1Q19 Regulation G Financial Reconciliations



RECONCILIATION OF GAAP TO NON-GAAP

SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)⁽¹⁾

(in thousands, except percentages)

March 30, 2019March 31, 2018Revenue\$ $137, 172$ \$ $133, 958$ Operating incomeas % of revenue $27, 6\%$ $28, 8\%$ Add back:			Three Months Ended																																																																																																																																																														
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CONTINUED ON NEXT SLIDE

RECONCILIATION OF GAAP TO NON-GAAP

SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)⁽¹⁾

(in thousands, except percentages)

		Three Months Ended								
	Marc	ch 30, 2019	Mare	ch 31, 2018						
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	\$	5,422	\$	2,864						
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	\$	28,726	\$	15,232						
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.



RECONCILIATION OF GAAP EARNINGS TO NON-GAAP EARNINGS (UNAUDITED)⁽¹⁾

(in thousands, except per share data)

	Three Months Ended										
	Mar	ch 30, 2019	March 31, 2018								
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 Add back:		55,133		52,654							
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		(3,880)		(1,879)							
Net income from continuing operations attributable to common	\$	69,404	\$	62,817							
Weighted average shares outstanding - Basic Effect of dilutive securities:		48,458		47,785							
Stock options, restricted stock units, performance share units and		1,004		1,043							
Weighted average shares outstanding - Diluted		49,462		48,828							
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							

(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.



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	Total CRL	RMS Segment	DSA Segment	MS Segment
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⁾	10.8 %	5.4 %	11.2 %	17.2 %

- (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 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 Mon	Fiscal Year Ended		
	March 30,			arch 31,	December 29,
		2019		2018	2019E
					including Citoxlab
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

(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.



RECONCILIATION OF GAAP TO NON-GAAP

SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)⁽¹⁾⁽²⁾

(in thousands, except percentages)

	Three	Months Ended
	Decem	ber 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)

- (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) 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 thous and s)

		Three Mo	nths End	led
	Marc	ch 30, 2019	Marc	h 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		(10,575)		(6,451)
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	\$	84,441	\$	75,082
Provision for income taxes (GAAP)	\$	10,602	\$	9,772
Tax effect of non-GAAP adjustments		3,880		1,879
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%

- (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.



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

(in thousands)

	Three I	Months Ended
	Decem	ber 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%

- (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 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	23.5%-24.5%

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 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 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 GAAP TO NON-GAAP NET INTEREST EXPENSE (1)

(dollars in thousands)

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

(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) 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 nonfunctional 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)

	C M	Forma for itoxlab Close arch 30, 2019	М	arch 30, 2019	December 29, 2018	, :	December 30, 2017	De	ecember 31, 2016	De	ccember 26, 2015	De	cember 27, 2014	De	ecember 28, 2013	De	cember 29, 2012
DEBT (2):																	
Total Debt & Capital Leases	\$	2,091,860	\$	1,571,488	\$ 1,668,014	4 3	\$ 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	3 3	\$ 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	7 3	\$ 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	2)	(163,794)		(117,626)		(117,947)		(160,023)		(155,927)		(109,685)
Net Debt	\$	1,930,924	\$	1,447,669	\$ 1,475,605	5 3	\$ 981,608	\$	1,121,004	\$	746,454	\$	620,668	\$	517,649	\$	566,515

ADJUSTED EBITDA (2):	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
ADJUSTED EDITDA (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:	3 228,870	3 220,070	\$ 220,373	3 123,333	3 154,705	3 149,313	3 120,098	3 102,828	3 91,293
Less: Aggregate non-cash amount of nonrecurring gains					((95)	(0.878)	(2.049)		
	_	_	_	_	(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	1,615	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								
	March 30,	March 30,	December 29,	December 30,	December 31,	December 26,	December 27,	December 28,	December 29,
	2019	2019	2018	2017	2016	2015	2014	2013	2012
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

(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.

2.5x

1.9x

2.4x

2.0x

1.9x

1.8x

2.4x

3.0x

(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 anortization, 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.



2.1x

Net leverage ratio (net debt divided by adjusted EBITDA)

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