0.63)	\$ 2.54
Basic, excluding non-GAAP adjustments	\$ 1.26	\$ 1.28	\$ 1.25	\$ 1.30	\$ 5.10
Diluted, excluding non-GAAP adjustments	\$ 1.24	\$ 1.26	\$ 1.23	\$ 1.27	\$ 4.99

- (1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often-one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.
- (2) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.
- (3) The amounts in the current year relate to an immaterial acquisition that represents the excess of the estimated fair value of the net assets acquired over the purchase price.
- (4) The amount represents the forgiveness of a liability related to the acquisition of Vital River.
- (5) The amounts for 4Q17 and FY 2017 include a \$78.5 million estimate for the impact of the enactment of U.S. Tax Reform legislation. The estimated impact of U.S. Tax Reform consists of the one-time transition tax on unrepatriated earnings (also known as the toll tax), withholding and state taxes related to the Company's withdrawal of its indefinite reinvestment assertion regarding unremitted earnings, and the revaluation of U.S. federal net deferred tax liabilities. The final impact of U.S. Tax Reform may differ from these estimates, due to, among other things, changes in interpretations, analysis, and assumptions made by the Company, additional guidance that may be issued by regulatory agencies, and any updated or changes to estimates the Company utilized to calculate the transition impact.
- (6) Full-year amounts may not sum due to rounding.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

SUPPLEMENTAL SCHEDULE: PRIOR PERIODS RECAST FOR VENTURE CAPITAL (GAINS) LOSSES NON-GAAP  
TREATMENT (UNAUDITED)<sup>(1)</sup>  
(in thousands, except per share data)

	Twelve Months Ended		
	December 31, 2016	December 26, 2015	December 27, 2014
Net income attributable to common shareholders	\$ 154,765	\$ 149,313	\$ 126,698
Less: Income (loss) from discontinued operations, net of income taxes	\$ 280	\$ (950)	\$ (1,726)
Net income from continuing operations attributable to common shareholders	154,485	150,263	128,424
Add back:			
Amortization of intangible assets and inventory step-up related to acquisitions	42,746	29,374	25,957
Severance and executive transition costs	8,472	6,173	7,792
Acquisition related adjustments <sup>(2)</sup>	22,702	14,513	6,688
Operating losses <sup>(3)</sup>	—	5,517	2,600
Government billing adjustment and related expenses	634	477	848
Site consolidation costs, impairments and other items	11,849	2,240	7,136
Reversal of an indemnification asset associated with acquisition and corresponding interest <sup>(4)</sup>	54	10,411	—
Write-off of deferred financing costs and fees related to debt financing	987	721	—
Gain on bargain purchase <sup>(5)</sup>	15	(9,837)	—
Venture capital (gains) losses	(10,285)	(3,824)	(9,343)
Tax effect of non-GAAP adjustments:			
Reversal of uncertain tax position associated with acquisition and corresponding interest <sup>(4)</sup>	—	(10,411)	—
Tax effect of the non-GAAP adjustments	(18,744)	(18,672)	(11,483)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	\$ 212,915	\$ 176,945	\$ 158,619
Weighted average shares outstanding - Basic	47,014	46,496	46,627
Effect of dilutive securities:			
Stock options, restricted stock units, performance share units and restricted stock	944	1,138	931
Weighted average shares outstanding - Diluted	47,958	47,634	47,558
Earnings (loss) per share from continuing operations attributable to common shareholders			
Basic	\$ 3.28	\$ 3.23	\$ 2.76
Diluted	\$ 3.22	\$ 3.15	\$ 2.70
Basic, excluding non-GAAP adjustments	\$ 4.53	\$ 3.81	\$ 3.40
Diluted, excluding non-GAAP adjustments	\$ 4.44	\$ 3.71	\$ 3.34

(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 changes and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.

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

(3) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.

(4) These amounts represent the reversal of an uncertain tax position and an offsetting indemnification asset primarily related to the acquisition of BioFocus.

(5) The amounts relate to the acquisition of Sunrise Fams, Inc. and represents the excess of the estimated fair value of the net assets acquired over the purchase price.



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