# 3Q 2023 Results

November 8, 2023

## Charles River Laboratories





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# Safe Harbor Statement

Caution Concerning Forward-Looking Statements. This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as “anticipate,” “believe,” “expect,” “intend,” “will,” “may,” “estimate,” “plan,” “outlook,” and “project” and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These statements also include statements about our expectations with respect to non-human primate (NHP) supply and the impact of the investigations by the U.S. Department of Justice, including but not limited to the impact on our projected future financial performance and study starts; our ability to cooperate fully with the U.S. government; the timing to develop and implement and provide additional disclosure regarding new procedures regarding importation of NHPs , including procedures to reasonably ensure that NHPs imported to the United States are purpose-bred; our expectations regarding the availability of NHPs, including the number of NHPs utilized in our studies; our expectations with respect to the adoption of animal alternatives; our ability to effectively manage constraints on NHP supply, including but not limited to as affected by our voluntary suspension of planned future shipments of NHPs from Cambodia, including expectations with respect to the amount of NHP-related work will be conducted in the U.S., any progress with regard to additional mitigation efforts, and the timing of shipments of NHPs from countries other than Cambodia; our compliance with the maintenance covenants under our credit agreement; our projected future financial performance (including without limitation revenue and revenue growth rates, revenue growth drivers, operating income and margin, earnings per share, capital expenditures, operating and free cash flow, interest expense, interest rates, effective tax rate, foreign exchange rates, volume growth, corporate expenses and costs, and leverage ratios) whether reported, constant currency, organic, and/or factoring acquisitions, with respect to Charles River as a whole and/or any of our reporting or operating segments or business units, including with respect to our CDMO business; the impact of specific actions intended to cause improvements to specific reporting or operating segments or business units; our ability to achieve our financial goals; our expectations with respect to the impact of external interest rate fluctuations; our annual and other financial guidance; the assumptions that form the basis for our revised annual guidance; the estimated diluted shares outstanding; the expected performance of our venture capital and other strategic investments; client demand, including trends and the future demand for drug discovery, development, and CDMO products and services, and our intentions to expand those businesses, including our investments in our portfolio; the impact of foreign exchange; our expectations with respect to our cancellation rate and the impact of such cancellations; the impact of potential changes in Federal Reserve interest rates; our expectations regarding our expected acquisition and divestiture activity, stock repurchases and debt repayment; the development and performance of our services and products; expectations with respect to pricing and scheduling of our products and services; market and industry conditions, including industry consolidation and the Company’s share of any market it participates in, outsourcing of services and identification of spending and scheduling trends by our clients and funding available to them; the impact of operations and cost structure alignment efforts on an annualized basis; the potential outcome of, and impact to, our business and financial operations due to litigation and legal proceedings and tax law changes; our business strategy, including with respect to capital deployment and facilities expansion; our success in identifying, consummating, and integrating, and the impact of our acquisitions and divestitures on the Company, our service offerings, client perception, strategic relationships, earnings, and synergies; our ability to differentiate from the competition; our expectations regarding the financial performance of the companies we have acquired; our strategic agreements with our clients and opportunities for future similar arrangements; our ability to obtain new clients in targeted market segments and/or to predict which client segments will be future growth drivers; the impact of our investments in specified business lines, products, sites and geographies, including the impact of our virtual power purchase agreements; our ability to meet economic challenges; and Charles River’s future performance as otherwise delineated in our forward-looking guidance.

Forward-looking statements are based on Charles River’s current expectations and beliefs, and involve a number of risks and uncertainties that are difficult to predict and that could cause actual results to differ materially from those stated or implied by the forward-looking statements. Those risks and uncertainties include, but are not limited to: NHP supply constraints and the investigations by the U.S. Department of Justice, including the impact on our projected future financial performance, the timing of the resumption of Cambodia NHP imports, and our ability to manage supply impact; changes and uncertainties in the global economy and financial markets, including any changes in business, political, or economic conditions due to the November 16, 2022 announcement by the U.S. Department of Justice through the U.S. Attorney’s Office for the Southern District of Florida that a Cambodian NHP supplier and two Cambodian officials had been criminally charged in connection with illegally importing NHPs into the United States; the ability to successfully integrate businesses we acquire (including Explora Biolabs, Cognate BioServices and Vigene Biosciences and risks and uncertainties associated with Cognate’s and Vigene’s products and services, which are in areas that the Company did not previously operate); the timing and magnitude of our share repurchases; negative trends in research and development spending, negative trends in the level of outsourced services, or other cost reduction actions by our clients; the ability to leverage and convert backlog to revenue; special interest groups; contaminations; industry trends; new displacement technologies; USDA and FDA regulations; changes in law; continued availability of products and supplies; loss of key personnel; interest rate and foreign currency exchange rate fluctuations; changes in tax regulation and laws; changes in generally accepted accounting principles; and any changes in business, political, or economic conditions due to the threat of future terrorist activity in the U.S. and other parts of the world, and related U.S. military action overseas. A further description of these risks, uncertainties, and other matters can be found in the Risk Factors detailed in Charles River's Annual Report on Form 10-K as filed on February 22, 2023, as well as other filings we make with the Securities and Exchange Commission. Because forward- looking statements involve risks and uncertainties, actual results and events may differ materially from results and events currently expected by Charles River, and Charles River assumes no obligation and expressly disclaims any duty to update information contained in this presentation except as required by law.

# Regulation G

This presentation includes discussion of non-GAAP financial measures. We believe that the inclusion of these non-GAAP financial measures provides 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, consistent with the manner in which management measures and forecasts the Company’s performance. The non-GAAP financial measures included in this presentation 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 and regulations. In accordance with Regulation G, you can find the comparable GAAP measures and reconciliations to those GAAP measures on our website at ir.criver.com.

# 3Q23 Financial Performance

| ($ in millions, except per share amounts) | 3Q23 | 3Q22 | YOY Δ | Organic Δ |
|---|---|---|---|---|
| Revenue | $1,026.6 | $989.2 | 3.8% | 4.1% |
| GAAP OM% | 14.8% | 15.3% | (50) bps | |
| Non-GAAP OM% | 20.5% | 20.4% | 10 bps | |
| GAAP EPS | $1.69 | $1.88 | (10.1)% | |
| Non-GAAP EPS | $2.72 | $2.63 | 3.4% | |

- Both revenue and non-GAAP EPS exceeded prior outlook
- As anticipated, 3Q23 growth rates declined from 1H23 levels, reflecting difficult comps from last year and moderating demand



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# Monitoring Biopharmaceutical Demand Trends

- Believe certain demand trends showed some positive signs, but clients remain cautious with spending
- Biopharma continues to reprioritize pipelines, and in some cases, conserve cash or streamline cost structures
- Led to a meaningful impact on some of our businesses this year, including Discovery Services and Manufacturing segment, and began to have a more discernable impact on RMS in 3Q23
- Believe current client spending patterns will persist in near term; however, also seeing some early, encouraging signs starting to emerge
- Supports our belief that demand environment will stabilize

# Monitoring Biopharmaceutical Demand Trends, cont.

- Internal Indicators
  - In Safety Assessment, there was a sequential improvement in both the study cancellation rate and the net book-to-bill ratio in 3Q23
- External Indicators
  - Stable biotech funding environment
    - 3Q23 was the second consecutive quarterly increase in biotech funding on a trailing-twelve-month basis, led by venture capital investments

# 3Q23 Revenue

| ($ in millions) | 3Q23 | 3Q22 | YOY Δ |
|---|---|---|---|
| Revenue, reported | $1,026.6 | $989.2 | 3.8% |
| Unfavorable/(Favorable) impact of FX | | | (1.4)% |
| Contribution from acquisitions | | | (0.2)% |
| Impact of divestitures | | | 1.9% |
| Revenue growth, organic | | | 4.1% |

- Organic revenue growth was driven by all three business segments, led by a mid-single-digit increase for DSA
- As mentioned, 3Q23 growth rate was affected by difficult comparison to last year, especially organic revenue growth, which was 15.3% in 3Q22



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# 3Q23 Revenue by Client Segment

- By client segment, 3Q23 revenue growth driven by solid demand from global biopharma clients and academic institutions
- As has been the case throughout 2023, growth rate for small and mid-sized biotech clients slowed as these clients are being more selective with spending
- Growth of biotech clients in 2022 also outpaced all other client segments, driving particularly difficult comparison in 2H23



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# 3Q23 Operating Margin

| | 3Q23 | 3Q22 | YOY Δ |
|---|---|---|---|
| GAAP OM% | 14.8% | 15.3% | (50) bps |
| Non-GAAP OM% | 20.5% | 20.4% | 10 bps |

- Non-GAAP operating margin increase driven primarily by DSA segment, as well as lower unallocated corporate costs
- Improvements were largely offset by margin pressure in both RMS and Manufacturing segments



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# 3Q23 EPS

| | 3Q23 | 3Q22 | YOY Δ |
|---|---|---|---|
| GAAP EPS | $1.69 | $1.88 | (10.1)% |
| Non-GAAP EPS | $2.72 | $2.63 | 3.4% |

- Non-GAAP EPS exceeded our prior outlook due primarily to top-line performance
- In addition, YOY headwind from interest expense is beginning to dissipate



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# Updated 2023 Guidance

| | REVISED | PRIOR |
|---|---|---|
| Revenue growth, reported | 2.5%-3.5% | 2.5%-4.5% |
| Contribution from divestitures/(acquisitions), net | ~1.5% | ~1.5% |
| Impact of 53rd week in 2022 | ~1.5% | ~1.5% |
| Unfavorable/(favorable) impact of FX | 0.0%-(0.5)% | 0.0%-(0.5)% |
| Revenue growth, organic | 5.5%-6.5% | 5.5%-7.5% |
| GAAP EPS estimate | $7.30-$7.50 | $7.60-$8.20 |
| Acquisition-related amortization | $2.00-$2.05 | ~$2.00 |
| Acquisition and integration-related adjustments | ~$0.25 | $0.20-$0.25 |
| Costs associated with restructuring actions | $0.30-$0.35 | ~$0.10 |
| Certain venture capital and other strategic investment losses/(gains), net | $0.18 | $0.06 |
| Other items | ~$0.40 | ~$0.30 |
| Non-GAAP EPS estimate | $10.50-$10.70 | $10.30-$10.90 |



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# Updated 2023 Guidance, cont.

- Tightened our revenue and non-GAAP EPS guidance ranges for FY 2023 as we move into the final quarter of the year
- Narrowing our guidance ranges:
  - Organic revenue growth guidance to a range of 5.5%-6.5%
  - Non-GAAP EPS guidance to a range of $10.50-$10.70, which raises the bottom end and trims the top end of our prior range by $0.20 per share, respectively
- View the guidance update as primarily due to shifts in gating of our forecast between quarters
  - Favorable impact of lower 3Q23 study cancellations than we had previously forecast in the Safety Assessment business
  - Largely offset by reduced outlook for Manufacturing segment in 4Q23

# DSA Results – Revenue

| ($ in millions) | 3Q23 | 3Q22 | YOY Δ |
|---|---|---|---|
| Revenue, reported | $664.0 | $619.5 | 7.2% |
| Unfavorable/(Favorable) impact of FX | | | (1.5)% |
| Contribution from acquisitions | | | (0.4)% |
| Revenue growth, organic | | | 5.3% |

- Safety Assessment (SA) business continued to drive DSA revenue growth, with contributions from base pricing and study volume
  - Driven by non-NHP-related work and post-IND studies
- NHP pricing was a modest benefit to growth rate, but NHP study volume declined YOY
- Discovery Services remains an integral component of our end-to-end, early-stage portfolio, because it enables us to forge relationships with clients at earlier stages of R&D process; however, business continues to be impacted by overall biopharma demand environment
  - Clients focus on post-IND work and drugs in the clinic to the detriment of discovery spending



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# DSA Results – Safety Assessment (SA)

- Saw some early signs of more favorable demand trends for SA in 3Q23
- Cancellation rate improved sequentially and was at lowest level since 2Q22
- Net book-to-bill also improved sequentially, but remained below 1x
- As a result, DSA backlog declined to $2.6B in 3Q23, from $2.8B at end of 2Q23
- As lower cancellations suggest, clients appear to be further along in their pipeline reprioritization processes, which we believe will lead to a higher-quality and more reliable book of business
- With net book-to-bill remaining below 1x, believe current demand trends will persist in the near term, including in 4Q23
- 4Q23 already faces a difficult comparison to DSA organic revenue growth of 26.5% reported in 4Q22
- Overall, believe stabilizing demand trends and significant backlog coverage will enable us to achieve our financial targets
  - Including high-single-digit DSA organic revenue growth for 2023, which is above our prior outlook for the segment

# DSA Results – Operating Margin

| | 3Q23 | 3Q22 | YOY Δ |
|---|---|---|---|
| DSA GAAP OM% | 22.1% | 22.9% | (80) bps |
| DSA Non-GAAP OM% | 27.2% | 26.2% | 100 bps |

- Non-GAAP operating margin increase continued to be driven by leverage associated with higher revenue in SA business



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# Additional NHP Disclosures

- Providing additional information on NHP pricing and NHP-related safety assessment studies
- Over a three-year period ending in 2023, NHP pricing expected to benefit DSA revenue by a total of >$230M(1), or ~30% of total DSA revenue growth since 2020
- Without impact of NHP pricing, DSA revenue would still have increased at a high-single-digit growth CAGR since 2020
- In total, NHP safety assessment study revenue, which includes both services and embedded NHP revenue, is expected to represent ~30% of DSA segment revenue in both 2022 and 2023
- NHP pricing has rapidly escalated since 2020, due to both NHP supply constraints and continued increase of biologic drugs in development
- Supply constraints began in China around the pandemic and intensified last year due to Cambodian NHP supply situation in US
- Caused NHP pricing to increase by ~$20,000 per model, in aggregate, since 2020

(1) Estimated NHP pricing impact represents the difference in average price per NHP between FY 2020 and FY 2023E, multiplied by the number of NHPs used in safety assessment studies in FY 2023E.

# Additional NHP Disclosures, cont.

- In 2023, expect to utilize ~11,400 NHPs in safety assessment studies worldwide
- Represents a reduction of ~25% vs. FY 2022
  - Principally driven by current level of biopharma demand; and
  - Also our clients' focus on post-IND safety assessment work
    - Generates higher service revenue per model due to the longer-term nature of these studies but fewer NHPs are used to generate that service revenue
- CRL unique NHP usage in SA studies:

| | 2020 | 2021 | 2022 | 2023E |
|---|---|---|---|---|
| CRL Global NHP Usage | 14,073 | 13,654 | 15,272 | ~11,400 |

- Longstanding strategic imperative for CRL is responsible animal use, which includes modifying or reducing animal usage
- Responsible animal use is firmly embedded in our commitment to animal welfare and 4Rs principles, and its adoption accelerated this year as a result of NHP supply constraints

# Additional NHP Disclosures, cont.

- One example of our progress is introduction of virtual control groups (VCGs) for toxicology studies
- VCGs replace animals in control groups with existing randomized data sets and statistical evaluations
  - It will take some time to adopt, but we are having active discussions with our clients about VCGs
- Committed to providing additional disclosure on NHP sourcing and a comprehensive update on our NHP strategic initiatives in early 2024
- Timing of this strategic update will be ideal, as we recognize industry is changing, and shifts are causing disruptive technologies to emerge and societal needs to evolve

# We Are Going to Lead

- With industry at an inflection point, we will reinforce our critical role in preclinical drug development and maintain our leadership position
- We will do this by leading with science, remaining committed to our essential mission of creating healthier lives, and ensuring patient safety, and by consistently challenging ourselves to raise the bar
- As we look to the future, will be focused on ensuring a sustainable supply chain, particularly for NHPs, and will also pursue a longer-term strategy to lead the industry in adopting animal alternatives
- Our team is diligently working to continue to enhance our processes and key initiatives in these areas
- Already made several investments in non-animal technologies
  - Endosafe® Trillium™ launched this summer for endotoxin detection testing
  - Technology partnerships:
    - Valo for discovery AI
    - PathoQuest for next-gen sequencing for *in vitro* viral safety testing
    - Cypre for 3-D tumor modeling
- Look forward to sharing our NHP strategic update in early 2024

# RMS Results – Revenue

| ($ in millions) | 3Q23 | 3Q22 | YOY Δ |
|---|---|---|---|
| Revenue, reported | $186.8 | $180.1 | 3.7% |
| Unfavorable/(Favorable) impact of FX | | | (0.5)% |
| Revenue growth, organic | | | 3.2% |

- Growth below the YTD, high-single-digit rate for two primary reasons:
  - Slower demand from mid-tier clients, including biotechs and CROs
  - Timing of NHP shipments within China (as anticipated last quarter)
- Timing of NHP shipments within China is transitory, and expect NHP revenue in China will improve in 4Q23, although some shipments will slip out of 2023
- For FY 2023, expect RMS organic revenue growth will be in the mid- to high-single digit range



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# RMS Results – Revenue, cont.

- In 3Q23, generated revenue growth in small models and Services businesses
- Demand from global biopharma clients and academic institutions remained robust
- Offset by mid-tier clients affected by broader biopharma demand environment, as well as softer demand from government institutions
- Revenue from small models increased across all geographic regions, including China
  - Principally driven by price
- Services business continued to report healthy growth, led by Insourcing Solutions (IS) and CRADL™ operations
- CRADL™ sites (flexible vivarium rental space) remain well utilized overall and continued to generate significant, YOY revenue growth

# RMS Results – Operating Margin

| | 3Q23 | 3Q22 | YOY Δ |
|---|---|---|---|
| RMS GAAP OM% | 15.2% | 19.9% | (470) bps |
| RMS Non-GAAP OM% | 18.9% | 23.5% | (460) bps |

- Operating margin decline driven primarily by business mix, which favored academic clients and IS business
  - Also driven by timing of NHP shipments within China
- Expect RMS operating margin will rebound in 4Q23, due in part to timing of China NHP shipments
- In addition, as mentioned at Investor Day, reviewing profitability of certain IS contracts, which should benefit RMS operating margin in the future



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# Manufacturing Results – Revenue

| ($ in millions) | 3Q23 | 3Q22 | YOY Δ |
|---|---|---|---|
| Revenue, reported | $175.7 | $189.6 | (7.3)% |
| Unfavorable/(Favorable) impact of FX | | | (1.7)% |
| Impact of Avian divestiture | | | 9.9% |
| Revenue growth, organic | | | 0.9% |

- Segment experiencing softness across broader end markets
  - Attribute this to a post-COVID slowdown from biopharma manufacturers, CDMOs, and their suppliers
- These market conditions started to more noticeably impact Microbial Solutions in 3Q23
- Clients, particularly CDMOs, are cutting costs as part of COVID “destocking” efforts and reducing testing volumes as fewer programs advance into the clinic
- Believe the long-term growth trends of our Manufacturing segment will re-emerge after a period of right-sizing because these clients must continue to manufacture commercial products



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# Manufacturing Results – Microbial Solutions

- Global biopharma demand environment is affecting Endosafe® endotoxin testing product line, as clients reduce both testing volumes and investments in new instruments
- Our small Microbial operation in China was also affected
  - Like many life science instrumentation companies, we have seen a decline in client demand in China
- However, other areas, such as Accugenix® microbial identification services, continue to perform well



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# Manufacturing Results – Biologics Testing

- 3Q23 trends were similar to those experienced since beginning of 2023
- Sector continues to be challenged by tighter funding environment
  - Resulting in clients reprioritizing projects and reducing demand for services that can be conducted at various times during the development process, including viral clearance and cell banking

# Manufacturing Results – CDMO

- While not immune to end-market challenges in other Manufacturing businesses, Cell & Gene Therapy (C&GT) CDMO business had another solid quarter
- Strong, double-digit growth rate in 3Q23 reflected success of initiatives the CDMO team has implemented to improve performance since beginning of 2022
- Working diligently to continue to expand CDMO sales pipeline of new projects, and pleased to have cleared several regulatory audits in recent months
  - Including European EMA approval of our Memphis CDMO site for the production of a second cell therapy product
- Believe successful regulatory audit will generate additional client interest and support expectation that we will add new commercial clients

# Manufacturing – Operating Margin

| | 3Q23 | 3Q22 | YOY Δ |
|---|---|---|---|
| Manufacturing GAAP OM% | 15.0% | 16.6% | (160) bps |
| Manufacturing Non-GAAP OM% | 24.5% | 28.6% | (410) bps |

- Operating margin improved sequentially, as expected
- YOY decline reflected lower revenue growth rate and softer demand trends across Manufacturing end markets
- Intently focused on driving operating margin improvement in Manufacturing segment, including profitability of CDMO business
  - Manufacturing segment expected to be largest contributor to achieving our 2026 margin targets



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# Unique and Differentiated Non-Clinical Focus

- Believe our leading position as an outsourcing partner for our clients' drug discovery and non-clinical drug development efforts is helping us manage in the current demand environment
- IND-enabling and associated non-clinical services that we provide are mandatory to help clients advance their programs into the clinical and to commercialization
- Our portfolio differentiates us in the marketplace because of our unique focus on early-stage R&D solutions and our ability to distinguish ourselves scientifically
- Believe that these attributes, combined with ability to leverage significant DSA backlog, will enable us to achieve our financial targets
- Value proposition of delivering exquisite science and driving greater efficiency and speed to market continues to differentiate CRL in the marketplace and is reinforced with today's more budget-focused client base

# 3Q23 Results

| ($ in millions) | 3Q23 | 3Q22 | YOY Δ | Organic Δ |
|---|---|---|---|---|
| Revenue | $1,026.6 | $989.2 | 3.8% | 4.1% |
| GAAP OM% | 14.8% | 15.3% | (50) bps | |
| Non-GAAP OM% | 20.5% | 20.4% | 10 bps | |
| GAAP EPS | $1.69 | $1.88 | (10.1)% | |
| Non-GAAP EPS | $2.72 | $2.63 | 3.4% | |

- Pleased with 3Q23 results
- As expected, increased interest expense, a higher tax rate, and the divestiture of the Avian Vaccine business continued to restrict YOY earnings growth rate
  - Headwind beginning to dissipate as we anniversary last year's interest rate increases



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# 3Q23 Results / 2023 Guidance

- 3Q23 results outperformed prior outlook, but continue to remain cautious with regard to the biopharmaceutical end market demand environment
- Updated outlook for FY 2023 reflects our normal practice of narrowing our guidance ranges moving into Q4
- Also a shift in the gating of forecast between Q3 and Q4
  - Due in part to lower 3Q23 cancellations and study slippage than forecast in DSA segment
  - Offset by reduced outlook for Manufacturing segment in 4Q23



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# Narrowed 2023 Guidance

| | 2023 Guidance |
|---|---|
| Revenue growth, reported | 2.5% - 3.5% |
| Revenue growth, organic | 5.5% - 6.5% |
| GAAP EPS | $7.30 - $7.50 |
| Non-GAAP EPS | $10.50 - $10.70 |

- Now expect reported and organic revenue growth guidance at the low end to midpoint of prior ranges
  - Expect continued pressure in Manufacturing segment, reflecting softer demand trends including in the Microbial Solutions business
  - Partially offset by a more favorable outlook for DSA segment



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# Operating Margin

- Expect consolidated non-GAAP operating margin will be modestly lower than FY 2022 level of 21.0%
- Continue to manage the business in a disciplined manner, with a focus on setting achievable financial targets
  - Protecting operating margins by managing costs and driving greater efficiency
  - Remaining disciplined with investments
  - Taking share
  - Implementing other initiatives to improve performance and manage effectively in this environment
- Will continue to evaluate operations and appropriately manage cost structure to align with current demand environment
  - Restructuring actions implemented in 2023 expected to generate ~$40M in annualized cost savings



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# 2023 Segment Revenue Outlook

| | 2023 Reported Revenue Growth | 2023 Organic Revenue Growth(1) |
|---|---|---|
| RMS | Mid-to-high-single digits | Mid-to-high-single digits |
| DSA | Mid-to-high-single digits | High-single digits |
| Manufacturing | High-single digit decline (reflects Avian Vaccine divestiture) | Flat to low-single-digit growth |
| Consolidated CRL | 2.5%-3.5% | 5.5%-6.5% |

- Manufacturing: Reducing outlook to flat to low-single-digit organic growth
- RMS: Widened bottom end of outlook, reflecting timing of NHP shipments in China (some of which may be deferred to 2024) and a discernible impact from mid-tier biopharma clients' softer demand
- DSA: Improved outlook to high-single-digit organic growth reflects lower cancellations and study slippage in 3Q23

(1) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, divestitures, the 53rd week in 2022, and foreign currency translation.

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# Unallocated Corporate Expenses

| ($ in millions) | 3Q23 | 2Q23 | 3Q22 |
|---|---|---|---|
| GAAP | $49.9 | $69.9 | $58.5 |
| Non-GAAP | $48.0 | $65.1 | $57.5 |

- Unallocated corporate costs totaled 4.7% of revenue, compared to 5.8% last year
  - Decrease was primarily due to benefits achieved through virtual power purchase agreements (vPPAs)
- Continue to expect unallocated corporate costs to be ~5% for 2023
- Achieved 90% renewable electricity globally, through solar vPPA in North America and wind vPPA in Europe
  - These agreements enable our facilities in those regions to achieve 100% renewable electricity, providing a key component of efforts to reduce Scope 1 and 2 greenhouse gas emissions



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# Tax Rate

| | 3Q23 | 2Q23 | 3Q22 |
|---|---|---|---|
| GAAP | 22.0% | 22.7% | 20.7% |
| Non-GAAP | 21.6% | 23.3% | 20.2% |

- 3Q23 non-GAAP tax rate represented a 140-bps increase YOY
- Higher tax rate YOY due primarily to the geographic mix of earnings
- 3Q23 tax rate favorable to expectations principally because of discrete tax benefits related to U.S. R&D tax credits
- For FY 2023, now expect the tax rate to be at the low end of prior range, or ~22.5%, due primarily to discrete tax benefits



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# Net Interest Expense

| ($ in millions) | 3Q23 | 2Q23 | 3Q22 |
|---|---|---|---|
| GAAP interest expense, net | $32.4 | $33.6 | $11.3 |
| Non-GAAP interest expense, net | $32.4 | $33.6 | $11.3 |
| Adjustments for foreign exchange forward contract and related interest expense(1) | — | — | $16.0 |
| Adjusted net interest expense | $32.4 | $33.6 | $27.3 |

- 3Q23 adjusted interest expense decreased $1.2M sequentially, due primarily to debt repayment
- For 2023, narrowed total adjusted net interest expense outlook by $1M, to a range of $131M-$133M, as any further rate increases will not have a meaningful impact on FY 2023 results
- At the end of 3Q23, ~80% of $2.5B debt was at a fixed rate
- Gross and net leverage ratios were both 1.9x at the end of 3Q23

(1) 3Q22 amounts reported in total adjusted interest expense include a $17.4M gain on forward contracts partially offset by $1.3M of additional interest expense.

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# Cash Flow

| ($ in millions) | 3Q23 | 3Q22 | 2023 Outlook |
|---|---|---|---|
| Free cash flow (FCF) | $139.5 | $60.4 | $340-$360 |
| Capex | $65.9 | $72.4 | $330-$340 |
| Depreciation | $44.6 | $39.1 | ~$180 |
| Amortization (1) | $34.2 | $35.5 | $135-$140 |

- YOY increase in 3Q23 FCF was primarily due to favorable changes in working capital, as well as lower capital expenditures
  - Narrowed FCF guidance to a range of $340M-$360M for 2023
- For 2023, now expect capex in a range of $330M-$340M, below prior outlook of $340M-$360M
  - Continue to take a disciplined approach to managing capital deployment and are committed to aligning capacity and capital investments with current demand trends

(1) Amortization of intangible assets only. Excludes amortization of inventory fair value adjustments included in cost of products sold or costs of services provided.



**See ir.criver.com for reconciliations of GAAP to Non-GAAP results.**

# 2023 Updated Guidance Summary

| | GAAP | Non-GAAP |
|---|---|---|
| Revenue growth | 2.5%-3.5% reported | 5.5%-6.5% organic(1) |
| Unallocated corporate | ~5% of revenue | ~5% of revenue |
| Operating margin | Lower<br>vs. 16.4% in 2022 | Modestly lower<br>vs. 21.0% in 2022 |
| Net interest expense | $131M-$133M | $131M-$133M |
| Tax rate | ~22.5% | ~22.5% |
| EPS | $7.30-$7.50 | $10.50-$10.70 |
| Cash flow | Operating cash flow<br>$670M-$700M | Free cash flow<br>$340M-$360M |
| Capital expenditures | $330M-$340M | $330M-$340M |

(1) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, divestitures, the 53rd week in 2022, and foreign currency translation.



**See ir.criver.com for reconciliations of GAAP to Non-GAAP results.**

# 4Q23 Outlook

| | 4Q23 Outlook |
|---|---|
| Reported revenue growth YOY | Nearly 10% decline |
| Organic revenue growth YOY | Mid-single-digit decline |
| Non-GAAP EPS | $2.30-$2.50 |

- 4Q23 outlook is effectively embedded in 2023 guidance
- Flattish 2H23 organic revenue growth YOY will be consistent with outlook provided in August
- 4Q23 outlook largely reflects a very challenging comparison to the prior year, with organic revenue growth of 18.8% (including DSA growth of 26.5%)

# Concluding Remarks

- Pleased with solid 3Q23 performance
  - Evidence of the resilience of our business
  - A cautious biopharma spending environment as growth rates normalize to pre-pandemic levels
- Will continue to manage our business prudently in response to the challenges we are seeing in the broader market environment and work diligently to achieve our financial targets



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# 3Q23 Regulation G Financial Reconciliations





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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)**

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2023 | September 24, 2022 | September 30, 2023 | September 24, 2022 |
| **Research Models and Services** | | | | |
| Revenue | $ 186,848 | $ 180,114 | $ 596,562 | $ 543,066 |
| Operating income | 28,326 | 35,891 | 117,653 | 123,299 |
| Operating income as a % of revenue | 15.2 % | 19.9 % | 19.7 % | 22.7 % |
| Add back: | | | | |
| Amortization related to acquisitions | 5,398 | 5,467 | 16,383 | 14,777 |
| Severance | 965 | (110) | 965 | 1,017 |
| Acquisition related adjustments [2] | 604 | 1,126 | 2,431 | 2,480 |
| Total non-GAAP adjustments to operating income | $ 6,967 | $ 6,483 | $ 19,779 | $ 18,274 |
| Operating income, excluding non-GAAP adjustments | $ 35,293 | $ 42,374 | $ 137,432 | $ 141,573 |
| Non-GAAP operating income as a % of revenue | 18.9 % | 23.5 % | 23.0 % | 26.1 % |
| Depreciation and amortization | $ 13,872 | $ 13,128 | $ 41,310 | $ 35,825 |
| Capital expenditures | $ 9,192 | $ 10,743 | $ 35,769 | $ 33,239 |
| **Discovery and Safety Assessment** | | | | |
| Revenue | $ 664,028 | $ 619,463 | $ 1,989,838 | $ 1,755,639 |
| Operating income | 146,819 | 142,143 | 479,788 | 375,922 |
| Operating income as a % of revenue | 22.1 % | 22.9 % | 24.1 % | 21.4 % |
| Add back: | | | | |
| Amortization related to acquisitions | 17,749 | 20,039 | 52,980 | 63,253 |
| Severance | 2,001 | (28) | 2,001 | 433 |
| Acquisition related adjustments [2] | 630 | (395) | 3,233 | (5,909) |
| Site consolidation costs, impairments and other items [3] | 13,318 | 645 | 17,615 | 3,001 |
| Total non-GAAP adjustments to operating income | $ 33,698 | $ 20,261 | $ 75,829 | $ 60,778 |
| Operating income, excluding non-GAAP adjustments | $ 180,517 | $ 162,404 | $ 555,617 | $ 436,700 |
| Non-GAAP operating income as a % of revenue | 27.2 % | 26.2 % | 27.9 % | 24.9 % |
| Depreciation and amortization | $ 44,088 | $ 43,913 | $ 129,662 | $ 135,328 |
| Capital expenditures | $ 41,967 | $ 43,400 | $ 155,477 | $ 133,908 |
| **Manufacturing Solutions** | | | | |
| Revenue | $ 175,747 | $ 189,580 | $ 529,533 | $ 577,512 |
| Operating income | 26,275 | 31,479 | 52,784 | 140,350 |
| Operating income as a % of revenue | 15.0 % | 16.6 % | 10.0 % | 24.3 % |
| Add back: | | | | |
| Amortization related to acquisitions | 11,164 | 10,115 | 34,310 | 33,386 |
| Severance | 612 | 241 | 4,045 | 619 |
| Acquisition related adjustments [2] | 3,279 | 10,555 | 6,290 | (4,191) |
| Site consolidation costs, impairments and other items [3] | 1,700 | 1,741 | 11,312 | 3,681 |
| Total non-GAAP adjustments to operating income | $ 16,755 | $ 22,652 | $ 55,957 | $ 33,495 |
| Operating income, excluding non-GAAP adjustments | $ 43,030 | $ 54,131 | $ 108,741 | $ 173,845 |
| Non-GAAP operating income as a % of revenue | 24.5 % | 28.6 % | 20.5 % | 30.1 % |
| Depreciation and amortization | $ 20,070 | $ 17,005 | $ 59,677 | $ 53,487 |
| Capital expenditures | $ 14,349 | $ 18,137 | $ 46,949 | $ 65,396 |

**CONTINUED ON NEXT SLIDE**



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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)**

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2023 | September 24, 2022 | September 30, 2023 | September 24, 2022 |
| **CONTINUED FROM PREVIOUS SLIDE** | | | | |
| **Unallocated Corporate Overhead** | $ (49,918) | $ (58,537) | $ (165,886) | $ (152,406) |
| Add back: | | | | |
| Severance | — | (193) | — | 1,061 |
| Acquisition related adjustments [2] | 1,958 | 1,229 | 8,960 | 8,359 |
| Total non-GAAP adjustments to operating expense | $ 1,958 | $ 1,036 | $ 8,960 | $ 9,420 |
| Unallocated corporate overhead, excluding non-GAAP adjustments | $ (47,960) | $ (57,501) | $ (156,926) | $ (142,986) |
| **Total** | | | | |
| Revenue | $ 1,026,623 | $ 989,157 | $ 3,115,933 | $ 2,876,217 |
| Operating income | 151,502 | 150,976 | 484,339 | 487,165 |
| Operating income as a % of revenue | 14.8 % | 15.3 % | 15.5 % | 16.9 % |
| Add back: | | | | |
| Amortization related to acquisitions | 34,311 | 35,621 | 103,673 | 111,416 |
| Severance | 3,578 | (90) | 7,011 | 3,130 |
| Acquisition related adjustments [2] | 6,471 | 12,515 | 20,914 | 739 |
| Site consolidation costs, impairments and other items [3] | 15,018 | 2,386 | 28,927 | 6,682 |
| Total non-GAAP adjustments to operating income | $ 59,378 | $ 50,432 | $ 160,525 | $ 121,967 |
| Operating income, excluding non-GAAP adjustments | $ 210,880 | $ 201,408 | $ 644,864 | $ 609,132 |
| Non-GAAP operating income as a % of revenue | 20.5 % | 20.4 % | 20.7 % | 21.2 % |
| Depreciation and amortization | $ 78,870 | $ 74,605 | $ 233,610 | $ 226,325 |
| Capital expenditures | $ 65,947 | $ 72,393 | $ 240,205 | $ 235,709 |

[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

[2] These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, fair value adjustments associated with contingent consideration arrangments, and an adjustment related to certain indirect tax liabilities.

[3] Other items include certain third-party legal costs related to (a) an environmental litigation related to the Microbial business and (b) investigations by the U.S. government into the NHP supply chain applicable to our Safety Assessment business.



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**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**
**RECONCILIATION OF GAAP EARNINGS TO NON-GAAP EARNINGS (UNAUDITED)[1]**
**(in thousands, except per share data)**

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2023 | September 24, 2022 | September 30, 2023 | September 24, 2022 |
| Net income attributable to common shareholders | $ 87,389 | $ 96,473 | $ 287,540 | $ 298,816 |
| Add back: | | | | |
| Non-GAAP adjustments to operating income (Refer to previous schedule) | 59,378 | 50,432 | 160,525 | 121,967 |
| Venture capital and strategic equity investment losses, net | 7,249 | (3,447) | 12,404 | 20,068 |
| Loss on divestitures [2] | 433 | — | 995 | — |
| Other [3] | — | 240 | 495 | 4,205 |
| Tax effect of non-GAAP adjustments: | | | | |
| Non-cash tax provision related to international financing structure [4] | 1,283 | 1,161 | 3,703 | 3,624 |
| Tax effect of the remaining non-GAAP adjustments | (15,271) | (10,115) | (43,929) | (30,928) |
| Net income attributable to common shareholders, excluding non-GAAP adjustments | $ 140,461 | $ 134,744 | $ 421,733 | $ 417,752 |
| Weighted average shares outstanding - Basic | 51,283 | 50,870 | 51,199 | 50,778 |
| Effect of dilutive securities: | | | | |
| Stock options, restricted stock units and performance share units | 324 | 413 | 294 | 507 |
| Weighted average shares outstanding - Diluted | 51,607 | 51,283 | 51,493 | 51,285 |
| Earnings per share attributable to common shareholders: | | | | |
| Basic | $ 1.70 | $ 1.90 | $ 5.62 | $ 5.88 |
| Diluted | $ 1.69 | $ 1.88 | $ 5.58 | $ 5.83 |
| Basic, excluding non-GAAP adjustments | $ 2.74 | $ 2.65 | $ 8.24 | $ 8.23 |
| Diluted, excluding non-GAAP adjustments | $ 2.72 | $ 2.63 | $ 8.19 | $ 8.15 |

(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) Adjustments included in 2023 relate to the gain on sale of our Avian business, which was divested in 2022.

(3) Amount included in 2023 relates to a final adjustment on the termination of a Canadian pension plan. Amount included in 2022 relates to the sale of RMS Japan operations in October 2021 and a reversal of an indemnification asset related to a prior acquisition.

(4) This amount 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 September 30, 2023 | Total CRL | RMS Segment | DSA Segment | MS Segment |
|---|---|---|---|---|
| Revenue growth, reported | 3.8 % | 3.7 % | 7.2 % | (7.3)% |
| Increase due to foreign exchange | (1.4)% | (0.5)% | (1.5)% | (1.7)% |
| Contribution from acquisitions [2] | (0.2)% | — % | (0.4)% | — % |
| Impact of divestitures [3] | 1.9 % | — % | — % | 9.9 % |
| **Non-GAAP revenue growth, organic [4]** | **4.1 %** | **3.2 %** | **5.3 %** | **0.9 %** |

| Nine Months Ended September 30, 2023 | Total CRL | RMS Segment | DSA Segment | MS Segment |
|---|---|---|---|---|
| Revenue growth, reported | 8.3 % | 9.9 % | 13.3 % | (8.3)% |
| Decrease due to foreign exchange | 0.3 % | 1.0 % | 0.1 % | — % |
| Contribution from acquisitions [2] | (0.7)% | (2.8)% | (0.3)% | — % |
| Impact of divestitures [3] | 2.2 % | — % | — % | 10.2 % |
| **Non-GAAP revenue growth, organic [4]** | **10.1 %** | **8.1 %** | **13.1 %** | **1.9 %** |

(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.

(3) The Company sold our Avian business on December 20, 2022. These adjustments represent the revenue from these businesses for all applicable periods in 2023 and 2022.

(4) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, divestitures, and foreign exchange.



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**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, 2023E**

| 2023 GUIDANCE | CURRENT | PRIOR |
|---|---|---|
| Revenue growth, reported | 2.5% – 3.5% | 2.5% – 4.5% |
| Impact of divestitures/(acquisitions), net | ~1.5% | ~1.5% |
| Impact of 53rd week in 2022 | ~1.5% | ~1.5% |
| Unfavorable/(favorable) impact of foreign exchange | 0.0% - (0.5)% | 0.0% - (0.5)% |
| Revenue growth, organic (1) | 5.5% – 6.5% | 5.5% – 7.5% |
| GAAP EPS estimate | $7.30 – $7.50 | $7.60 – $8.20 |
| Acquisition-related amortization | $2.00 – $2.05 | ~$2.00 |
| Acquisition and integration-related adjustments (2) | ~$0.25 | $0.20 – $0.25 |
| Costs associated with restructuring actions (3) | $0.30 – $0.35 | ~$0.10 |
| Certain venture capital and other strategic investment losses/(gains), net (4) | $0.18 | $0.06 |
| Other items (5) | ~$0.40 | ~$0.30 |
| Non-GAAP EPS estimate | $10.50 – $10.70 | $10.30 – $10.90 |

Footnotes to Guidance Table:

(1) Organic revenue growth is defined as reported revenue growth adjusted for completed acquisitions and divestitures, the 53rd week in 2022, and foreign currency translation.

(2) These adjustments are related to the evaluation and integration of acquisitions and divestitures, and primarily include transaction, advisory, certain third-party integration costs, and certain costs associated with acquisition-related efficiency initiatives.

(3) These adjustments primarily include site consolidation, severance, impairment, and other costs related to the Company's restructuring actions.

(4) Certain venture capital and other strategic investment performance only includes recognized gains or losses on certain investments. The Company does not forecast the future performance of these investments.

(5) These items primarily relate to charges associated with U.S. and international tax legislation that necessitated changes to the Company's international financing structure; and certain third-party legal costs related to (a) environmental litigation related to the Microbial Solutions business and (b) investigations by the U.S. government into the NHP supply chain related to our Safety Assessment business.



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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)**

| | Three Months Ended July 1, 2023 |
|---|---|
| Unallocated Corporate Overhead | $ (69,914) |
| Add back: | |
| Acquisition related adjustments [2] | 4,799 |
| Total non-GAAP adjustments to operating expense | $ 4,799 |
| Unallocated corporate overhead, excluding non-GAAP adjustments | $ (65,115) |

(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 Months Ended | | | Nine Months Ended | |
|---|---|---|---|---|---|
| | September 30, 2023 | July 1, 2023 | September 24, 2022 | September 30, 2023 | September 24, 2022 |
| Income before income taxes & noncontrolling interests | $ 112,873 | $ 128,664 | $ 123,107 | $ 372,578 | $ 378,066 |
| Add back: | | | | | |
| Amortization related to acquisitions | 34,311 | 34,360 | 35,621 | 103,673 | 111,416 |
| Severance | 3,578 | 2,517 | (90) | 7,011 | 3,130 |
| Acquisition related adjustments [2] | 6,471 | 10,337 | 12,515 | 20,914 | 739 |
| Site consolidation costs, impairments and other items [3] | 15,018 | 4,042 | 2,386 | 28,927 | 6,682 |
| Venture capital and strategic equity investment losses (gains), net | 7,249 | 1,873 | (3,447) | 12,404 | 20,068 |
| Loss (gain) on divestitures [4] | 433 | 1,003 | — | 995 | — |
| Other [5] | — | 596 | 240 | 495 | 4,205 |
| Income before income taxes & noncontrolling interests, excluding specified charges (Non-GAAP) | $ 179,933 | $ 183,392 | $ 170,332 | $ 546,997 | $ 524,306 |
| Provision for income taxes (GAAP) | $ 24,852 | $ 29,221 | $ 25,495 | $ 81,160 | $ 74,564 |
| Non-cash tax benefit related to international financing structure [6] | (1,283) | (1,296) | (1,161) | (3,703) | (3,624) |
| Tax effect of the remaining non-GAAP adjustments | 15,271 | 14,759 | 10,115 | 43,929 | 30,928 |
| Provision for income taxes (Non-GAAP) | $ 38,840 | $ 42,684 | $ 34,449 | $ 121,386 | $ 101,868 |
| Total rate (GAAP) | 22.0 % | 22.7 % | 20.7 % | 21.8 % | 19.7 % |
| Total rate, excluding specified charges (Non-GAAP) | 21.6 % | 23.3 % | 20.2 % | 22.2 % | 19.4 % |

[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, fair value adjustments associated with contingent consideration arrangments, and an adjustment related to certain indirect tax liabilities.

[3] Other items include certain third-party legal costs related to (a) an environmental litigation related to the Microbial business and (b) investigations by the U.S. government into the NHP supply chain applicable to our Safety Assessment business.

[4] Adjustments included in 2023 relate to the gain on sale of our Avian business, which was divested in 2022.

[5] Amount included in 2023 relates to a final adjustment on the termination of a Canadian pension plan. Amount included in 2022 relates to the sale of RMS Japan operations in October 2021 and a reversal of an indemnification asset related to a prior acquisition.

[6] This amount relates to the recognition of deferred tax assets expected to be utilized as a result of changes to the Company's international financing structure.



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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 |
|---|---|---|---|---|
| | September 30, 2023 | July 1, 2023 | September 24, 2022 | December 30, 2023E |
| GAAP Interest expense, net | $ 32,369 | $ 33,618 | $ 11,253 | $131,000-$133,000 |
| Adjustments for foreign exchange forward contract and related interest expense, net [2] | — | — | 16,006 | — |
| Adjusted Interest expense, net | $ 32,369 | $ 33,618 | $ 27,259 | $131,000-$133,000 |

(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.

(2) Amounts reported in total adjusted interest expense include an $17.4 million gain on a forward contract and $1.3 million of additional interest expense for the three months ended September 24, 2022.

**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)**

| **DEBT [2]:** | **September 30, 2023** | **July 1, 2023** | **April 1, 2023** | **December 31, 2022** | **December 25, 2021** | **December 26, 2020** | **December 28, 2019** | **December 29, 2018** |
|---|---|---|---|---|---|---|---|---|
| Total Debt & Finance Leases | $ 2,516,894 | $ 2,682,195 | $ 2,750,593 | $ 2,711,208 | $ 2,666,359 | $ 1,979,784 | $ 1,888,211 | $ 1,668,014 |
| Plus: Other adjustments per credit agreement | $ — | $ — | $ 10,543 | $ 13,431 | $ 37,244 | $ 2,328 | $ 712 | $ 3,033 |
| Less: Unrestricted Cash and Cash Equivalents up to $150M | $ (150,000) | $ (150,000) | $ (150,000) | $ (150,000) | $ (150,000) | | | |
| Total Indebtedness per credit agreement | $ 2,366,894 | $ 2,532,195 | $ 2,611,136 | $ 2,574,639 | $ 2,553,603 | $ 1,982,112 | $ 1,888,924 | $ 1,671,047 |
| Less: Cash and cash equivalents (net of $150M above) | (7,174) | (50,445) | (51,587) | (83,912) | (91,214) | (228,424) | (238,014) | (195,442) |
| Net Debt | $ 2,359,720 | $ 2,481,750 | $ 2,559,549 | $ 2,490,727 | $ 2,462,389 | $ 1,753,688 | $ 1,650,910 | $ 1,475,605 |

| **ADJUSTED EBITDA [2]:** | **September 30, 2023** | **July 1, 2023** | **April 1, 2023** | **December 31, 2022** | **December 25, 2021** | **December 26, 2020** | **December 28, 2019** | **December 29, 2018** |
|---|---|---|---|---|---|---|---|---|
| Net income attributable to common shareholders | $ 474,950 | $ 484,034 | $ 496,335 | $ 486,226 | $ 390,982 | $ 364,304 | $ 252,019 | $ 226,373 |
| Adjustments: | | | | | | | | |
| Adjust: Non-cash gains/losses of VC partnerships & strategic investments | 35,239 | 24,342 | 33,284 | 35,498 | 66,004 | | | |
| Less: Aggregate non-cash amount of nonrecurring gains | (201) | (201) | (29,188) | (32,638) | (42,247) | (1,361) | (310) | — |
| Plus: Interest expense | 138,168 | 133,139 | 122,194 | 108,870 | 107,224 | 76,825 | 79,586 | 65,258 |
| Plus: Provision for income taxes | 136,975 | 137,618 | 141,846 | 130,379 | 81,873 | 81,808 | 50,023 | 54,996 |
| Plus: Depreciation and amortization | 311,155 | 306,889 | 305,639 | 303,870 | 265,540 | 234,924 | 198,095 | 161,779 |
| Plus: Non-cash nonrecurring losses | 34,422 | 32,270 | 28,883 | 16,572 | 8,573 | 16,810 | 427 | 559 |
| Plus: Non-cash stock-based compensation | 74,596 | 73,798 | 72,458 | 73,617 | 71,461 | 56,341 | 57,271 | 47,346 |
| Plus: Permitted acquisition-related costs | 25,026 | 23,196 | 29,222 | 34,453 | 51,256 | 18,750 | 34,827 | 19,181 |
| Plus: Pro forma EBITDA adjustments for permitted acquisitions | — | — | 884 | 5,306 | 4,008 | 8 | 12,320 | 15,648 |
| Adjusted EBITDA (per the calculation defined in compliance certificates) | $ 1,230,330 | $ 1,215,085 | $ 1,201,557 | $ 1,162,153 | $ 1,004,675 | $ 848,408 | $ 684,259 | $ 591,140 |

| **LEVERAGE RATIO:** | **September 30, 2023** | **July 1, 2023** | **April 1, 2023** | **December 31, 2022** | **December 25, 2021** | **December 26, 2020** | **December 28, 2019** | **December 29, 2018** |
|---|---|---|---|---|---|---|---|---|
| Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA) | 1.92 | 2.08 | 2.17 | 2.22 | 2.54 | 2.34 | 2.76 | 2.83 |
| Net leverage ratio (net debt divided by adjusted EBITDA) | 1.9 | 2.0 | 2.1 | 2.1 | 2.5 | 2.1 | 2.4 | 2.5 |

| **INTEREST COVERAGE RATIO:** | **September 30, 2023** | **July 1, 2023** | **April 1, 2023** | **December 31, 2022** | **December 25, 2021** |
|---|---|---|---|---|---|
| Capital Expenditures | 329,229 | 335,675 | 351,144 | 326,338 | 232,149 |
| Cash Interest Expense | 140,870 | 135,774 | 124,431 | 110,731 | 107,389 |
| Interest Coverage ratio per the credit agreement (Adjusted EBITDA minus Capital Expenditures divided by cash interest expense) | 6.4x | 6.48x | 6.83x | 7.55x | 7.19x |

[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] Pursuant to the definition in its credit agreement dated April 21. 2021, the Company has defined its pro forma leverage ratio as total debt divided by adjusted EBITDA for the trailing-twelve-month period. 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.

Total Debt represents third-party debt and financial lease obligations minus up to $150M of unrestricted cash and cash equivalents. 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, non-cash gains/loss on venture capital portfolios and strategic partnerships, 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.

Total Debt and EBITDA have not been restated for periods prior to Q1 2021.

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

| | Three Months Ended | | Nine Months Ended | | Fiscal Year Ended |
|---|---|---|---|---|---|
| | September 30, 2023 | September 24, 2022 | September 30, 2023 | September 24, 2022 | December 30, 2023E |
| Net cash provided by operating activities | $ 205,450 | $ 132,779 | $ 462,955 | $ 384,883 | $670 - $700 million |
| Less: Capital expenditures | (65,947) | (72,393) | (240,205) | (235,709) | $330 - $340 million |
| Free cash flow | $ 139,503 | $ 60,386 | $ 222,750 | $ 149,174 | $340 - $360 million |

(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.

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