

4Q19/FY19 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		Twelve Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Research Models and Services				
Revenue	\$ 131,317	\$ 128,487	\$ 537,089	\$ 519,682
Operating income	30,183	31,575	133,912	136,468
Operating income as a % of revenue	23.0 %	24.6 %	24.9 %	26.3 %
Add back:				
Amortization related to acquisitions	339	383	1,381	1,585
Severance	1,000	353	2,106	1,161
Acquisition related adjustments ⁽²⁾	—	(23)	2,201	(23)
Site consolidation costs, impairments and other items	786	—	1,043	822
Total non-GAAP adjustments to operating income	\$ 2,125	\$ 713	\$ 6,731	\$ 3,545
Operating income, excluding non-GAAP adjustments	\$ 32,308	\$ 32,288	\$ 140,643	\$ 140,013
Non-GAAP operating income as a % of revenue	24.6 %	25.1 %	26.2 %	26.9 %
Depreciation and amortization	\$ 4,999	\$ 4,904	\$ 19,197	\$ 19,469
Capital expenditures	\$ 12,010	\$ 17,067	\$ 26,989	\$ 35,172
Discovery and Safety Assessment				
Revenue	\$ 439,202	\$ 358,189	\$ 1,618,995	\$ 1,316,854
Operating income	83,689	67,186	258,903	227,577
Operating income as a % of revenue	19.1 %	18.8 %	16.0 %	17.3 %
Add back:				
Amortization related to acquisitions	22,357	14,415	80,424	54,211
Severance	4,778	41	7,311	1,014
Acquisition related adjustments ⁽³⁾	1,614	1,313	10,130	2,779
Site consolidation costs, impairments and other items	—	—	(207)	(117)
Total non-GAAP adjustments to operating income	\$ 28,749	\$ 15,769	\$ 97,658	\$ 57,887
Operating income, excluding non-GAAP adjustments	\$ 112,438	\$ 82,955	\$ 356,561	\$ 285,464
Non-GAAP operating income as a % of revenue	25.6 %	23.2 %	22.0 %	21.7 %
Depreciation and amortization	\$ 39,908	\$ 29,714	\$ 151,139	\$ 112,976
Capital expenditures	\$ 41,713	\$ 38,929	\$ 86,843	\$ 73,425
Manufacturing Support				
Revenue	\$ 120,619	\$ 114,854	\$ 465,142	\$ 429,560
Operating income	41,527	40,308	145,420	136,212
Operating income as a % of revenue	34.4 %	35.1 %	31.3 %	31.7 %
Add back:				
Amortization related to acquisitions	2,260	2,219	9,062	9,035
Severance	1,102	357	1,651	1,227
Acquisition related adjustments ⁽³⁾	68	112	286	112
Site consolidation costs, impairments and other items	(103)	—	1,382	159
Total non-GAAP adjustments to operating income	\$ 3,327	\$ 2,688	\$ 12,381	\$ 10,533
Operating income, excluding non-GAAP adjustments	\$ 44,854	\$ 42,996	\$ 157,801	\$ 146,745
Non-GAAP operating income as a % of revenue	37.2 %	37.4 %	33.9 %	34.2 %
Depreciation and amortization	\$ 6,007	\$ 5,216	\$ 23,584	\$ 22,529
Capital expenditures	\$ 9,318	\$ 10,592	\$ 23,617	\$ 23,323

CONTINUED ON NEXT SLIDE

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 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
CONTINUED FROM PREVIOUS SLIDE				
Unallocated Corporate Overhead	\$ (46,610)	\$ (36,587)	\$ (187,084)	\$ (168,874)
Add back:				
Severance and executive transition costs	390	—	390	5,278
Acquisition related adjustments ⁽³⁾	3,634	618	26,822	16,316
Other items ⁽⁴⁾	657	—	2,065	—
Total non-GAAP adjustments to operating expense	\$ 4,681	\$ 618	\$ 29,277	\$ 21,594
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (41,929)	\$ (35,969)	\$ (157,807)	\$ (147,280)
Total				
Revenue	\$ 691,138	\$ 601,530	\$ 2,621,226	\$ 2,266,096
Operating income	108,789	102,482	351,151	331,383
Operating income as a % of revenue	15.7 %	17.0 %	13.4 %	14.6 %
Add back:				
Amortization related to acquisitions	24,956	17,017	90,867	64,831
Severance and executive transition costs	7,270	751	11,458	8,680
Acquisition related adjustments ^{(2),(3)}	5,316	2,020	39,439	19,184
Site consolidation costs, impairments and other items ⁽⁴⁾	1,340	—	4,283	864
Total non-GAAP adjustments to operating income	\$ 38,882	\$ 19,788	\$ 146,047	\$ 93,559
Operating income, excluding non-GAAP adjustments	\$ 147,671	\$ 122,270	\$ 497,198	\$ 424,942
Non-GAAP operating income as a % of revenue	21.4 %	20.3 %	19.0 %	18.8 %
Depreciation and amortization	\$ 51,833	\$ 41,581	\$ 198,095	\$ 161,779
Capital expenditures	\$ 63,839	\$ 68,676	\$ 140,514	\$ 140,054

- (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) This amount represents a \$2.2 million charge recorded during fiscal 2019 in connection with the modification of the option to purchase the remaining 8% equity interest in Vital River.
- (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) 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)

	Three Months Ended		Twelve Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Net income attributable to common shareholders	\$ 80,348	\$ 59,665	\$ 252,019	\$ 226,373
Less: Income from discontinued operations, net of income taxes	—	—	—	1,506
Net income from continuing operations attributable to common shareholders	80,348	59,665	252,019	224,867
Add back:				
Non-GAAP adjustments to operating income (Refer to Schedule 4)	38,882	19,788	146,047	93,559
Write-off of deferred financing costs and fees related to debt financing	1,605	—	1,605	5,060
Venture capital (gains) losses	(14,983)	6,832	(20,707)	(15,928)
Tax effect of non-GAAP adjustments:				
Tax effect from U.S. Tax Reform ⁽²⁾	—	(2,650)	—	(5,450)
Tax effect from divestiture of CDMO business	—	—	—	(1,000)
Non-cash tax benefit related to international financing structure ⁽³⁾	581	—	(19,787)	—
Tax effect of the remaining non-GAAP adjustments	(6,368)	(5,344)	(24,811)	(17,166)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	<u>\$ 100,065</u>	<u>\$ 78,291</u>	<u>\$ 334,366</u>	<u>\$ 283,942</u>
Weighted average shares outstanding - Basic	48,875	48,143	48,730	47,947
Effect of dilutive securities:				
stock	992	1,067	963	1,071
Weighted average shares outstanding - Diluted	<u>49,867</u>	<u>49,210</u>	<u>49,693</u>	<u>49,018</u>
Earnings per share from continuing operations attributable to common shareholders				
Basic	\$ 1.64	\$ 1.24	\$ 5.17	\$ 4.69
Diluted	\$ 1.61	\$ 1.21	\$ 5.07	\$ 4.59
Basic, excluding non-GAAP adjustments	\$ 2.05	\$ 1.63	\$ 6.86	\$ 5.92
Diluted, excluding non-GAAP adjustments	\$ 2.01	\$ 1.59	\$ 6.73	\$ 5.80

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- (2) 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 U.S. federal net deferred tax liabilities.
- (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 28, 2019	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	14.9 %	2.2 %	22.6 %	5.0 %
Decrease (increase) due to foreign exchange	0.6 %	0.6 %	0.4 %	1.3 %
Contribution from acquisitions	(8.1)%	—%	(13.6)%	—%
Non-GAAP revenue growth, organic ⁽³⁾	<u>7.4 %</u>	<u>2.8 %</u>	<u>9.4 %</u>	<u>6.3 %</u>
For the twelve months ended December 28, 2019	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	15.7 %	3.3 %	22.9 %	8.3 %
Decrease (increase) due to foreign exchange	1.5 %	1.9 %	1.1 %	2.7 %
Contribution from acquisitions ⁽²⁾	(8.7)%	—%	(14.9)%	(0.2)%
Non-GAAP revenue growth, organic ⁽³⁾	<u>8.5 %</u>	<u>5.2 %</u>	<u>9.1 %</u>	<u>10.8 %</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 26, 2020E

2020 GUIDANCE	
Revenue growth, reported	13.0% - 14.5%
Less: Contribution from acquisitions (1)	(4.0%) – (4.5%)
Less: Favorable impact of foreign exchange	(1.0%) – (1.5%)
Revenue growth, organic (2)	7.75% – 8.75%
GAAP EPS estimate (3)	\$5.20 – \$5.35
Amortization of intangible assets (4)	\$1.65 – \$1.70
Charges related to global efficiency initiatives (5)	<\$0.05
Acquisition-related adjustments (6)	~\$0.25
Other items (7)	\$0.25 - \$0.32
Non-GAAP EPS estimate	\$7.45 – \$7.60
Free cash flow (8)	\$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) GAAP EPS guidance does not include an estimate for future gains or losses from venture capital investments. Potential gains or losses are expected in 2020, but the Company does not forecast the future performance of its venture capital investments. Any future gains or losses would be excluded from non-GAAP results.

(4) Amortization of intangible assets includes an estimate of \$0.30-\$0.35 for the impact of the HemaCare acquisition because the preliminary purchase price allocation has not been completed.

(5) 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.

(6) 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.

(7) 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.

(8) The reconciliation of the current 2020 free cash flow guidance is as follows: Cash flow from operating activities of \$500-\$510 million, less capital expenditures of approximately \$150 million, equates to free cash flow of \$350-\$360 million.

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 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018	December 26, 2020E
GAAP Interest expense, net	\$ 23,678	\$ 16,623	\$ 59,360	\$ 62,960	\$85,500-\$87,500
Exclude:					
Write-off of deferred financing costs and fees related to debt financing	(1,605)	—	(1,605)	(5,060)	\$ —
Non-GAAP Interest expense, net	22,073	16,623	57,755	57,900	\$85,500-\$87,500
Adjustments for foreign exchange forward contract and related interest expense ⁽²⁾	(5,292)	—	9,611	—	Approx. (7,500)
Adjusted Interest expense, net	\$ 16,781	\$ 16,623	\$ 67,366	\$ 57,900	\$78,000-\$80,000

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⁽²⁾ Amounts reported in total adjusted interest expense, net include 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 \$18.7 million gain on forward contracts and \$7.4 million of additional interest expense for the twelve months ended December 28, 2019.

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 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	\$ 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	\$ 712	\$ 3,033	\$ 298	\$ 3,621	\$ 1,370	\$ 2,828	\$ 9,787	\$ 9,680
Total Indebtedness per credit agreement	\$ 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	(238,014)	(195,442)	(163,794)	(117,626)	(117,947)	(160,023)	(155,927)	(109,685)
Net Debt	\$ 1,650,910	\$ 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	\$ 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	(310)	—	—	(685)	(9,878)	(2,048)	—	—
Plus: Interest expense	79,586	65,258	29,777	27,709	15,072	11,950	20,969	33,342
Plus: Provision for income taxes	50,023	54,996	171,369	66,835	43,391	46,685	32,142	24,894
Plus: Depreciation and amortization	198,095	161,779	131,159	126,658	94,881	96,445	96,636	81,275
Plus: Non-cash nonrecurring losses	427	559	17,716	6,792	10,427	1,615	4,202	12,283
Plus: Non-cash stock-based compensation	57,271	47,346	44,003	43,642	40,122	31,035	24,542	21,855
Plus: Permitted acquisition-related costs	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)	\$ 684,259	\$ 591,140	\$ 524,756	\$ 466,942	\$ 365,978	\$ 329,452	\$ 283,071	\$ 274,873
LEVERAGE RATIO:								
Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA)	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)	2.4x	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 CTL International. 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 GAAP TAX RATE TO NON-GAAP TAX RATE (UNAUDITED)⁽¹⁾
(in thousands)

	Three Months Ended		Twelve Months Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Income from continuing operations before income taxes & noncontrolling interest	105,565	75,048	304,084	281,681
Add back:				
Amortization related to acquisitions	24,956	17,017	90,867	64,831
Severance and executive transition costs	7,270	751	11,458	8,680
Acquisition related adjustments ^{(2),(3)}	5,316	2,020	39,439	19,184
Site consolidation costs, impairments and other items ⁽⁴⁾	1,340	-	4,283	864
Write-off of deferred financing costs and fees related to debt refinancing	1,605	-	1,605	5,060
Venture capital (gains) losses	(14,983)	6,832	(20,707)	(15,928)
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	<u>131,069</u>	<u>101,668</u>	<u>431,029</u>	<u>364,372</u>
Provision for income taxes (GAAP)	25,053	14,850	50,023	54,463
Tax effect from U.S. Tax Reform ⁽⁵⁾	-	2,650	-	5,450
Tax effect from divestiture of CDMO business	-	-	-	1,000
Non-cash tax benefit related to international financing structure ⁽⁶⁾	(581)	-	19,787	-
Tax effect of the remaining non-GAAP adjustments	<u>6,368</u>	<u>5,344</u>	<u>24,811</u>	<u>17,166</u>
Provision for income taxes (Non-GAAP)	30,840	22,844	94,621	78,079
Total rate (GAAP)	23.7%	19.8%	16.5%	19.3%
Total rate, excluding specified charges (Non-GAAP)	23.5%	22.5%	22.0%	21.4%

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- (2) This amount includes a \$2.2 million charge recorded in connection with the modification of the option to purchase the remaining 8% equity interest in Vital River.
- (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) 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.
- (5) 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 U.S. federal net deferred tax liabilities.
- (6) 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 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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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 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018	December 26, 2020E
Net cash provided by operating activities	\$ 180,677	\$ 139,973	\$ 480,936	\$ 441,140	\$500,000-\$510,000
Less: Capital expenditures	(63,839)	(68,676)	(140,514)	(140,054)	(~150,000)
Free cash flow	\$ 116,838	\$ 71,297	\$ 340,422	\$ 301,086	\$350,000-\$360,000

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