

1Q19 Regulation G Financial Reconciliations

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP TO NON-GAAP

SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)⁽¹⁾

(in thousands, except percentages)

| | Three Months Ended | |
|---|--------------------|----------------|
| | March 30, 2019 | March 31, 2018 |
| Research Models and Services | | |
| Revenue | \$ 137,172 | \$ 133,958 |
| Operating income | 37,832 | 38,527 |
| Operating income as a % of revenue | 27.6 % | 28.8 % |
| Add back: | | |
| Amortization related to acquisitions | 352 | 409 |
| Severance | 160 | 523 |
| Site consolidation costs, impairments and other items | 181 | 515 |
| Total non-GAAP adjustments to operating income | \$ 693 | \$ 1,447 |
| Operating income, excluding non-GAAP adjustments | \$ 38,525 | \$ 39,974 |
| Non-GAAP operating income as a % of revenue | 28.1 % | 29.8 % |
| Depreciation and amortization | \$ 4,322 | \$ 4,853 |
| Capital expenditures | \$ 4,112 | \$ 4,625 |
| Discovery and Safety Assessment | | |
| Revenue | \$ 354,197 | \$ 259,992 |
| Operating income | 46,705 | 40,859 |
| Operating income as a % of revenue | 13.2 % | 15.7 % |
| Add back: | | |
| Amortization related to acquisitions | 16,735 | 7,541 |
| Severance | 13 | (254) |
| Acquisition related adjustments ⁽²⁾ | 2,254 | 430 |
| Site consolidation costs, impairments and other items | — | (143) |
| Total non-GAAP adjustments to operating income | \$ 19,002 | \$ 7,574 |
| Operating income, excluding non-GAAP adjustments | \$ 65,707 | \$ 48,433 |
| Non-GAAP operating income as a % of revenue | 18.6 % | 18.6 % |
| Depreciation and amortization | \$ 33,784 | \$ 20,787 |
| Capital expenditures | \$ 8,848 | \$ 12,802 |
| Manufacturing Support | | |
| Revenue | \$ 113,200 | \$ 100,020 |
| Operating income | 31,499 | 28,523 |
| Operating income as a % of revenue | 27.8 % | 28.5 % |
| Add back: | | |
| Amortization related to acquisitions | 2,324 | 2,318 |
| Severance | 227 | 870 |
| Acquisition related adjustments ⁽²⁾ | 50 | — |
| Site consolidation costs, impairments and other items | 1,008 | 159 |
| Total non-GAAP adjustments to operating income | \$ 3,609 | \$ 3,347 |
| Operating income, excluding non-GAAP adjustments | \$ 35,108 | \$ 31,870 |
| Non-GAAP operating income as a % of revenue | 31.0 % | 31.9 % |
| Depreciation and amortization | \$ 5,805 | \$ 5,736 |
| Capital expenditures | \$ 3,606 | \$ 6,834 |

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>March 30, 2019</u> | <u>March 31, 2018</u> |
| CONTINUED FROM PREVIOUS SLIDE | | |
| Unallocated Corporate Overhead | \$ (46,244) | \$ (40,080) |
| Add back: | | |
| Acquisition related adjustments ⁽²⁾ | 5,422 | 2,864 |
| Total non-GAAP adjustments to operating expense | <u>\$ 5,422</u> | <u>\$ 2,864</u> |
| Unallocated corporate overhead, excluding non-GAAP adjustments | \$ (40,822) | \$ (37,216) |
| Total | | |
| Revenue | \$ 604,569 | \$ 493,970 |
| Operating income | \$ 69,792 | \$ 67,829 |
| Operating income as a % of revenue | 11.5 % | 13.7 % |
| Add back: | | |
| Amortization related to acquisitions | 19,411 | 10,268 |
| Severance and executive transition costs | 400 | 1,139 |
| Acquisition related adjustments ⁽²⁾ | 7,726 | 3,294 |
| Site consolidation costs, impairments and other items | 1,189 | 531 |
| Total non-GAAP adjustments to operating income | <u>\$ 28,726</u> | <u>\$ 15,232</u> |
| Operating income, excluding non-GAAP adjustments | \$ 98,518 | \$ 83,061 |
| Non-GAAP operating income as a % of revenue | 16.3 % | 16.8 % |
| Depreciation and amortization | \$ 45,358 | \$ 33,210 |
| Capital expenditures | \$ 16,731 | \$ 27,726 |

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

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

| | <u>Three Months Ended</u> | |
|--|---------------------------|-----------------------|
| | <u>March 30, 2019</u> | <u>March 31, 2018</u> |
| Net income attributable to common shareholders | \$ 55,133 | \$ 52,631 |
| Less: Loss from discontinued operations, net of income taxes | — | (23) |
| Net income from continuing operations attributable to common | <u>55,133</u> | <u>52,654</u> |
| Add back: | | |
| Non-GAAP adjustments to operating income (Refer to Schedule 3) | 28,726 | 15,232 |
| Write-off of deferred financing costs and fees related to debt | — | 3,261 |
| Venture capital (gains) losses | (10,575) | (6,451) |
| Tax effect of non-GAAP adjustments | <u>(3,880)</u> | <u>(1,879)</u> |
| Net income from continuing operations attributable to common | <u>\$ 69,404</u> | <u>\$ 62,817</u> |
| | | |
| Weighted average shares outstanding - Basic | 48,458 | 47,785 |
| Effect of dilutive securities: | | |
| Stock options, restricted stock units, performance share units and | 1,004 | 1,043 |
| Weighted average shares outstanding - Diluted | <u>49,462</u> | <u>48,828</u> |
| | | |
| Earnings per share from continuing operations attributable to | | |
| Basic | \$ 1.14 | \$ 1.10 |
| Diluted | \$ 1.11 | \$ 1.08 |
| | | |
| Basic, excluding non-GAAP adjustments | \$ 1.43 | \$ 1.31 |
| Diluted, excluding non-GAAP adjustments | \$ 1.40 | \$ 1.29 |

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

| For the three months ended March 30, 2019 | <u>Total CRL</u> | <u>RMS Segment</u> | <u>DSA Segment</u> | <u>MS Segment</u> |
|--|----------------------|------------------------|------------------------|-----------------------|
| Revenue growth, reported | 22.4 % | 2.4 % | 36.2 % | 13.2 % |
| Decrease due to foreign exchange | 2.8 % | 3.0 % | 2.2 % | 4.3 % |
| Contribution from acquisitions ⁽²⁾ | (14.4)% | —% | (27.2)% | (0.3)% |
| Non-GAAP revenue growth, organic ⁽³⁾ | <u>10.8 %</u> | <u>5.4 %</u> | <u>11.2 %</u> | <u>17.2 %</u> |

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

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

| 2019 GUIDANCE INCLUDING CITOXLAB | CURRENT | PRIOR |
|--|-----------------------|-----------------|
| Revenue growth, reported | 16% - 18% | 16% - 18% |
| Less: Contribution from acquisitions (1) | 8% - 9% | 8% - 9% |
| Add: Negative impact of foreign exchange | ~0.5% | ~0.5% |
| Revenue growth, organic (2) | 8.0% - 9.5% | 8.0% - 9.5% |
| GAAP EPS estimate | \$4.75 - \$4.90 | — |
| Amortization of intangible assets (3) | \$1.42 - \$1.52 | — |
| Charges related to global efficiency initiatives (4) | ~\$0.07 | — |
| Acquisition-related adjustments (5) | \$0.25 - \$0.30 | — |
| Venture capital investment (gains)/losses (6) | (~\$0.16) | — |
| Non-GAAP EPS estimate | \$6.40 - \$6.55 | \$6.40 - \$6.55 |
| Free cash flow (7) | \$310 - \$320 million | — |

Footnotes to Guidance Table:

(1) The contribution from acquisitions reflects only those acquisitions which have been completed.

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

(3) Amortization of intangible assets includes an estimate of \$0.30-\$0.40 for the impact of the Citoxlab acquisition because the preliminary purchase price allocation has not been completed.

(4) These charges, which primarily include severance and other costs, relate primarily to the Company's planned efficiency initiatives. Other projects in support of global productivity and efficiency initiatives are expected, but these charges reflect only the decisions that have already been finalized.

(5) These adjustments are related to the evaluation and integration of acquisitions, and primarily include transaction, advisory, and certain third-party integration costs, as well as certain costs associated with acquisition-related efficiency initiatives. These costs will be partially offset by an anticipated discrete tax benefit.

(6) Venture capital investment performance only includes recognized gains or losses. The Company does not forecast future venture capital investment gains or losses.

(7) The reconciliation of 2019 free cash flow guidance is as follows: Cash flow from operating activities of \$480-\$490 million, less capital expenditures of ~\$170 million, equates to free cash flow of \$310-\$320 million.

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

| | Three Months Ended | | Fiscal Year Ended |
|---|---------------------------|------------------|--------------------------|
| | March 30, | March 31, | December 29, |
| | 2019 | 2018 | 2019E |
| Net cash provided by operating activities | \$ 14,859 | \$ 60,051 | \$480,000-\$490,000 |
| Less: Capital expenditures | (16,731) | (27,726) | (~170,000) |
| Free cash flow | \$ (1,872) | \$ 32,325 | \$310,000-\$320,000 |

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP
SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)⁽¹⁾⁽²⁾

(in thousands, except percentages)

| | Three Months Ended |
|--|---------------------------|
| | December 29, 2018 |
| Unallocated Corporate Overhead | \$ (36,587) |
| Add back: | |
| Acquisition related adjustments ⁽³⁾ | 618 |
| Total non-GAAP adjustments to operating expense | \$ 618 |
| Unallocated corporate overhead, excluding non-GAAP adjustments | \$ (35,969) |

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- (2) 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.
- (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.

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

| | Three Months Ended | |
|--|---------------------------|-----------------------|
| | March 30, 2019 | March 31, 2018 |
| Income from continuing operations before income taxes & noncontrolling interest | \$ 66,290 | \$ 63,040 |
| Add back: | | |
| Amortization of intangible assets and inventory step-up related to acquisitions | 19,411 | 10,268 |
| Severance and executive transition costs | 400 | 1,139 |
| Acquisition related adjustments (2) | 7,726 | 3,294 |
| Site consolidation costs, impairments and other items | 1,189 | 531 |
| Write-off of deferred financing costs and fees related to debt refinancing | - | 3,261 |
| Venture capital (gains) losses | <u>(10,575)</u> | <u>(6,451)</u> |
| Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP) | <u>\$ 84,441</u> | <u>\$ 75,082</u> |
| Provision for income taxes (GAAP) | \$ 10,602 | \$ 9,772 |
| Tax effect of non-GAAP adjustments | <u>3,880</u> | <u>1,879</u> |
| Provision for income taxes (Non-GAAP) | \$ 14,482 | \$ 11,651 |
| Total rate (GAAP) | 16.0% | 15.5% |
| Total rate, excluding specified charges (Non-GAAP) | 17.2% | 15.5% |

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

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

| | Three Months Ended |
|--|---------------------------|
| | December 29, 2018 |
| Income from continuing operations before income taxes & noncontrolling interest | \$ 75,048 |
| Add back: | |
| Amortization of intangible assets and inventory step-up related to acquisitions | 17,017 |
| Severance and executive transition costs | 751 |
| Acquisition related adjustments (2) | 2,020 |
| VC Gains Non-GAAP | 6,832 |
| Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP) | \$ 101,668 |
| | |
| Provision for income taxes (GAAP) | \$ 14,850 |
| Tax effect from U.S. Tax Reform (3) | \$ 2,650 |
| Tax effect of the remaining non-GAAP adjustments | 5,344 |
| Provision for income taxes (Non-GAAP) | \$ 22,844 |
| | |
| Total rate (GAAP) | 19.8% |
| Total rate, excluding specified charges (Non-GAAP) | 22.5% |

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- (2) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.
- (3) 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>Fiscal Year Ended</u> December 28, 2019E |
|--|--|
| GAAP Tax Rate | 21%-22% |
| Amortization of intangible assets, acquisition related adjustments, and charges related to global efficiency initiatives | ~2.5% |
| Non-GAAP Tax Rate | <hr style="border: 0.5px solid black;"/> 23.5%-24.5% <hr style="border: 0.5px solid black;"/> |

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

| | Three Months Ended | | |
|--|---------------------------|------------------------------|---------------------------|
| | March 30, 2019 | December 29, 2018 | March 31, 2018 |
| GAAP Interest Expense, net | \$ 9,808 | \$ 16,623 | \$ 10,909 |
| Exclude: | | | |
| Write-off of deferred financing costs and fees related to debt refinancing | — | — | (3,261) |
| Non-GAAP Interest Expense, net | \$ 9,808 | \$ 16,623 | \$ 7,648 |
| Adjustments for foreign exchange forward contract and related interest expense (2) | 6,422 | — | — |
| Adjusted Net Interest Expense | <u>\$ 16,230</u> | <u>\$ 16,623</u> | <u>\$ 7,648</u> |

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(2) Amounts reported in Other Income include an \$8.9 million gain on a forward contract partially offset by a \$2.5 million additional interest expense on non-functional denominated borrowing.

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)

| | Pro Forma for Citoxlab Close | | | | | | | | |
|---|---|---------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | March 30, 2019 | March 30, 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 & Capital Leases | \$ 2,091,860 | \$ 1,571,488 | \$ 1,668,014 | \$ 1,145,104 | \$ 1,235,009 | \$ 863,031 | \$ 777,863 | \$ 663,789 | \$ 666,520 |
| Plus: Other adjustments per credit agreement | \$ 2,497 | \$ 2,497 | \$ 3,033 | \$ 298 | \$ 3,621 | \$ 1,370 | \$ 2,828 | \$ 9,787 | \$ 9,680 |
| Total Indebtedness per credit agreement | \$ 2,094,357 | \$ 1,573,985 | \$ 1,671,047 | \$ 1,145,402 | \$ 1,238,630 | \$ 864,401 | \$ 780,691 | \$ 673,576 | \$ 676,200 |
| Less: Cash and cash equivalents | (163,433) | (126,316) | (195,442) | (163,794) | (117,626) | (117,947) | (160,023) | (155,927) | (109,685) |
| Net Debt | \$ 1,930,924 | \$ 1,447,669 | \$ 1,475,605 | \$ 981,608 | \$ 1,121,004 | \$ 746,454 | \$ 620,668 | \$ 517,649 | \$ 566,515 |
| ADJUSTED EBITDA (2): | | | | | | | | | |
| Net income attributable to common shareholders | \$ 228,876 | \$ 228,876 | \$ 226,373 | \$ 123,355 | \$ 154,765 | \$ 149,313 | \$ 126,698 | \$ 102,828 | \$ 97,295 |
| Adjustments: | | | | | | | | | |
| Less: Aggregate non-cash amount of nonrecurring gains | — | — | — | — | (685) | (9,878) | (2,048) | — | — |
| Plus: Interest expense | 73,005 | 73,005 | 65,258 | 29,777 | 27,709 | 15,072 | 11,950 | 20,969 | 33,342 |
| Plus: Provision for income taxes | 55,826 | 55,826 | 54,996 | 171,369 | 66,835 | 43,391 | 46,685 | 32,142 | 24,894 |
| Plus: Depreciation and amortization | 173,926 | 173,926 | 161,779 | 131,159 | 126,658 | 94,881 | 96,445 | 96,636 | 81,275 |
| Plus: Non-cash nonrecurring losses | 168 | 168 | 559 | 17,716 | 6,792 | 10,427 | 1,645 | 4,202 | 12,283 |
| Plus: Non-cash stock-based compensation | 49,703 | 49,703 | 47,346 | 44,003 | 43,642 | 40,122 | 31,035 | 24,542 | 21,855 |
| Plus: Permitted acquisition-related costs | 21,663 | 21,663 | 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) | \$ 603,168 | \$ 603,168 | \$ 591,140 | \$ 524,756 | \$ 466,942 | \$ 365,978 | \$ 329,452 | \$ 283,071 | \$ 274,873 |
| Adjusted EBITDA related to Citoxlabs | 42,519 | | | | | | | | |
| Pro forma transaction Adjusted EBITDA (3) | \$ 645,687 | | | | | | | | |
| LEVERAGE RATIO: | | | | | | | | | |
| Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA) | 3.24x | 2.61x | 2.83x | 2.2x | 2.7x | 2.4x | 2.4x | 2.4x | 2.5x |
| Net leverage ratio (net debt divided by adjusted EBITDA) | 3.0x | 2.4x | 2.5x | 1.9x | 2.4x | 2.0x | 1.9x | 1.8x | 2.1x |

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(2) Pursuant to the definition in its credit agreement dated March 26, 2018, the Company has defined its pro forma leverage ratio as total debt divided by adjusted EBITDA for the trailing-twelve-month period following the close of, and pro forma for, the acquisition of Citoxlab. 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.

CRL
LISTED
NYSE