

4Q21/FY21 Regulation G Financial Reconciliations

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

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>December 25, 2021</u>	<u>December 26, 2020</u>	<u>December 25, 2021</u>	<u>December 26, 2020</u>
Research Models and Services				
Revenue	\$ 165,575	\$ 156,697	\$ 690,437	\$ 571,152
Operating income	40,188	34,381	166,814	102,706
Operating income as a % of revenue	24.3 %	21.9 %	24.2 %	18.0 %
Add back:				
Amortization related to acquisitions	4,075	3,975	20,104	19,556
Severance	-	118	7	645
Acquisition related adjustments ⁽²⁾	359	876	1,576	2,375
Site consolidation costs, impairments and other items	-	-	-	200
Total non-GAAP adjustments to operating income	<u>\$ 4,434</u>	<u>\$ 4,969</u>	<u>\$ 21,687</u>	<u>\$ 22,776</u>
Operating income, excluding non-GAAP adjustments	\$ 44,622	\$ 39,350	\$ 188,501	\$ 125,482
Non-GAAP operating income as a % of revenue	26.9 %	25.1 %	27.3 %	22.0 %
Depreciation and amortization	\$ 9,673	\$ 9,747	\$ 39,123	\$ 37,080
Capital expenditures	\$ 31,667	\$ 13,902	\$ 61,188	\$ 29,487
Discovery and Safety Assessment				
Revenue	\$ 534,136	\$ 495,004	\$ 2,107,231	\$ 1,837,428
Operating income	94,967	91,087	406,978	325,959
Operating income as a % of revenue	17.8 %	18.4 %	19.3 %	17.7 %
Add back:				
Amortization related to acquisitions	19,933	21,978	84,740	90,304
Severance	(144)	130	1,016	4,117
Acquisition related adjustments ⁽²⁾	8,016	828	4,374	3,673
Site consolidation costs, impairments and other items	844	726	2,098	6,598
Total non-GAAP adjustments to operating income	<u>\$ 28,649</u>	<u>\$ 23,662</u>	<u>\$ 92,228</u>	<u>\$ 104,692</u>
Operating income, excluding non-GAAP adjustments	\$ 123,616	\$ 114,749	\$ 499,206	\$ 430,651
Non-GAAP operating income as a % of revenue	23.1 %	23.2 %	23.7 %	23.4 %
Depreciation and amortization	\$ 44,986	\$ 43,784	\$ 177,254	\$ 168,922
Capital expenditures	\$ 40,694	\$ 59,217	\$ 101,477	\$ 105,653
Manufacturing Solutions				
Revenue	\$ 205,339	\$ 139,289	\$ 742,492	\$ 515,353
Operating income	91,673	49,206	246,390	181,494
Operating income as a % of revenue	44.6 %	35.3 %	33.2 %	35.2 %
Add back:				
Amortization related to acquisitions	5,390	2,144	23,304	8,758
Severance	1,278	428	3,622	2,413
Acquisition related adjustments ⁽²⁾	(25,281)	-	(20,437)	(421)
Site consolidation costs, impairments and other items ⁽³⁾	217	151	1,331	320
Total non-GAAP adjustments to operating income	<u>\$ (18,396)</u>	<u>\$ 2,723</u>	<u>\$ 7,820</u>	<u>\$ 11,070</u>
Operating income, excluding non-GAAP adjustments	\$ 73,277	\$ 51,929	\$ 254,210	\$ 192,564
Non-GAAP operating income as a % of revenue	35.7 %	37.3 %	34.2 %	37.4 %
Depreciation and amortization	\$ 11,721	\$ 6,647	\$ 46,195	\$ 25,904
Capital expenditures	\$ 24,869	\$ 12,302	\$ 58,877	\$ 26,287

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

	Three Months Ended		Twelve Months Ended	
	December 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020
CONTINUED FROM PREVIOUS SLIDE				
Unallocated Corporate Overhead	\$ (54,021)	\$ (45,747)	\$ (230,320)	\$ (177,430)
Add back:				
Severance	224	375	73	411
Acquisition related adjustments ⁽²⁾	1,343	4,020	30,354	13,996
Other items ⁽³⁾	39	-	39	(661)
Total non-GAAP adjustments to operating expense	\$ 1,606	\$ 4,395	\$ 30,466	\$ 13,746
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (52,415)	\$ (41,352)	\$ (199,854)	\$ (163,684)
Total				
Revenue	\$ 905,050	\$ 790,990	\$ 3,540,160	\$ 2,923,933
Operating income	172,807	128,927	589,862	432,729
Operating income as a % of revenue	19.1 %	16.3 %	16.7 %	14.8 %
Add back:				
Amortization related to acquisitions	29,398	28,097	128,148	118,618
Severance	1,358	1,051	4,718	7,586
Acquisition related adjustments ⁽²⁾	(15,563)	5,724	15,867	19,623
Site consolidation costs, impairments and other items ⁽³⁾	1,100	877	3,468	6,457
Total non-GAAP adjustments to operating income	\$ 16,293	\$ 35,749	\$ 152,201	\$ 152,284
Operating income, excluding non-GAAP adjustments	\$ 189,100	\$ 164,676	\$ 742,063	\$ 585,013
Non-GAAP operating income as a % of revenue	20.9 %	20.8 %	21.0 %	20.0 %
Depreciation and amortization	\$ 67,241	\$ 60,876	\$ 265,540	\$ 234,924
Capital expenditures	\$ 98,775	\$ 87,854	\$ 228,772	\$ 166,560

⁽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⁾ Other items include certain costs in our Microbial Solutions business related to environmental litigation incurred during the three and twelve months ended December 25, 2021, which impacted Manufacturing Solutions; and third-party costs, net of insurance reimbursements, incurred during the twelve months ended December 26, 2020 associated with the remediation of the unauthorized access into the Company's information systems which was detected in March 2019, which impacted Unallocated Corporate Overhead.

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

(in thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	December 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020
Net income attributable to common shareholders	\$ 137,578	\$ 143,191	\$ 390,982	\$ 364,304
Add back:				
Non-GAAP adjustments to operating income (Refer to previous schedule)	16,293	35,749	152,201	152,284
Write-off of deferred financing costs and fees related to debt financing	-	-	26,089	-
Venture capital and strategic equity investment losses (gains), net	13,142	(68,635)	30,419	(100,861)
Gain due to sale of RMS Japan operations	(22,656)	-	(22,656)	-
Loss due to U.S. Pension termination	-	10,283	-	10,283
Other ⁽²⁾	-	-	(2,942)	-
Tax effect of non-GAAP adjustments:				
Non-cash tax provision related to international financing structure ⁽³⁾	1,028	1,454	4,809	4,444
Enacted tax law changes	-	-	10,036	-
Tax effect of the remaining non-GAAP adjustments	(16,936)	87	(58,404)	(18,953)
Net income attributable to common shareholders, excluding non-GAAP adjustments	<u>\$ 128,449</u>	<u>\$ 122,129</u>	<u>\$ 530,534</u>	<u>\$ 411,501</u>
Weighted average shares outstanding - Basic	50,471	49,754	50,293	49,550
Effect of dilutive securities:				
Stock options, restricted stock units and performance share units	<u>1,084</u>	<u>1,274</u>	<u>1,132</u>	<u>1,061</u>
Weighted average shares outstanding - Diluted	<u>51,555</u>	<u>51,028</u>	<u>51,425</u>	<u>50,611</u>
Earnings per share attributable to common shareholders:				
Basic	\$ 2.73	\$ 2.88	\$ 7.77	\$ 7.35
Diluted	\$ 2.67	\$ 2.81	\$ 7.60	\$ 7.20
Basic, excluding non-GAAP adjustments	\$ 2.55	\$ 2.45	\$ 10.55	\$ 8.30
Diluted, excluding non-GAAP adjustments	\$ 2.49	\$ 2.39	\$ 10.32	\$ 8.13

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⁽²⁾ Includes adjustments related to the gain on an immaterial divestiture and the finalization of the annuity purchase related to the termination of the Company's U.S. pension plan.

⁽³⁾ This adjustment relates to the recognition of deferred tax assets expected to be utilized as a result of changes to the Company's international financing structure.

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

For the three months ended December 25, 2021	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	14.4 %	5.7 %	7.9 %	47.4 %
Decrease (increase) due to foreign exchange	0.6 %	0.4 %	0.4 %	1.6 %
Contribution from acquisitions ⁽²⁾	(5.9)%	- %	(1.6)%	(27.8)%
Impact of divestitures ⁽³⁾	1.4 %	7.2 %	- %	- %
Non-GAAP revenue growth, organic ⁽⁴⁾	10.5 %	13.3 %	6.7 %	21.2 %

For the twelve months ended December 25, 2021	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	21.1 %	20.9 %	14.7 %	44.1 %
Decrease (increase) due to foreign exchange	(1.8)%	(2.2)%	(1.4)%	(2.2)%
Contribution from acquisitions ⁽²⁾	(4.6)%	(1.1)%	(1.1)%	(21.3)%
Impact of divestitures ⁽³⁾	0.4 %	1.9 %	- %	- %
Non-GAAP revenue growth, organic ⁽⁴⁾	15.1 %	19.5 %	12.2 %	20.6 %

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⁽²⁾ The contribution from acquisitions reflects only completed acquisitions.

⁽³⁾ The Company sold both its RMS Japan operations and its gene therapy CDMO site in Sweden on October 12, 2021. This adjustment represents the revenue from these businesses for all applicable periods in 2021 and 2020.

⁽⁴⁾ 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 31, 2022E

2022 GUIDANCE	
Revenue growth, reported	13.0% – 15.0%
Contribution from acquisitions/divestitures, net (1)	--
Impact of 53 rd week in 2022	~(1.5%)
Unfavorable/(favorable) impact of foreign exchange	~1.0%
Revenue growth, organic (2)	12.5% – 14.5%
GAAP EPS estimate	\$9.20 – \$9.45
Acquisition-related amortization	\$1.90 – \$2.10
Acquisition and integration-related adjustments (3)	~\$0.10
Other items (4)	~\$0.10
Non-GAAP EPS estimate	\$11.50 – \$11.75
Cash flow from operating activities	~\$810 million
Capital expenditures	~\$360 million
Free cash flow	~\$450 million

Footnotes to Guidance Table:

(1) The contribution from acquisitions/divestitures (net) reflects only those transactions that were completed in 2021. The partial-year revenue impact from acquisitions, principally Cognate BioServices, Retrogenix, and Vigene Biosciences, is expected to be offset by the impact from the divestitures of RMS Japan and CDMO Sweden.

(2) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, divestitures, the 53rd week in 2022, and foreign currency translation.

(3) These adjustments are related to the evaluation and integration of acquisitions and divestitures, and primarily include transaction, advisory, and certain third-party integration costs, as well as certain costs associated with acquisition-related efficiency initiatives.

(4) These items primarily relate to charges of approximately \$0.10 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) ⁽¹⁾

(in thousands)

	Three Months Ended		Twelve Months Ended	
	December 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020
Income before income taxes & noncontrolling interests	\$ 163,642	\$ 172,427	\$ 480,710	\$ 447,114
Add back:				
Amortization related to acquisitions	29,398	28,097	128,148	118,618
Severance	1,358	1,051	4,718	7,586
Acquisition related adjustments ⁽²⁾	(15,563)	5,724	15,867	19,623
Site consolidation costs, impairments and other items ⁽³⁾	1,100	877	3,468	6,457
Write-off of deferred financing costs and fees related to debt financing	-	-	26,089	-
Venture capital and strategic equity investment losses (gains), net	13,142	(68,635)	30,419	(100,861)
Gain due to sale of RMS Japan operations	(22,656)	-	(22,656)	-
Loss due to U.S. Pension termination	-	10,283	-	10,283
Other ⁽⁴⁾	-	-	(2,942)	-
Income before income taxes & noncontrolling interests, excluding specified charges (Non-GAAP)	<u>\$ 170,421</u>	<u>\$ 149,824</u>	<u>\$ 663,821</u>	<u>\$ 508,820</u>
Provision for income taxes (GAAP)	\$ 23,815	\$ 28,237	\$ 81,873	\$ 81,808
Non-cash tax benefit related to international financing structure ⁽⁵⁾	(1,028)	(1,454)	(4,809)	(4,444)
Enacted tax law changes	-	-	(10,036)	-
Tax effect of the remaining non-GAAP adjustments	16,936	(87)	58,404	18,953
Provision for income taxes (Non-GAAP)	<u>\$ 39,723</u>	<u>\$ 26,696</u>	<u>\$ 125,432</u>	<u>\$ 96,317</u>
Total rate (GAAP)	14.6 %	16.4 %	17.0 %	18.3 %
Total rate, excluding specified charges (Non-GAAP)	23.3 %	17.8 %	18.9 %	18.9 %

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⁽⁴⁾ Includes adjustments related to the gain on an immaterial divestiture and the finalization of the annuity purchase related to the termination of the Company's U.S. pension plan.

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

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

	Three Months Ended		Twelve Months Ended		Fiscal Year Ended
	December 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020	December 31, 2022E
GAAP Interest expense, net	\$ 11,237	\$ 33,084	\$ 73,258	\$ 85,599	\$83,000-\$87,000
Exclude:					
Write-off of deferred financing costs and fees related to debt financing	-	-	(26,089)	-	-
Non-GAAP Interest expense, net	11,237	33,084	47,169	85,599	83,000-\$87,000
Adjustments for foreign exchange forward contract and related interest expense, net ⁽²⁾	9,150	(16,068)	31,830	(11,855)	-
Adjusted Interest expense, net	<u>\$ 20,387</u>	<u>\$ 17,016</u>	<u>\$ 78,999</u>	<u>\$ 73,744</u>	<u>\$83,000-\$87,000</u>

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⁽²⁾ Amounts reported in total adjusted interest expense include a \$9.8 million gain on a forward contract and \$0.1 million of additional interest expense for the three months ended December 25, 2021; a \$34.1 million gain on a forward contract and \$0.3 million of additional interest expense for the twelve months ended December 25, 2021; a \$15.4 million loss on a forward contract and \$0.1 million of additional interest expense for the three months ended December 26, 2020; and a \$9.3 million loss on forward contracts and \$1.4 million of additional interest expense for the twelve months ended December 26, 2020.

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 25, 2021	December 26, 2020	December 28, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
DEBT (2):										
Total Debt & Finance Leases	\$ 2,666,359	\$ 1,979,784	\$ 1,888,211	\$ 1,668,014	\$ 1,145,104	\$ 1,235,009	\$ 863,031	\$ 777,863	\$ 663,789	\$ 666,520
Plus: Other adjustments per credit agreement	\$ 37,244	\$ 2,328	\$ 712	\$ 3,033	\$ 298	\$ 3,621	\$ 1,370	\$ 2,828	\$ 9,787	\$ 9,680
Less: Unrestricted Cash and Cash Equivalents up to \$150M	\$ (150,000)									
Total Indebtedness per credit agreement	\$ 2,553,603	\$ 1,982,112	\$ 1,888,924	\$ 1,671,047	\$ 1,145,402	\$ 1,238,630	\$ 864,401	\$ 780,691	\$ 673,576	\$ 676,200
Less: Cash and cash equivalents (net of \$150M above)	(91,214)	(228,424)	(238,014)	(195,442)	(163,794)	(117,626)	(117,947)	(160,023)	(155,927)	(109,685)
Net Debt	\$ 2,462,389	\$ 1,753,688	\$ 1,650,910	\$ 1,475,605	\$ 981,608	\$ 1,121,004	\$ 746,454	\$ 620,668	\$ 517,649	\$ 566,515

	December 25, 2021	December 26, 2020	December 28, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
ADJUSTED EBITDA (2):										
Net income attributable to common shareholders	\$ 390,982	\$ 364,304	\$ 252,019	\$ 226,373	\$ 123,355	\$ 154,765	\$ 149,313	\$ 126,698	\$ 102,828	\$ 97,295
Adjustments:										
Adjust: Non-cash gains/losses of VC partnerships & strategic investments	66,004									
Less: Aggregate non-cash amount of nonrecurring gains	(42,247)	(1,361)	(310)	—	—	(685)	(9,878)	(2,048)	—	—
Plus: Interest expense	107,224	76,825	79,586	65,258	29,777	27,709	15,072	11,950	20,969	33,342
Plus: Provision for income taxes	81,873	81,808	50,023	54,996	171,369	66,835	43,391	46,685	32,142	24,894
Plus: Depreciation and amortization	265,540	234,924	198,095	161,779	131,159	126,658	94,881	96,445	96,636	81,275
Plus: Non-cash nonrecurring losses	8,573	16,810	427	559	17,716	6,792	10,427	1,615	4,202	12,283
Plus: Non-cash stock-based compensation	71,461	56,341	57,271	47,346	44,003	43,642	40,122	31,035	24,542	21,855
Plus: Permitted acquisition-related costs	51,256	18,750	34,827	19,181	6,687	22,653	13,451	6,285	1,752	3,676
Plus: Pro forma EBITDA adjustments for permitted acquisitions	4,008	8	12,320	15,648	690	18,573	9,199	10,787	—	253
Adjusted EBITDA (per the calculation defined in compliance certificates)	\$ 1,004,675	\$ 848,408	\$ 684,259	\$ 591,140	\$ 524,756	\$ 466,942	\$ 365,978	\$ 329,452	\$ 283,071	\$ 274,873

LEVERAGE RATIO:

	December 25, 2021	December 26, 2020	December 28, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA)	2.54x	2.34x	2.76x	2.83x	2.2x	2.7x	2.4x	2.4x	2.4x	2.5x
Net leverage ratio (net debt divided by adjusted EBITDA)	2.5x	2.1x	2.4x	2.5x	1.9x	2.4x	2.0x	1.9x	1.8x	2.1x

INTEREST COVERAGE RATIO:

	December 25, 2021	December 26, 2020
Capital Expenditures	232,149	166,560
Cash Interest Expense	107,389	77,145
Interest Coverage ratio per the credit agreement (Adjusted EBITDA minus Capital Expenditures divided by cash interest expense)	7.19x	8.84x

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⁽²⁾ 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 FREE CASH FLOW (NON-GAAP) ⁽¹⁾
(in thousands)

	Three Months Ended		Twelve Months Ended		Fiscal Year Ended
	December 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020	December 31, 2022E
Net cash provided by operating activities	\$ 229,258	\$ 138,379	\$ 760,799	\$ 546,575	~\$810,000
Less: Capital expenditures	(98,775)	(87,854)	(228,772)	(166,560)	(~360,000)
Free cash flow	\$ 130,483	\$ 50,525	\$ 532,027	\$ 380,015	~\$450,000

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NYSE