

2Q20 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		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Research Models and Services				
Revenue	\$ 116,549	\$ 136,054	\$ 262,545	\$ 273,226
Operating income	3,844	31,512	31,217	69,344
Operating income as a % of revenue	3.3 %	23.2 %	11.9 %	25.4 %
Add back:				
Amortization related to acquisitions	5,919	349	11,571	701
Severance	509	565	500	725
Acquisition related adjustments ⁽²⁾⁽³⁾	292	2,201	577	2,201
Site consolidation costs, impairments and other items	30	76	259	257
Total non-GAAP adjustments to operating income	\$ 6,750	\$ 3,191	\$ 12,907	\$ 3,884
Operating income, excluding non-GAAP adjustments	\$ 10,594	\$ 34,703	\$ 44,124	\$ 73,228
Non-GAAP operating income as a % of revenue	9.1 %	25.5 %	16.8 %	26.8 %
Depreciation and amortization	\$ 9,126	\$ 4,981	\$ 17,878	\$ 9,303
Capital expenditures	\$ 6,621	\$ 5,049	\$ 12,033	\$ 9,161
Discovery and Safety Assessment				
Revenue	\$ 442,564	\$ 405,517	\$ 881,247	\$ 759,714
Operating income	72,241	63,514	144,524	110,219
Operating income as a % of revenue	16.3 %	15.7 %	16.4 %	14.5 %
Add back:				
Amortization related to acquisitions	23,128	19,772	46,135	36,507
Severance	3,481	672	3,564	685
Acquisition related adjustments ⁽¹⁾	1,095	1,738	2,384	3,992
Site consolidation costs, impairments and other items	2,934	-	2,934	-
Total non-GAAP adjustments to operating income	\$ 30,638	\$ 22,182	\$ 55,017	\$ 41,184
Operating income, excluding non-GAAP adjustments	\$ 102,879	\$ 85,696	\$ 199,541	\$ 151,403
Non-GAAP operating income as a % of revenue	23.2 %	21.1 %	22.6 %	19.9 %
Depreciation and amortization	\$ 41,101	\$ 37,549	\$ 82,431	\$ 71,333
Capital expenditures	\$ 16,175	\$ 15,141	\$ 30,904	\$ 23,989
Manufacturing Support				
Revenue	\$ 123,471	\$ 115,997	\$ 245,851	\$ 229,197
Operating income	42,930	33,141	84,042	64,640
Operating income as a % of revenue	34.8 %	28.6 %	34.2 %	28.2 %
Add back:				
Amortization related to acquisitions	2,217	2,274	4,464	4,598
Severance	1,396	74	1,652	301
Acquisition related adjustments ⁽¹⁾	(423)	106	(421)	156
Site consolidation costs, impairments and other items	-	297	-	1,305
Total non-GAAP adjustments to operating income	\$ 3,190	\$ 2,751	\$ 5,695	\$ 6,360
Operating income, excluding non-GAAP adjustments	\$ 46,120	\$ 35,892	\$ 89,737	\$ 71,000
Non-GAAP operating income as a % of revenue	37.4 %	30.9 %	36.5 %	31.0 %
Depreciation and amortization	\$ 6,236	\$ 5,782	\$ 12,602	\$ 11,587
Capital expenditures	\$ 3,037	\$ 4,272	\$ 8,198	\$ 7,878

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

	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
CONTINUED FROM PREVIOUS SLIDE				
Unallocated Corporate Overhead	\$ (42,247)	\$ (48,399)	\$ (88,734)	\$ (94,643)
Add back:				
Acquisition related adjustments ⁽³⁾	869	12,470	7,852	17,892
Other items ⁽⁴⁾	(463)	1,029	(750)	1,029
Total non-GAAP adjustments to operating expense	\$ 406	\$ 13,499	\$ 7,102	\$ 18,921
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (41,841)	\$ (34,900)	\$ (81,632)	\$ (75,722)
Total				
Revenue	\$ 682,584	\$ 657,568	\$ 1,389,643	\$ 1,262,137
Operating income	76,768	79,768	171,049	149,560
Operating income as a % of revenue	11.2 %	12.1 %	12.3 %	11.8 %
Add back:				
Amortization related to acquisitions	31,264	22,395	62,170	41,806
Severance	5,386	1,311	5,716	1,711
Acquisition related adjustments ⁽²⁾⁽³⁾	1,833	16,515	10,392	24,241
Site consolidation costs, impairments and other items ⁽⁴⁾	2,501	1,402	2,443	2,591
Total non-GAAP adjustments to operating income	\$ 40,984	\$ 41,623	\$ 80,721	\$ 70,349
Operating income, excluding non-GAAP adjustments	\$ 117,752	\$ 121,391	\$ 251,770	\$ 219,909
Non-GAAP operating income as a % of revenue	17.3 %	18.5 %	18.1 %	17.4 %
Depreciation and amortization	\$ 57,208	\$ 49,146	\$ 114,468	\$ 94,504
Capital expenditures	\$ 26,800	\$ 24,781	\$ 52,521	\$ 41,512

(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 in connection with the modification of the option to purchase the remaining 8% equity interest in Vital River in the three and six months ended June 29, 2019.

(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)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 27, 2020</u>	<u>June 29, 2019</u>	<u>June 27, 2020</u>	<u>June 29, 2019</u>
Net income attributable to common shareholders	\$ 67,435	\$ 43,728	\$ 118,204	\$ 98,861
Add back:				
Non-GAAP adjustments to operating income (Refer to previous schedule)	40,984	41,623	80,721	70,349
Venture capital and strategic equity investment (gains) losses, net	(23,911)	4,254	(11,876)	(6,321)
Tax effect of non-GAAP adjustments:				
Non-cash tax benefit related to international financing structure ⁽²⁾	1,113	-	2,186	-
Tax effect of the remaining non-GAAP adjustments	(6,020)	(8,491)	(17,824)	(12,371)
Net income attributable to common shareholders, excluding non-GAAP adjustments	<u>\$ 79,601</u>	<u>\$ 81,114</u>	<u>\$ 171,411</u>	<u>\$ 150,518</u>
Weighted average shares outstanding - Basic	49,553	48,772	49,371	48,615
Effect of dilutive securities:				
Stock options, restricted stock units and performance share units	693	890	747	984
Weighted average shares outstanding - Diluted	<u>50,246</u>	<u>49,662</u>	<u>50,118</u>	<u>49,599</u>
Earnings per share attributable to common shareholders:				
Basic	\$ 1.36	\$ 0.90	\$ 2.39	\$ 2.03
Diluted	\$ 1.34	\$ 0.88	\$ 2.36	\$ 1.99
Basic, excluding non-GAAP adjustments	\$ 1.61	\$ 1.66	\$ 3.47	\$ 3.10
Diluted, excluding non-GAAP adjustments	\$ 1.58	\$ 1.63	\$ 3.42	\$ 3.03

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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 June 27, 2020	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	3.8 %	(14.3)%	9.1 %	6.4 %
Decrease due to foreign exchange	0.8 %	0.6 %	0.8 %	1.6 %
Contribution from acquisitions ⁽²⁾	(3.2)%	(4.7)%	(3.7)%	- %
Non-GAAP revenue growth, organic ⁽³⁾	1.4 %	(18.4)%	6.2 %	8.0 %
Six Months Ended June 27, 2020	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	10.1 %	(3.9)%	16.0 %	7.3 %
Decrease due to foreign exchange	0.8 %	0.7 %	0.6 %	1.5 %
Contribution from acquisitions ⁽²⁾	(6.2)%	(6.8)%	(7.9)%	- %
Non-GAAP revenue growth, organic ⁽³⁾	4.7 %	(10.0)%	8.7 %	8.8 %

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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 (1)	CURRENT	PRIOR
Revenue growth, reported	7.5% – 9.0%	4.5% – 8.0%
Less: Contribution from acquisitions (2)	~(4.0%)	~(4.0%)
Unfavorable/(favorable) impact of foreign exchange	~0.5%	0.5% – 1.0%
Revenue growth, organic (3)	4.0% – 5.5%	1.5% – 4.5%
GAAP EPS estimate	\$4.70 – \$5.00	\$4.25 – \$4.60
Acquisition-related amortization (4)	~\$1.75	\$1.75 – \$1.80
Charges related to global efficiency initiatives (5)	\$0.25 – \$0.30	~\$0.05
Acquisition-related adjustments (6)	\$0.20 – \$0.25	~\$0.20
Other items (7)	\$0.25 – \$0.32	\$0.25 – \$0.32
Venture capital and other strategic investment losses/(gains), net (8)	(\$0.20)	\$0.18
Non-GAAP EPS estimate	\$7.05 – \$7.35	\$6.75 – \$7.10
Free cash flow (9)	\$350 – \$365 million	\$325 – \$350 million

Footnotes to Guidance Table:

- (1) The proposed acquisition of Cellero has not been included in the Company's current financial guidance since the transaction has not yet been completed.
- (2) The contribution from acquisitions reflects only those acquisitions that have been completed.
- (3) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions and foreign currency translation.
- (4) Acquisition-related amortization includes an estimate of approximately \$0.25 for the impact of the HemaCare acquisition as the purchase price allocation has not been finalized.
- (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 primarily associated with U.S. and international tax legislation that necessitated changes to the Company's international financing structure.
- (8) Venture capital and other strategic investment performance only includes recognized gains or losses. The Company does not forecast the future performance of these investments.
- (9) The reconciliation of the current 2020 free cash flow guidance is as follows: Cash flow from operating activities of \$480-\$495 million, less capital expenditures of approximately \$130 million, results in free cash flow of \$350-\$365 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)

	June 27, 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
<u>DEBT (2):</u>									
Total Debt & Finance Leases	\$ 2,260,871	\$ 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	\$ 2,142	\$ 712	\$ 3,033	\$ 298	\$ 3,621	\$ 1,370	\$ 2,828	\$ 9,787	\$ 9,680
Total Indebtedness per credit agreement	\$ 2,263,012	\$ 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	(402,020)	(238,014)	(195,442)	(163,794)	(117,626)	(117,947)	(160,023)	(155,927)	(109,685)
Net Debt	\$ 1,860,992	\$ 1,650,910	\$ 1,475,605	\$ 981,608	\$ 1,121,004	\$ 746,454	\$ 620,668	\$ 517,649	\$ 566,515

	June 27, 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
<u>ADJUSTED EBITDA (2):</u>									
Net income attributable to common shareholders	\$ 273,634	\$ 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	81,623	79,586	65,258	29,777	27,709	15,072	11,950	20,969	33,342
Plus: Provision for income taxes	46,050	50,023	54,996	171,369	66,835	43,391	46,685	32,142	24,894
Plus: Depreciation and amortization	218,744	198,095	161,779	131,159	126,658	94,881	96,445	96,636	81,275
Plus: Non-cash nonrecurring losses	5,371	427	559	17,716	6,792	10,427	1,615	4,202	12,283
Plus: Non-cash stock-based compensation	52,493	57,271	47,346	44,003	43,642	40,122	31,035	24,542	21,855
Plus: Permitted acquisition-related costs	26,636	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)	\$ 704,199	\$ 684,259	\$ 591,140	\$ 524,756	\$ 466,942	\$ 365,978	\$ 329,452	\$ 283,071	\$ 274,873

	June 27, 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
<u>LEVERAGE RATIO:</u>									
Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA)	3.21x	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)	2.6x	2.4x	2.5x	1.9x	2.4x	2.0x	1.9x	1.8x	2.1x

	June 27, 2020
<u>INTEREST COVERAGE RATIO:</u>	
Capital Expenditures	152,265
Cash Interest Expense	81,956
Interest Coverage ratio per the credit agreement (Adjusted EBITDA minus Capital Expenditures divided by cash interest expense)	6.73x

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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		Six Months Ended		Fiscal Year Ended
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019	December 26, 2020E
Net cash provided by operating activities	\$ 162,306	\$ 129,553	\$ 230,896	\$ 144,412	\$480,000-\$495,000
Less: Capital expenditures	(26,800)	(24,781)	(52,521)	(41,512)	(~130,000)
Free cash flow	<u>\$ 135,506</u>	<u>\$ 104,772</u>	<u>\$ 178,375</u>	<u>\$ 102,900</u>	<u>\$350,000-\$365,000</u>

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP TO NON-GAAP

SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)⁽¹⁾

(in thousands, except percentages)

	<u>Three Months Ended</u>	
	<u>March 28, 2020</u>	
Unallocated Corporate Overhead	\$	(46,487)
Add back:		
Acquisition related adjustments ⁽²⁾		6,983
Other items ⁽³⁾		(287)
Total non-GAAP adjustments to operating expense	\$	<u>6,696</u>
Unallocated corporate overhead, excluding non-GAAP adjustments	\$	<u>(39,791)</u>

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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) 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 TO NON-GAAP NET INTEREST EXPENSE⁽¹⁾
(in thousands)

	Three Months Ended			Fiscal Year Ended
	June 27, 2020	March 28, 2020	June 29, 2019	December 26, 2020E
GAAP Interest expense, net	\$ 19,076	\$ 14,751	\$ 20,561	\$72,000-\$74,000
Non-GAAP Interest expense, net	19,076	14,751	20,561	\$72,000-\$74,000
Adjustments for foreign exchange forward contract and related interest expense ⁽²⁾	-	4,213	(3,713)	~4,000
Adjusted Interest expense, net	<u>\$ 19,076</u>	<u>\$ 18,964</u>	<u>\$ 16,848</u>	<u>\$76,000-\$78,000</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; and a \$1.6 million loss on a forward contract and \$1.7 million of additional interest expense for the three months ended June 29, 2019.

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

	Three Months Ended			Six Months Ended	
	June 27, 2020	March 28, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Income from operations before income taxes & noncontrolling interests	\$ 83,952	\$ 55,459	\$ 58,994	\$ 139,411	\$ 125,284
Add back:					
Amortization related to acquisitions	31,264	30,906	22,395	62,170	41,806
Severance	5,386	330	1,311	5,716	1,711
Acquisition related adjustments ⁽²⁾⁽³⁾	1,833	8,559	16,515	10,392	24,241
Site consolidation costs, impairments and other items ⁽⁴⁾	2,501	(58)	1,402	2,443	2,591
Venture capital and strategic equity investment (gains) losses, net	(23,911)	12,035	4,254	(11,876)	(6,321)
Income before income taxes & noncontrolling interests, excluding specified charges (Non-GAAP)	<u>\$ 101,025</u>	<u>\$ 107,231</u>	<u>\$ 104,871</u>	<u>\$ 208,256</u>	<u>\$ 189,312</u>
Provision for income taxes (GAAP)	\$ 16,284	\$ 4,622	\$ 14,685	\$ 20,906	\$ 25,287
Non-cash tax expense related to international financing structure ⁽⁵⁾	(1,113)	(1,073)	-	(2,186)	-
Tax effect of the remaining non-GAAP adjustments	<u>6,020</u>	<u>11,804</u>	<u>8,491</u>	<u>17,824</u>	<u>12,371</u>
Provision for income taxes (Non-GAAP)	<u>\$ 21,191</u>	<u>\$ 15,353</u>	<u>\$ 23,176</u>	<u>\$ 36,544</u>	<u>\$ 37,658</u>
Total rate (GAAP)	19.4 %	8.3 %	24.9 %	15.0 %	20.2 %
Total rate, excluding specified charges (Non-GAAP)	21.0 %	14.3 %	22.1 %	17.5 %	19.9 %

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- (2) This amount includes a \$2.2 million charge recorded in the three and six months ended June 29, 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.
- (5) This adjustment relates to the utilization of deferred tax assets as a result of changes to the Company's international financing structure.

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