

1Q20 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 28, 2020	March 30, 2019
Research Models and Services		
Revenue	\$ 145,996	\$ 137,172
Operating income	27,373	37,832
Operating income as a % of revenue	18.7 %	27.6 %
Add back:		
Amortization related to acquisitions	5,652	352
Severance	(9)	160
Acquisition related adjustments ⁽²⁾	285	-
Site consolidation costs, impairments and other items	229	181
Total non-GAAP adjustments to operating income	<u>\$ 6,157</u>	<u>\$ 693</u>
Operating income, excluding non-GAAP adjustments	\$ 33,530	\$ 38,525
Non-GAAP operating income as a % of revenue	23.0 %	28.1 %
Depreciation and amortization	\$ 8,752	\$ 4,322
Capital expenditures	\$ 5,412	\$ 4,112
Discovery and Safety Assessment		
Revenue	\$ 438,683	\$ 354,197
Operating income	72,283	46,705
Operating income as a % of revenue	16.5 %	13.2 %
Add back:		
Amortization related to acquisitions	23,007	16,735
Severance	83	13
Acquisition related adjustments ⁽²⁾	1,289	2,254
Total non-GAAP adjustments to operating income	<u>\$ 24,379</u>	<u>\$ 19,002</u>
Operating income, excluding non-GAAP adjustments	\$ 96,662	\$ 65,707
Non-GAAP operating income as a % of revenue	22.0 %	18.6 %
Depreciation and amortization	\$ 41,330	\$ 33,784
Capital expenditures	\$ 14,729	\$ 8,848
Manufacturing Support		
Revenue	\$ 122,380	\$ 113,200
Operating income	41,112	31,499
Operating income as a % of revenue	33.6 %	27.8 %
Add back:		
Amortization related to acquisitions	2,247	2,324
Severance	256	227
Acquisition related adjustments ⁽²⁾	2	50
Site consolidation costs, impairments and other items	-	1,008
Total non-GAAP adjustments to operating income	<u>\$ 2,505</u>	<u>\$ 3,609</u>
Operating income, excluding non-GAAP adjustments	\$ 43,617	\$ 35,108
Non-GAAP operating income as a % of revenue	35.6 %	31.0 %
Depreciation and amortization	\$ 6,366	\$ 5,805
Capital expenditures	\$ 5,161	\$ 3,606

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 28, 2020	March 30, 2019
CONTINUED FROM PREVIOUS SLIDE		
Unallocated Corporate Overhead	\$ (46,487)	\$ (46,244)
Add back:		
Acquisition related adjustments ⁽²⁾	6,983	5,422
Other items ⁽³⁾	(287)	-
Total non-GAAP adjustments to operating expense	<u>\$ 6,696</u>	<u>\$ 5,422</u>
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (39,791)	\$ (40,822)
Total		
Revenue	\$ 707,059	\$ 604,569
Operating income	94,281	69,792
Operating income as a % of revenue	13.3 %	11.5 %
Add back:		
Amortization related to acquisitions	30,906	19,411
Severance and executive transition costs	330	400
Acquisition related adjustments ⁽²⁾	8,559	7,726
Site consolidation costs, impairments and other items ⁽³⁾	(58)	1,189
Total non-GAAP adjustments to operating income	<u>\$ 39,737</u>	<u>\$ 28,726</u>
Operating income, excluding non-GAAP adjustments	\$ 134,018	\$ 98,518
Non-GAAP operating income as a % of revenue	19.0 %	16.3 %
Depreciation and amortization	\$ 57,260	\$ 45,358
Capital expenditures	\$ 25,721	\$ 16,731

(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 amount relates to third-party costs, net of insurance reimbursements, associated with the remediation of the unauthorized access into the Company's information systems which was detected in March 2019.

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 28, 2020</u>	<u>March 30, 2019</u>
Net income attributable to common shareholders	\$ 50,769	\$ 55,133
Add back:		
Non-GAAP adjustments to operating income (Refer to previous slide)	39,737	28,726
Venture capital (gains) losses	12,035	(10,575)
Tax effect of non-GAAP adjustments:		
Non-cash tax benefit related to international financing structure ⁽²⁾	1,073	-
Tax effect of the remaining non-GAAP adjustments	(11,804)	(3,880)
Net income attributable to common shareholders, excluding non-GAAP adjustments	<u>\$ 91,810</u>	<u>\$ 69,404</u>
Weighted average shares outstanding - Basic	49,189	48,458
Effect of dilutive securities:		
Stock options, restricted stock units and performance share units	<u>777</u>	<u>1,004</u>
Weighted average shares outstanding - Diluted	<u>49,966</u>	<u>49,462</u>
Earnings per share attributable to common shareholders:		
Basic	\$ 1.03	\$ 1.14
Diluted	\$ 1.02	\$ 1.11
Basic, excluding non-GAAP adjustments	\$ 1.87	\$ 1.43
Diluted, excluding non-GAAP adjustments	\$ 1.84	\$ 1.40

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(2) 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⁾

Three Months Ended March 28, 2020	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	17.0 %	6.4 %	23.9 %	8.1 %
Decrease due to foreign exchange	0.7 %	0.9 %	0.5 %	1.5 %
Contribution from acquisitions ⁽²⁾	(9.5)%	(9.0)%	(12.8)%	- %
Non-GAAP revenue growth, organic ⁽³⁾	8.2 %	(1.7)%	11.6 %	9.6 %

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- (2) The contribution from acquisitions reflects only completed acquisitions.
- (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 26, 2020E

2020 GUIDANCE	CURRENT	PRIOR
Revenue growth, reported	4.5% – 8.0%	13.0% – 14.5%
Less: Contribution from acquisitions (1)	~(4.0%)	(4.0%) – (4.5%)
Unfavorable/(favorable) impact of foreign exchange	0.5% – 1.0%	(1.0%) – (1.5%)
Revenue growth, organic (2)	1.5% – 4.5%	7.75% – 8.75%
GAAP EPS estimate	\$4.25 – \$4.60	\$5.20 – \$5.35
Acquisition-related amortization (3)	\$1.75 – \$1.80	\$1.65 – \$1.70
Charges related to global efficiency initiatives (4)	~\$0.05	<\$0.05
Acquisition-related adjustments (5)	~\$0.20	~\$0.25
Other items (6)	\$0.25 – \$0.32	\$0.25 – \$0.32
Venture capital investment losses/(gains) (7)	\$0.18	--
Non-GAAP EPS estimate	\$6.75 – \$7.10	\$7.45 – \$7.60
Free cash flow (8)	\$325 – \$350 million	\$350 – \$360 million

Footnotes to Guidance Table:

- (1) The contribution from acquisitions reflects only those acquisitions that have been completed.
- (2) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions and foreign currency translation.
- (3) Acquisition-related amortization includes an estimate of \$0.25-\$0.30 for the impact of the HemaCare acquisition as the purchase price allocation has not been finalized.
- (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.
- (6) These items primarily relate to charges of \$0.15-\$0.22 associated with the planned termination of the Company's U.S. pension plan in the second half of 2020, as well as charges of approximately \$0.10 associated with U.S. and international tax legislation that necessitated changes to the Company's international financing structure.
- (7) Venture capital investment performance only includes recognized gains or losses. The Company does not forecast the future performance of its venture capital investments.
- (8) The reconciliation of the current 2020 free cash flow guidance is as follows: Cash flow from operating activities of \$445-\$470 million, less capital expenditures of approximately \$120 million, equates to free cash flow of \$325-\$350 million.

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)

	March 28, 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	\$ 2,374,437	\$ 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	\$ 2,563	\$ 712	\$ 3,033	\$ 298	\$ 3,621	\$ 1,370	\$ 2,828	\$ 9,787	\$ 9,680
Total Indebtedness per credit agreement	\$ 2,377,000	\$ 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	(372,433)	(238,014)	(195,442)	(163,794)	(117,626)	(117,947)	(160,023)	(155,927)	(109,685)
Net Debt	\$ 2,004,567	\$ 1,650,910	\$ 1,475,605	\$ 981,608	\$ 1,121,004	\$ 746,454	\$ 620,668	\$ 517,649	\$ 566,515

	March 28, 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	\$ 245,423	\$ 252,019	\$ 226,373	\$ 123,355	\$ 154,765	\$ 149,313	\$ 126,698	\$ 102,828	\$ 97,295
Adjustments:									
Less: Aggregate non-cash amount of nonrecurring gains	(352)	(310)	—	—	(685)	(9,878)	(2,048)	—	—
Plus: Interest expense	81,880	79,586	65,258	29,777	27,709	15,072	11,950	20,969	33,342
Plus: Provision for income taxes	44,459	50,023	54,996	171,369	66,835	43,391	46,685	32,142	24,894
Plus: Depreciation and amortization	212,318	198,095	161,779	131,159	126,658	94,881	96,445	96,636	81,275
Plus: Non-cash nonrecurring losses	3,454	427	559	17,716	6,792	10,427	1,615	4,202	12,283
Plus: Non-cash stock-based compensation	56,125	57,271	47,346	44,003	43,642	40,122	31,035	24,542	21,855
Plus: Permitted acquisition-related costs	47,021	34,827	19,181	6,687	22,653	13,451	6,285	1,752	3,676
Plus: Pro forma EBITDA adjustments for permitted acquisitions	—	12,320	15,648	690	18,573	9,199	10,787	—	253
Adjusted EBITDA (per the calculation defined in compliance certificates)	\$ 690,329	\$ 684,259	\$ 591,140	\$ 524,756	\$ 466,942	\$ 365,978	\$ 329,452	\$ 283,071	\$ 274,873

	March 28, 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
LEVERAGE RATIO:									
Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA)	3.44x	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)	2.9x	2.4x	2.5x	1.9x	2.4x	2.0x	1.9x	1.8x	2.1x

	March 28, 2020
INTEREST COVERAGE RATIO:	
Capital Expenditures	151,393
Cash Interest Expense	82,275
Interest Coverage ratio per the credit agreement (Adjusted EBITDA minus Capital Expenditures divided by cash interest expense)	6.55x

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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 CTL International and HemaCare Corporation. 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. 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.

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

	Three Months Ended		Fiscal Year Ended
	March 28, 2020	March 30, 2019	December 26, 2020E
Net cash provided by operating activities	\$ 68,590	\$ 14,859	\$445,000-\$470,000
Less: Capital expenditures	(25,721)	(16,731)	(~120,000)
Free cash flow	<u>\$ 42,869</u>	<u>\$ (1,872)</u>	<u>\$325,000-\$350,000</u>

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

	Three Months Ended
	December 28, 2019
Unallocated Corporate Overhead	\$ (46,610)
Add back:	
Severance and executive transition costs	390
Acquisition related adjustments ⁽²⁾	3,634
Other items ⁽³⁾	657
Total non-GAAP adjustments to operating expense	\$ 4,681
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (41,929)

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

	Three Months Ended			Fiscal Year Ended
	March 28, 2020	December 28, 2019	March 30, 2019	December 26, 2020E
GAAP Interest expense, net	\$ 14,751	\$ 23,678	\$ 9,808	\$74,000-\$76,000
Exclude:				
Write-off of deferred financing costs and fees related to debt financing	-	(1,605)	-	-
Non-GAAP Interest expense, net	14,751	22,073	9,808	\$74,000-\$76,000
Adjustments for foreign exchange forward contract and related interest expense ⁽²⁾	4,213	(5,292)	6,422	~4,000
Adjusted Interest expense, net	<u>\$ 18,964</u>	<u>\$ 16,781</u>	<u>\$ 16,230</u>	<u>\$78,000-\$80,000</u>

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⁽²⁾ Amounts reported in total adjusted interest expense, net include a \$6.1 million gain on a forward contract partially offset by \$1.4 million of additional interest expense for the three months ended March 28, 2020; a \$3.0 million loss on a forward contract and \$1.6 million of additional interest expense for the three months ended December 28, 2019; and an \$8.9 million gain on a forward contract partially offset by \$2.5 million of additional interest expense for the three months ended March 30, 2019.

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

	Three Months Ended		
	March 28, 2020	December 28, 2019	March 30, 2019
Income from operations before income taxes & noncontrolling interests	\$ 55,459	\$ 105,565	\$ 66,290
Add back:			
Amortization related to acquisitions	30,906	24,956	19,411
Severance and executive transition costs	330	7,270	400
Acquisition related adjustments ⁽²⁾	8,559	5,316	7,726
Site consolidation costs, impairments and other items ⁽³⁾	(58)	1,340	1,189
Write-off of deferred financing costs and fees related to debt refinancing	-	1,605	-
Venture capital (gains) losses	12,035	(14,983)	(10,575)
Income before income taxes & noncontrolling interests, excluding specified charges (Non-GAAP)	<u>\$ 107,231</u>	<u>\$ 131,069</u>	<u>\$ 84,441</u>
Provision for income taxes (GAAP)	\$ 4,622	\$ 25,053	\$ 10,602
Non-cash tax expense related to international financing structure ⁽⁴⁾	(1,073)	(581)	-
Tax effect of the remaining non-GAAP adjustments	11,804	6,368	3,880
Provision for income taxes (Non-GAAP)	<u>\$ 15,353</u>	<u>\$ 30,840</u>	<u>\$ 14,482</u>
Total rate (GAAP)	8.3 %	23.7 %	16.0 %
Total rate, excluding specified charges (Non-GAAP)	14.3 %	23.5 %	17.2 %

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- (4) This adjustment relates to the utilization of deferred tax assets as a result of changes to the Company's international financing structure.

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

	<u>Fiscal Year Ended</u> December 26, 2020E
GAAP Tax Rate	23.0%-24.5%
Charges associated with changes to the international financing structure	(~1.0%)
Non-GAAP Tax Rate	22.0%-23.5%

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