

# 4Q16/FY16 Results & 2017 Guidance Regulation G Financial Reconciliations

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February 14, 2017

**SCHEDULE 3 FROM 4Q16 EARNINGS RELEASE**  
**RECONCILIATION OF GAAP TO NON-GAAP**  
**SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED) <sup>(1)</sup>**  
(in thousands, except percentages)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>December 31, 2016</u>	<u>December 26, 2015</u>	<u>December 31, 2016</u>	<u>December 26, 2015</u>
<b>Research Models and Services</b>				
Revenue	\$ 124,712	\$ 113,841	\$ 494,037	\$ 470,411
Operating income	33,310	27,392	136,365	120,973
Operating income as a % of revenue	26.7%	24.1%	27.6%	25.7%
Add back:				
Amortization of intangible assets related to acquisitions	577	792	2,353	3,083
Severance	139	172	757	1,338
Government billing adjustment and related expenses	-	141	634	477
Site consolidation costs, impairments and other items	-	418	207	1,833
Total non-GAAP adjustments to operating income	<u>\$ 716</u>	<u>\$ 1,523</u>	<u>\$ 3,951</u>	<u>\$ 6,731</u>
Operating income, excluding non-GAAP adjustments	\$ 34,026	\$ 28,915	\$ 140,316	\$ 127,704
Non-GAAP operating income as a % of revenue	27.3%	25.4%	28.4%	27.1%
Depreciation and amortization	\$ 5,240	\$ 5,936	\$ 20,853	\$ 22,526
Capital expenditures	\$ 5,676	\$ 5,287	\$ 11,642	\$ 17,398
<b>Discovery and Safety Assessment</b>				
Revenue	\$ 241,734	\$ 160,514	\$ 836,593	\$ 612,173
Operating income	43,643	37,125	138,157	121,981
Operating income as a % of revenue	18.1%	23.1%	16.5%	19.9%
Add back:				
Amortization of intangible assets related to acquisitions	8,675	3,337	27,743	13,969
Severance	197	354	7,684	1,068
Operating losses (2)	-	2,654	-	5,517
Acquisition related adjustments (3)	872	84	5,189	244
Site consolidation costs, impairments and other items	4,062	-	11,341	-
Total non-GAAP adjustments to operating income	<u>\$ 13,806</u>	<u>\$ 6,429</u>	<u>\$ 51,957</u>	<u>\$ 20,798</u>
Operating income, excluding non-GAAP adjustments	\$ 57,449	\$ 43,554	\$ 190,114	\$ 142,779
Non-GAAP operating income as a % of revenue	23.8%	27.1%	22.7%	23.3%
Depreciation and amortization	\$ 20,588	\$ 11,752	\$ 71,816	\$ 46,812
Capital expenditures	\$ 13,633	\$ 16,577	\$ 27,493	\$ 30,333
<b>Manufacturing Support</b>				
Revenue	\$ 100,343	\$ 79,495	\$ 350,802	\$ 280,718
Operating income	31,096	18,803	104,543	74,675
Operating income as a % of revenue	31.0%	23.7%	29.8%	26.6%
Add back:				
Amortization of intangible assets and inventory step-up related to acquisitions	3,283	5,672	12,650	12,322
Severance	-	384	31	1,640
Acquisition related adjustments (3)	(55)	1,582	1,090	2,593
Site consolidation costs, impairments and other items	-	407	301	407
Total non-GAAP adjustments to operating income	<u>\$ 3,228</u>	<u>\$ 8,045</u>	<u>\$ 14,072</u>	<u>\$ 16,962</u>
Operating income, excluding non-GAAP adjustments	\$ 34,324	\$ 26,848	\$ 118,615	\$ 91,637
Non-GAAP operating income as a % of revenue	34.2%	33.8%	33.8%	32.6%
Depreciation and amortization	\$ 6,884	\$ 5,973	\$ 25,566	\$ 18,129
Capital expenditures	\$ 4,000	\$ 4,339	\$ 12,247	\$ 9,814

CONTINUED ON NEXT SLIDE

**SCHEDULE 3 FROM 4Q16 EARNINGS RELEASE**  
**RECONCILIATION OF GAAP TO NON-GAAP**  
**SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED) <sup>(1)</sup>**  
(in thousands, except percentages)

	Three Months Ended		Twelve Months Ended	
	December 31, 2016	December 26, 2015	December 31, 2016	December 26, 2015
<b>CONTINUED FROM PREVIOUS SLIDE</b>				
<b>Unallocated Corporate Overhead</b>	\$ (38,958)	\$ (31,051)	\$ (141,646)	\$ (111,180)
Add back:				
Severance and executive transition costs	-	96	-	2,127
Acquisition related adjustments (3)	2,552	5,027	15,608	11,676
Total non-GAAP adjustments to operating expense	<u>\$ 2,552</u>	<u>\$ 5,123</u>	<u>\$ 15,608</u>	<u>\$ 13,803</u>
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (36,406)	\$ (25,928)	\$ (126,038)	\$ (97,377)
<b>Total</b>				
Revenue	\$ 466,789	\$ 353,850	\$ 1,681,432	\$ 1,363,302
Operating income	69,091	52,269	237,419	206,449
Operating income as a % of revenue	14.8%	14.8%	14.1%	15.1%
Add back:				
Amortization of intangible assets and inventory step-up related to acquisitions	12,535	9,801	42,746	29,374
Severance and executive transition costs	336	1,006	8,472	6,173
Operating losses (2)	-	2,654	-	5,517
Acquisition related adjustments (3)	3,369	6,693	21,887	14,513
Government billing adjustment and related expenses	-	141	634	477
Site consolidation costs, impairments and other items	4,062	825	11,849	2,240
Total non-GAAP adjustments to operating income	<u>\$ 20,302</u>	<u>\$ 21,120</u>	<u>\$ 85,588</u>	<u>\$ 58,294</u>
Operating income, excluding non-GAAP adjustments	\$ 89,393	\$ 73,389	\$ 323,007	\$ 264,743
Non-GAAP operating income as a % of revenue	19.2%	20.7%	19.2%	19.4%
Depreciation and amortization	\$ 35,542	\$ 25,551	\$ 126,658	\$ 94,881
Capital expenditures	\$ 25,679	\$ 28,244	\$ 55,288	\$ 63,252

- (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 item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.
- (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.

**SCHEDULE 4 FROM 4Q16 EARNINGS RELEASE**  
**RECONCILIATION OF GAAP EARNINGS TO NON-GAAP EARNINGS (UNAUDITED)<sup>(1)</sup>**  
(in thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	December 31, 2016	December 26, 2015	December 31, 2016	December 26, 2015
Net income attributable to common shareholders	\$ 44,680	\$ 31,884	\$ 154,765	\$ 149,313
Less: Income (loss) from discontinued operations, net of income taxes	(48)	(902)	280	(950)
Net income from continuing operations attributable to common shareholders	44,728	32,786	154,485	150,263
Add back:				
Non-GAAP adjustments to operating income (Refer to Schedule 3)	20,302	21,120	85,588	58,294
Reversal of an indemnification asset associated with acquisition and corresponding interest	-	-	54	10,411
Write-off (adjustments) of deferred financing costs and fees related to debt financing	-	-	987	721
Gain on bargain purchase (3)	15	96	15	(9,837)
Acquisition related adjustments (4)	-	-	815	-
Tax effect of non-GAAP adjustments:				
Reversal of uncertain tax position associated with acquisition and corresponding interest (2)	-	-	-	(10,411)
Tax effect of the remaining non-GAAP adjustments	(6,719)	(6,684)	(23,025)	(20,106)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	<u>\$ 58,326</u>	<u>\$ 47,318</u>	<u>\$ 218,919</u>	<u>\$ 179,335</u>
Weighted average shares outstanding - Basic	47,194	46,269	47,014	46,496
Effect of dilutive securities:				
Stock options, restricted stock units, performance share units and restricted stock	1,071	1,146	945	1,138
Weighted average shares outstanding - Diluted	<u>48,265</u>	<u>47,415</u>	<u>47,959</u>	<u>47,634</u>
Earnings per share from continuing operations attributable to common shareholders				
Basic	\$ 0.95	\$ 0.71	\$ 3.28	\$ 3.23
Diluted	\$ 0.93	\$ 0.69	\$ 3.22	\$ 3.15
Basic, excluding non-GAAP adjustments	\$ 1.24	\$ 1.02	\$ 4.66	\$ 3.86
Diluted, excluding non-GAAP adjustments	\$ 1.21	\$ 1.00	\$ 4.56	\$ 3.76

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(2) These amounts represent the reversal of an uncertain tax position and an offsetting indemnification asset primarily related to the acquisition of BioFocus.

(3) The amounts relate to the acquisition of Sunrise Farms, Inc. and represents the excess of the estimated fair value of the net assets acquired over the purchase price.

(4) The amount represents a \$1.5 million charge recorded in connection with the modification of the option to purchase the remaining 13% equity interest in Vital River, partially offset by a \$0.7 million gain on remeasurement of previously held equity interest in an entity acquired in a step acquisition.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**

**SCHEDULE 5 FROM 4Q16 EARNINGS RELEASE  
RECONCILIATION OF GAAP REVENUE GROWTH  
TO NON-GAAP REVENUE GROWTH, ORGANIC (UNAUDITED) <sup>(1)</sup>**

**For the three months ended December 31, 2016**

	<u>Total CRL</u>	<u>RMS Segment</u>	<u>DSA Segment</u>	<u>MS Segment</u>
Revenue growth, reported	31.9%	9.5%	50.6%	26.2%
Decrease (increase) due to foreign exchange	2.4%	0.8%	4.0%	1.5%
Contribution from acquisitions <sup>(2)</sup>	(20.9%)	0.0%	(41.6%)	(9.2%)
Effect of 53 <sup>rd</sup> week	(5.1%)	(4.6%)	(5.1%)	(5.6%)
<b>Non-GAAP revenue growth, organic <sup>(3)</sup></b>	<b><u>8.3%</u></b>	<b><u>5.7%</u></b>	<b><u>7.9%</u></b>	<b><u>12.9%</u></b>

**For the twelve months ended December 31, 2016**

	<u>Total CRL</u>	<u>RMS Segment</u>	<u>DSA Segment</u>	<u>MS Segment</u>
Revenue growth, reported	23.3%	5.0%	36.7%	25.0%
Decrease (increase) due to foreign exchange	1.5%	0.2%	2.7%	0.8%
Contribution from acquisitions <sup>(2)</sup>	(15.8%)	0.0%	(29.2%)	(12.9%)
Effect of 53 <sup>rd</sup> week	(1.3%)	(1.1%)	(1.3%)	(1.6%)
<b>Non-GAAP revenue growth, organic <sup>(3)</sup></b>	<b><u>7.7%</u></b>	<b><u>4.1%</u></b>	<b><u>8.9%</u></b>	<b><u>11.3%</u></b>

(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 those acquisitions which were completed during fiscal year 2016 and 2015.

(3) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, the 53<sup>rd</sup> week, 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 30, 2017E**

	<b>2017E Guidance</b>
<b>Revenue growth, reported</b>	<b>7.5%-9.0%</b>
Less: Contribution of acquisitions (1)	(~5.0%-6.0%)
Add: Effect of CDMO divestiture	~1.0%
Less: Negative effect of 53rd week in 2016	~1.5%
Less: Negative effect of foreign exchange	~2.0%-2.5%
<b>Revenue growth, organic (Non-GAAP) (2)</b>	<b>7.0%-8.5%</b>
<b>GAAP EPS estimate (3)</b>	<b>\$4.33-\$4.43</b>
Add back:	
Amortization of intangible assets	~\$0.58
Charges related to global efficiency initiatives (4)	~\$0.02
Acquisition/divestiture-related adjustments (5)	~\$0.07
<b>Non-GAAP EPS estimate</b>	<b>\$5.00-\$5.10</b>

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.

(1) The contribution from acquisitions reflects only those acquisitions which were completed in 2016.

(2) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, the divestiture of the CDMO business, the 53rd week, and foreign currency translation.

(3) GAAP earnings per share guidance does not include the expected net gain and tax impact related to the divestiture of the CDMO business because the disposition accounting has not yet been finalized.

(4) These charges relate primarily to the Company's planned efficiency initiatives in 2017, including site consolidation costs, asset impairments, and severance. Other projects in support of the 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 the divestiture of the CDMO business, and primarily include transaction, advisory, and certain third-party integration costs, as well as certain costs associated with acquisition-related efficiency initiatives.

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>		<u>Fiscal Year Ended</u>
	December 31, 2016	December 26, 2015	December 31, 2016	December 26, 2015	December 30, 2017E (2)
Net cash provided by operating activities	\$ 114,252	\$ 102,339	\$ 300,375	\$ 288,234	\$345,000-\$355,000
Less: Capital expenditures	<u>(25,679)</u>	<u>(28,244)</u>	<u>(55,288)</u>	<u>(63,252)</u>	<u>(75,000-85,000)</u>
Free cash flow	<u>\$ 88,573</u>	<u>\$ 74,095</u>	<u>\$ 245,087</u>	<u>\$ 224,982</u>	<u>\$265,000-\$275,000</u>

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(2) GAAP earnings per share guidance does not include the tax impact related to the divestiture of the CDMO business because the disposition accounting has not yet been finalized.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**  
**RECONCILIATION OF GAAP TO NON-GAAP NET INTEREST EXPENSE**

(dollars in thousands)

	<b>Twelve Months Ended</b>	
	<b>December 31, 2016</b>	<b>December 26, 2015</b>
GAAP Interest Expense, net	\$ 26,395	\$ 14,029
Exclude:		
Write-off of deferred financing costs and fees related to debt refinancing	-	(733)
Reversal of an indemnification asset associated with an acquisition and corresponding interest	(987)	(180)
Non-GAAP Interest Expense, net	\$ 25,408	\$ 13,116

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 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 TAX RATE TO NON-GAAP TAX RATE (UNAUDITED)<sup>(1)</sup>**

(in thousands)

	Three Months Ended		Twelve Months Ended	
	December 31, 2016	December 26, 2015	December 31, 2016	December 26, 2015
Income from continuing operations before income taxes & noncontrolling interest	\$ 63,725	\$ 49,992	\$ 222,921	\$ 195,428
Add back:				
Amortization of intangible assets and inventory step-up related to acquisitions	12,535	9,801	42,746	29,374
Severance and executive transition costs	336	1,006	8,472	6,173
Operating losses (2)	-	2,654	-	5,517
Acquisition related adjustments (3)	3,369	6,693	21,887	14,513
Acquisition related adjustments (4)	-	-	815	-
Government billing adjustment and related expenses	-	141	634	477
Site consolidation costs, impairments and other items	4,062	825	11,849	2,240
Write-off (adjustments) of deferred financing costs and fees related to debt refinancing	-	-	987	721
Reversal of indemnification asset associated with acquisition and corresponding interest (5)	-	-	54	10,411
Gain on bargain purchase (6)	15	96	15	(9,837)
	<u>84,042</u>	<u>71,208</u>	<u>310,380</u>	<u>255,017</u>
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	\$ 84,042	\$ 71,208	\$ 310,380	\$ 255,017
Provision for income taxes (GAAP)	\$ 18,450	\$ 16,729	\$ 66,835	\$ 43,391
Tax effect from reversal of uncertain tax position associated with acquisition and corresponding interest (5)	-	-	-	10,411
Tax effect of the remaining non-GAAP adjustments	6,719	6,684	23,025	20,106
Provision for income taxes (Non-GAAP)	\$ 25,169	\$ 23,413	\$ 89,860	\$ 73,908
Total rate (GAAP)	29.0%	33.5%	30.0%	22.2%
Total rate, excluding specified charges (Non-GAAP)	29.9%	32.9%	29.0%	29.0%

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- (2) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.
- (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) The amount represents a \$1.5 million charge recorded in connection with the modification of the option to purchase the remaining 13% equity interest in Vital River, partially offset by a \$0.7 million gain on remeasurement of previously held equity interest in an entity acquired in a step acquisition.
- (5) These amounts represent the reversal of an uncertain tax position and an offsetting indemnification asset primarily related to the acquisition of BioFocus.
- (6) The amounts relate to the acquisition of Sunrise Farms, Inc. and represents the excess of the estimated fair value of the net assets acquired over the purchase price.

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