4Q 2019 Results and 2020 Guidance

February 11, 2020

Charles River Laboratories

charles river

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 our projected 2020 and other future financial performance 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; our annual guidance and two-year targets; the expected performance of our venture capital investments; the future demand for drug discovery and development products and services, and our intentions to expand those businesses, including our investments in our portfolio; the impact of foreign exchange; our expectations regarding stock repurchases and debt repayment; the development and performance of our services and products; market and industry conditions including industry consolidation, outsourcing of services and identification of spending trends by our clients and funding available to them; 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 leverage; our success in identifying, consummating, and integrating, and the impact of, our acquisitions, on the Company, our service offerings, client perception, strategic relationships, revenue, revenue growth rates, earnings, and synergies; our expectations regarding HemaCare’s financial performance; 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; 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: the ability to successfully integrate businesses we acquire; the ability to execute our cost-savings actions and the steps to optimize returns to shareholders on an effective and timely basis; 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 convert backlog to revenue; special interest groups; contaminations; industry trends; new displacement technologies; continued availability of products and supplies; loss of key personnel; interest rate and foreign currency exchange rate fluctuations; changes in regulations by the FDA, USDA, or other global regulatory agencies; changes in law; 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 13, 2019 and in its Quarterly Report on Form 10-Q as filed on November 6, 2019, 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.

Opening Remarks

- Strong finish to 2019 demonstrates what we have worked hard to achieve:
  - Breadth of our leading, early-stage portfolio, which more fully supports the discovery, non-clinical development, and safe manufacture of new therapies for the treatment of disease
  - Deep relationships we have forged with clients, both large and small, by leveraging our flexible and efficient outsourcing model
  - Investments we have made in our scientific capabilities and the necessary staff and capacity to ensure that we could meet the needs of our clients
  - Greater operating efficiency, which has enabled us to improve speed and responsiveness to clients while generating margin expansion
- Success of these efforts was evident in both our financial performance and in the fact that we worked on 85% of drugs approved by the FDA in 2019
  - An accomplishment few CROs can claim
  - We believe is a testament to the value our clients place on our contribution to their research

4Q19 and 2019 Revenue

From Continuing Operations ($ in millions)	4Q19	4Q18	YOY Δ	2019	2018	YOY Δ
Revenue, reported	$691.1	$601.5	14.9%	$2,621	$2,266	15.7%
(Increase) Decrease due to FX			0.6%			1.5%
Contribution from acquisitions			(8.1)%			(8.7)%
Revenue, organic			7.4%			8.5%

- Organic growth rate was consistent with 8.7% in 2018, and firmly within the high-single-digit range which is our goal for the next 2 years
- Biotech clients were our fastest-growing client segment in both 4Q19 and 2019, as they benefited from the third-strongest year on record for funding from the capital markets and VCs

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

4Q19 and 2019 Operating Margin

From Continuing Operations	4Q19	4Q18	YOY Δ	2019	2018	YOY Δ
GAAP OM%	15.7%	17.0%	(130) bps	13.4%	14.6%	(120) bps
Non-GAAP OM%	21.4%	20.3%	110 bps	19.0%	18.8%	20 bps

- 4Q19 margin improvement primarily driven by DSA segment
- Second consecutive quarter that consolidated operating margin has improved YOY
- Pleased with 4Q19 and FY 2019 performance, which demonstrates our ability to leverage investments we made in staff, capacity, and infrastructure to accommodate robust growth in a more scalable and efficient manner
  - Also provides clear line of sight to our goal of 20% for the full-year 2021
- With more balanced investments ahead, coupled with continued focus on driving greater efficiency, expect to make meaningful progress towards our 20% two-year target in 2020

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

4Q19 and 2019 EPS

From Continuing Operations	4Q19	4Q18	YOY Δ	2019	2018	YOY Δ
GAAP EPS	$1.61	$1.21	33.1%	$5.07	$4.59	10.5%
Non-GAAP EPS	$2.01	$1.59	26.4%	$6.73	$5.80	16.0%

- Exceeded prior non-GAAP EPS guidance range of $6.50-$6.60 due primarily to robust revenue growth and operating margin improvement in 4Q19

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

2019 Results

From Continuing Operations ($ in millions)	2019	2018	YOY Δ
Revenue, reported	$2,621	$2,266	15.7%
Revenue, organic			8.5%
GAAP OI margin	13.4%	14.6%	(120) bps
Non-GAAP OI margin	19.0%	18.8%	20 bps
GAAP EPS	$5.07	$4.59	10.5%
Non-GAAP EPS	$6.73	$5.80	16.0%

- Believe 2019 performance thoroughly demonstrates successful execution of our strategy to position CRL as the early-stage partner of choice for our valued clients
- Pace of demand from clients continues to be robust
- Exceptional market position, strategic expansion of our unique portfolio, and ongoing enhancement of our culture of continuous improvement give us added confidence in our 2020 guidance

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

2020 Guidance

	2020 Guidance
Revenue growth, reported	13.0%-14.5%
Contribution from acquisitions	(4.0%-4.5%)
(Increase) Decrease due to FX	(1.0%-1.5%)
Revenue growth, organic	7.75%-8.75%
GAAP EPS	$5.20-$5.35
Amortization of intangible assets	$1.65-$1.70
Charges related to global efficiency initiatives	<$0.05
Acquisition-related adjustments	~$0.25
Other items	$0.25-$0.32
Non-GAAP EPS	$7.45-$7.60

- 2020 YOY non-GAAP EPS growth expected to be in a range of 10.5%-13%
- Metrics meet our long-term targets of:
  - High-single-digit organic revenue growth
  - EPS growth at least in the low-double digits

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

RMS Results – Revenue

($ in millions)	4Q19	4Q18	YOY Δ	2019	2018	YOY Δ
Revenue, reported	$131.3	$128.5	2.2%	$537.1	$519.7	3.3%
(Increase) Decrease due to FX			0.6%			1.9%
Revenue, organic			2.8%			5.2%

- Expected growth-rate reduction in 4Q19 was due to anniversary of the commencement of the Insourcing Solutions (IS) contract with NIAID in September
- NIAID aside, 4Q19 growth driven largely by similar trends that characterized first three quarters of 2019:
  - Robust demand for research models in China
  - Solid growth for research model services
  - Partially offset by lower sales volume for research models outside of China
- In 2020, believe that the RMS segment will perform in line with two-year target of low- to mid-single-digit organic growth

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

RMS Results – Services

- RM Services businesses continued to be a source of growth
- IS business continued to perform well as clients increasingly adopted flexible models to enhance the efficiency of their vivarium management and research needs
- CRL was awarded new NIH contracts, and although collectively smaller than NIAID, they also drove revenue growth
  - Will be partially offset in 2020 by the completion of an IS contract in China
- Gaining traction with new biopharma clients through CRADL initiative
  - Provides both small and large biopharma clients with turnkey research capacity in the Boston/Cambridge and South San Francisco (SSF) biohubs
  - SSF CRADL lab opened in January 2020 and has already received favorable client feedback, with a number of clients occupying space and more committed to it
- Through both unique models like CRADL and more traditional, insourced staffing arrangements, IS has become an important partner for clients who need this type of support for their research programs

RMS Results – China

- RMS China had another strong quarter, continuing to deliver double-digit revenue growth annually since acquired in 2013
  - China represents slightly less than 10% of RMS revenue
- There is substantial demand for our high-quality models in this rapidly emerging biomedical research market
- We are supporting demand through continued expansion in China
- Expanding our presence supports our goal of market leadership and achieving market share in China similar to Western markets
- We are closely monitoring the coronavirus outbreak in China
- At this juncture, have forecast only a small financial impact in 1Q20
- Do not believe at this time that there will be a material impact from the restrictions on the transport of research models within and out of China
  - Believe that we can offset most of the potential impact through other sources

charles river

RMS Results, cont.

- Research models remain essential, regulatory required, scientific tools for early-stage research and toxicology, and a vital component of our portfolio
- Supports clients and DSA segment, which remains the largest client of our research models business
- Researchers view our broad portfolio of high-quality, scientifically defined research models and our exceptional client services as a foundation from which they can discover new molecules

RMS Results – HemaCare Acquisition

- In January, expanded our portfolio of foundational research tools and enhanced RMS's long-term growth profile with acquisition of HemaCare
- Premier provider of human-derived cellular products used as critical inputs throughout the cell therapy development and manufacturing processes
- Combined with our integrated, early-stage portfolio, addition of HemaCare creates a unique, comprehensive solution that enables clients to work with one scientific partner from earliest stages of their cell therapy programs, and iteratively through the R&D process, to accelerate speed to market
- Believe HemaCare will lead more clients to start cell therapy discovery programs at CRL and remain with us
- In addition to enhancing client retention, acquisition increases exposure to high-growth cell therapy market
- Expect HemaCare to drive profitable revenue growth, estimated to be at least 30% annually over the next 5 years

RMS Results – Operating Margin

	4Q19	4Q18	YOY Δ	2019	2018	YOY Δ
RMS GAAP OM%	23.0%	24.6%	(160) bps	24.9%	26.3%	(140) bps
RMS Non-GAAP OM%	24.6%	25.1%	(50) bps	26.2%	26.9%	(70) bps

- 4Q19 margin decline driven primarily by research models business outside of China
- Strive to offset impact of volume declines in mature markets with our ongoing efficiency initiatives aimed at optimizing productivity and reducing RMS cost structure
- Goal is to maintain the RMS operating margin above 25%, as we did in 2019 and intend to do in 2020

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

DSA Results – Revenue

($ in millions)	4Q19	4Q18	YOY Δ	2019	2018	YOY Δ
Revenue, reported	$439.2	$358.2	22.6%	$1,619.0	$1,316.9	22.9%
(Increase) Decrease due to FX			0.4%			1.1%
Contribution from acquisitions			(13.6)%			(14.9)%
Revenue, organic			9.4%			9.1%

- 4Q19 growth driven by both Discovery and Safety Assessment (SA)
- Achieved our high-single-digit outlook for the sixth consecutive year
- Backlog and bookings in both businesses remained strong in 4Q19, reinforcing our expectation that DSA is well positioned to generate high-single-digit organic growth again in 2020
- Biotech clients continued to drive growth in 2019, demonstrating that small and mid-sized clients remain laser focused on innovation and moving their programs forward
  - Largely unaffected by short-term fluctuations in funding environment because it is estimated that they have 3-4 years of cash on hand
- Clients continue to choose our flexible and efficient outsourcing model in lieu of maintaining in-house expertise

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

DSA Results – Discovery Services

- Discovery business had an exceptional quarter and a strong year, with broad-based growth across the majority of business lines
- Our continued efforts to build scientific expertise for the discovery of novel therapeutics, to create targeted and flexible sales strategies, and to harmonize the Discovery portfolio, have proven to be successful
- Enhanced our scientific capabilities across our clients' major therapeutic areas of focus, from oncology and CNS to rare disease
- Ability to work with clients for a single project or an integrated program and to structure flexible relationships to meet their specific outsourcing needs is resonating with clients
  - Has led to a number of new business opportunities recently, including our Takeda collaboration

DSA Results – Discovery Services, cont.

- To accommodate our clients' diverse outsourcing needs, will continue to strengthen our discovery "toolkit" through our partnering strategy
- Two recent examples of the continued expansion of our Discovery portfolio are:
  - Partnership with BitBio to expand translational drug discovery platform related to stem cells
  - Partnership with Fios Genomics to provide bioinformatics expertise
- Our exclusive partnership with Distributed Bio has continued to perform very well (commenced in October 2018)
  - Enhances our large-molecule discovery capabilities and fills a gap in our portfolio
  - Collaborative offering is gaining traction with clients
- Firmly believe our unique ability to serve as a single-source partner to support our clients' early-stage research needs will continue to attract new discovery business opportunities and further incentivize clients to stay with us into SA

DSA Results – Safety Assessment (SA).

- SA business had a strong quarter, with balanced growth driven primarily by higher study volume and increased pricing
- These factors, coupled with the Citoxlab acquisition, resulted in another strong year for SA
- Citoxlab continued to perform very well, with all major integration milestones remaining on track and financial performance exceeding the acquisition plan after a strong 4Q19
- Citoxlab, and the acquisitions of MPI in 2018 and WIL in 2016, have meaningfully enhanced our leading position in the safety assessment market and solidified our scientific capabilities and global scale, allowing us to fully support our clients' early-stage development needs
- Pleased with the extensive depth and breadth of our SA portfolio and remain intently focused on continuing to enhance the business and value we provide to clients
- In addition to M&A, we are evaluating opportunities to add new, niche capabilities, both through internal investment and through our partnership strategy
- Believe that our focus on broadening our portfolio, our scientific capabilities, and our global scale have further differentiated CRL from the competition and positioned us very well for 2020 as the partner of choice for our clients' broad safety assessment needs

DSA Results – Operating Margin

	4Q19	4Q18	YOY Δ	2019	2018	YOY Δ
DSA GAAP OM%	19.1%	18.8%	30 bps	16.0%	17.3%	(130) bps
DSA Non-GAAP OM%	25.6%	23.2%	240 bps	22.0%	21.7%	30 bps

- 4Q19 non-GAAP operating margin improvement driven by both Discovery and SA
- Robust margin performance reflects greater leverage of top-line growth now that staffing levels are appropriately balanced with client demand
- Expect to continue to hire in 2020 to accommodate increasing demand, but at a more measured pace than in recent years
- Margin increase also reflects our continued focus on operating efficiency, as well as some improvement in Citoxlab's operating margin
- Citoxlab's margin is expected to improve in 2020, primarily through the attainment of incremental synergies
- In 2020, we expect all of these factors to contribute to meaningful progress towards our two-year target of a mid-20% operating margin

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

Manufacturing Results – Revenue

($ in millions)	4Q19	4Q18	YOY Δ	2019	2018	YOY Δ
Revenue, reported	$120.6	$114.9	5.0%	$465.1	$429.6	8.3%
(Increase) Decrease due to FX			1.3%			2.7%
Contribution from acquisitions			---			(0.2)%
Revenue, organic			6.3%			10.8%

- Robust client demand for Biologics Testing Solutions (Biologics) business was the primary driver of revenue growth
- Slower 4Q19 segment growth rate was due primarily to Microbial Solutions and to a lesser extent, Avian
- FY 2019 growth rate was in line with our low-double-digit target for the year and over the longer term
- Business is not linear; there can be quarterly fluctuations across our portfolio
- On an annual basis, we are confident that the Manufacturing segment will continue to grow at a low-double-digit rate organically

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

Manufacturing Results – Microbial Solutions

- Microbial Solutions revenue increased in 4Q19, but at a slower rate than in prior quarters
  - Due principally to the timing of orders for both Endosafe® and Celsis® products, including the availability of new systems
- Revenue increased at a low-double-digit organic growth rate again in 2019
- Expect Microbial Solutions will return to a low-double-digit growth rate after 1Q20
  - 1Q20 YOY comparison will be affected by last year's large stocking order for Celsis® products from our strategic partner in certain non-pharma markets
- Continue to believe firmly that our ability to provide clients with a total rapid microbial testing solution, as well as the quality and accuracy of our testing platform, are key differentiators from the competition
- Will lead clients to continue to choose CRL for their critical quality-control testing requirements

Manufacturing Results – Biologics

- Biologics reported strong revenue growth in 4Q19 and FY 2019
- Performance is indicative of the sustained, rapid increase in number of biologics in development, as well as new opportunities such as cell and gene therapies, that continue to propel market growth in the low-double digits
- We have been successful at gaining business because of our extensive portfolio of services to support the safe manufacture of biologics
- We have invested in capacity expansions to accommodate robust client demand
- Transition to the larger site in Pennsylvania is effectively complete
  - Booking new business and continuing to ramp up utilization
  - Working with clients who are finalizing their validation efforts
- Believe that this expansion and smaller, ongoing expansions globally, as well as our focus on adding new services to our Biologics portfolio—particularly in cell and gene therapy—will support the robust growth that we expect this business to generate for the foreseeable future

Manufacturing – Operating Margin

	4Q19	4Q18	YOY Δ	2019	2018	YOY Δ
Manufacturing GAAP OM%	34.4%	35.1%	(70) bps	31.3%	31.7%	(40) bps
Manufacturing Non-GAAP OM%	37.2%	37.4%	(20) bps	33.9%	34.2%	(30) bps

- Pleased that Microbial Solutions—despite the slower growth rate in 4Q19—continued to benefit from the investments in process improvements that are resulting in better operating leverage for the business
- Biologics faced headwinds from higher costs due in part to growth-related initiatives, including capacity expansions, but now that duplicate costs in Pennsylvania have been eliminated, 4Q19 Manufacturing segment operating margin reached its highest level of the year
- Believe we are extremely well positioned to modestly improve Manufacturing's full-year non-GAAP operating margin in 2020 and to achieve our target in the mid-30% range

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

Concluding Remarks

- CRL continues to focus on the execution of our strategy to maintain our position as early-stage CRO partner of choice for our clients' drug research, development, and manufacturing support efforts
- In the future, imperative that we continue to expand our portfolio of essential products and services to enhance our ability to comprehensively support our clients' research efforts
- Intend to make strategic acquisitions, which is our preferred use of capital
- M&A pipeline remains robust; continuing to evaluate opportunities including unique research tools, discovery capabilities, and manufacturing support activities
- Must also stay current with new technologies and drug modalities
  - Increasingly utilizing a partnership strategy to add innovative capabilities and cutting-edge technologies with limited upfront risk

Concluding Remarks, cont.

- Spent the past several years investing internally in capacity and staffing to meet growing demand while striving to enhance business scalability
  - Will continue to invest, but believe that we have achieved an appropriate balance
- Now have enhanced ability to leverage top-line growth and drive greater efficiency
- Optimistic as we turn the page to 2020
- Believe our annual guidance is achievable and our two-year targets are squarely in sight
- Our strong business is delivering value to clients, to employees, and to shareholders as a result of our attractive growth profile, our position in robust end markets, and the value that will be derived from achieving meaningful operating margin improvement over the next 2 years

2020 EPS Guidance

	2020 Guidance
GAAP EPS	$5.20-$5.35
Non-GAAP EPS	$7.45-$7.60

- Intend to deliver strong revenue growth and achieve meaningful operating expansion in 2020
  - Well positioned to deliver non-GAAP EPS between $7.45-$7.60

See website for reconciliations of Non-GAAP to GAAP results.

2020 Segment Revenue Outlook

	2020 Reported Revenue Growth	2020 Organic Revenue Growth[1]
RMS	Low to mid teens	Low- to mid-single digits
DSA	Low teens	High-single digits
Manufacturing	Low teens	Low-double digits
Consolidated CRL	13.0%-14.5%	7.75%-8.75%

- Supported by healthy funding environment, expect client demand will continue to be robust
- Revenue growth outlook (reported and organic) is consistent with our two-year revenue growth targets

(1) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions and foreign currency translation

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

2020 Segment Revenue Outlook, cont.

- Trends in each of our business segments in 2020 expected to be similar to 2019
- RMS segment expected to achieve low- to mid-single-digit organic revenue growth
  - HemaCare acquisition adding at least $50M, or ~10%, to reported RMS growth rate
  - Primarily driven by robust demand for research models in China, broad-based growth in the Services business from GEMS, RADS and Insourcing Solutions, and price
- DSA segment expected to deliver high-single-digit organic revenue growth
  - Strong contributions from both the Safety Assessment and the Discovery Services businesses
- Manufacturing segment expected to generate low-double-digit organic revenue growth
  - Both Microbial Solutions and Biologics driving the increase

Foreign Exchange (FX) Impact

- FX is expected to contribute 100-150 bps to reported revenue growth in 2020
- Based primarily on bank forecasts of forward rates
  - Slightly more favorable than current spot rates for most currencies

(% of total revenue)	**2019 Revenue**	**2020E FX Rates**
U.S. Dollar	64%	--
Euro	18%	1.15
British Pound	6%	1.35
Canadian Dollar	6%	0.76
Chinese Yuan (renminbi)	2%	0.15
Japanese Yen	2%	9.40
Other currencies	2%	--

Operating Margin Improvement

- Very pleased with the collective efforts of our businesses that have positioned us to generate profitable revenue growth and meaningful operating margin improvement
- Operating margin performance in 2H19 reflected:
  - Ability to leverage scalable investments made in staff, capacity, and infrastructure
  - Continuing focus on operational excellence and cost management
- In light of investments over the last few years, very pleased that operating margin improved in 2019 by 20 bps to 19.0%
- Included a 30-bps headwind, which has now been largely anniversaried, from:
  - Compensation structure adjustment
  - Biologics capacity expansion
  - Citoxlab acquisition
  - NIAID contract

charles river

2020 Operating Margin Outlook

- Operating margin improvement will continue to be a top priority
- 2020: Meaningful progress towards two-year operating margin target of 20%
  - DSA segment and leverage of corporate costs are expected to be the most significant contributors to margin improvement
- DSA segment expected to make meaningful progress towards its mid-20% target
  - Primary driver is enhanced leverage of revenue growth, resulting from more measured hiring, attainment of incremental acquisition synergies, and other operational efficiencies
- RMS and Manufacturing segments operating margins expected to be consistent with two-year targets of above 25% and mid-30% range, respectively
  - HemaCare operating margin is moderately below the RMS segment average, but will not prevent from achieving RMS margin target, as headwind will be offset by RMS operational efficiencies
  - Manufacturing segment's operating margin will benefit from the elimination of duplicate costs from the Biologics expansion and continued ramp up of that new site

Unallocated Corporate Expenses

($ in millions)	4Q19	4Q18	2019	2018
GAAP	$46.6	$36.6	$187.1	$168.9
Non-GAAP	$41.9	$36.0	$157.8	$147.3

- Unallocated corporate expenses in 2020 are expected to be ~5.5% of revenue compared to 6.0% of revenue in 2019 (non-GAAP)
- Successfully reduced these costs by ~50 bps per year from a peak of 7.5% in 2016, as a result of investments made to build a more scalable infrastructure to leverage growth

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

Net Interest Expense

($ in millions)	4Q19	4Q18	2019	2018
GAAP interest expense, net	$23.7	$16.6	$59.4	$63.0
Non-GAAP interest expense, net	$22.1	$16.6	$57.8	$57.9
Adjustments for foreign exchange forward contract and related interest expense[1]	($5.3)	–	$9.6	–
Adjusted net interest expense	$16.8	$16.6	$67.4	$57.9

- Adjusted net interest expense in 2020 expected to be in a range of $78-$80M, driven primarily by:
  - Higher average debt balances from recent acquisitions, including HemaCare in January
  - Higher blended interest rate associated with the issuance of $500M senior notes last October
- Adjusted net interest expense is calculated as the net of interest expense, interest income, and an FX adjustment related to forward FX contracts recorded in Other Income

(1) Amounts reported in total adjusted net interest expense include $3.0M loss on a forward contract and $1.6M of additional interest expense in 4Q19, and $18.7M gain on forward contracts and $7.4M of additional interest expense in FY19.

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

charles river

Capital Priorities

- Continuously evaluate our capital priorities and intend to deploy capital to the areas that will generate the greatest returns
- Strategic acquisitions remain our top priority for capital allocation, followed by debt repayment
- Gross leverage ratio(1) was 2.76x at the end of 2019, below 3x as anticipated when we acquired Citoxlab
  - Pro forma leverage ratio increased to modestly above 3x following the January acquisition of HemaCare
- Absent any acquisitions, will continue to repay debt in 2020 and work towards our preferred leverage target of below 3x
- Currently, do not intend to repurchase shares in 2020
  - Expect to exit the year with a diluted share count slightly more than 50M shares

(1) 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 and pro forma for acquisitions. 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.

See website for reconciliations of Non-GAAP to GAAP results.

Tax Rate

	4Q19	4Q18	2019	2018
GAAP	23.7%	19.8%	16.5%	19.3%
Non-GAAP	23.5%	22.5%	22.0%	21.4%

- Non-GAAP tax rate in 2020 expected to be a range of 22.0%-23.5%, slightly higher than the 2019 tax rate
  - Result of discrete tax benefits in 2019 that are not expected to recur this year
- GAAP tax rate in 2020 expected to be a range of 23.0%-24.5%
- Q1 tax rate has been meaningfully lower in recent years due to excess tax benefit related to stock compensation
  - Given current stock price, expect this to be true in 2020
  - 1Q20 non-GAAP tax rate expected to be in the mid to high teens

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

Cash Flow

($ in millions)	2019	2018	2020 Outlook
Free cash flow	$340.4	$301.1	$350-$360
Capex	$140.5	$140.1	~$150
Depreciation	$108.5	$96.9	~$130
Amortization	$89.6	$64.8	$110-$115
	4Q19	**4Q18**	
Free cash flow	$116.8	$71.3	
Capex	$63.8	$68.7	
Depreciation	$27.9	$24.6	
Amortization	$24.0	$17.0	

- In addition to driving profitable revenue growth, free cash flow (FCF) generation is a key measure of our financial performance

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

Cash Flow, cont.

- 2019 FCF was well above our prior guidance for the year
  - Increase due to strong underlying operating performance of our businesses and continued focus on working capital management
  - 2019 capex was essentially unchanged from 2018
- 2020 FCF expected to be in a range of $350-$360M, a mid-single-digit increase YOY
  - Cash headwind of ~$15M primarily associated with pension-related payments
  - Adjusted for headwind, FCF would increase at a high-single-digit rate
- Capex expected to total ~$150M in 2020, comprised of:
  - Capital projects in many of our businesses to support continued growth
  - Capital requirements of recently acquired businesses

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

2020 Guidance Summary

	GAAP	Non-GAAP
Revenue growth	13.0%-14.5% reported	7.75%-8.75% organic(1)
Operating margin	Improvement from 13.4% in 2019	Meaningful progress towards 20% from 19.0% in 2019
Unallocated corporate	~5.5% of revenue	~5.5% of revenue
Net interest expense	$85.5M-$87.5M	$78M-$80M
Tax rate	23.0%-24.5%	22.0%-23.5%
EPS	$5.20-$5.35	$7.45-$7.60
Cash flow	Operating cash flow: $500M-$510M	Free cash flow: $350M-$360M
Capital expenditures	~$150M	~$150M

(1) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions and foreign currency translation

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

1Q20 Outlook

	1Q20 Outlook
Reported revenue growth YOY	Mid-teens reported growth vs. 1Q19
Non-GAAP EPS	Low-double-digit growth vs. 1Q19

- 1Q20 organic revenue growth will be affected by:
  - Comparison to 1Q19 large Microbial Solutions stocking order
    - Expected to be >500-bps headwind to Manufacturing growth rate and ~100-bps headwind to consolidated growth rate
  - Currently forecast only small impact from coronavirus to RMS China business, but will continue to monitor closely
    - China represented slightly less than 10% of RMS revenue in 2019
- These headwinds will also limit operating margin improvement in 1Q20
  - Operating margin typically at its lowest point of the year in Q1 due to seasonality in the Biologics business and higher fringe costs
- 1Q20 non-GAAP tax rate expected to be in mid to high teens
- Low-double-digit YOY non-GAAP EPS growth in 1Q20

Concluding Remarks

- Very pleased with our financial performance in 2019
- Well positioned to have another strong year in 2020
- Confident in our ability to:
  - Consistently grow revenue, earnings, and cash flow
  - Achieve targets of high-single-digit organic revenue growth and an operating margin of 20% for the full-year 2021

4Q19/FY19 Regulation G Financial Reconciliations

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

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

CONTINUED ON NEXT SLIDE

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

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

(1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often-one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.

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

(3) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.

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

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP EARNINGS TO NON-GAAP EARNINGS (UNAUDITED)(1)

(in thousands, except per share data)

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

(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 adjustment is related to the refinement of one-time charges associated with the enactment of U.S. Tax Reform related to the transition tax on unrepatriated earnings (also known as the toll tax), and the revaluation of U.S. federal net deferred tax liabilities.

(3) This adjustment relates to the recognition of deferred tax assets expected to be utilized as a result of changes to the Company's international financing structure.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP REVENUE GROWTH
TO NON-GAAP REVENUE GROWTH, ORGANIC (UNAUDITED) (1)

For the three months ended December 28, 2019	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	14.9 %	2.2 %	22.6 %	5.0 %
Decrease (increase) due to foreign exchange	0.6 %	0.6 %	0.4 %	1.3 %
Contribution from acquisitions	(8.1)%	—%	(13.6)%	—%
Non-GAAP revenue growth, organic (3)	**7.4 %**	**2.8 %**	**9.4 %**	**6.3 %**

For the twelve months ended December 28, 2019	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	15.7 %	3.3 %	22.9 %	8.3 %
Decrease (increase) due to foreign exchange	1.5 %	1.9 %	1.1 %	2.7 %
Contribution from acquisitions (2)	(8.7)%	—%	(14.9)%	(0.2)%
Non-GAAP revenue growth, organic (3)	**8.5 %**	**5.2 %**	**9.1 %**	**10.8 %**

(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. Manufacturing Support includes an immaterial acquisition of an Australian Microbial Solutions business.

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

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP REVENUE AND EARNINGS PER SHARE (EPS)
Guidance for the Twelve Months Ended December 26, 2020E

2020 GUIDANCE	
Revenue growth, reported	13.0% - 14.5%
Less: Contribution from acquisitions (1)	(4.0%) – (4.5%)
Less: Favorable impact of foreign exchange	(1.0%) – (1.5%)
Revenue growth, organic (2)	7.75% – 8.75%
GAAP EPS estimate (3)	$5.20 – $5.35
Amortization of intangible assets (4)	$1.65 – $1.70
Charges related to global efficiency initiatives (5)	<$0.05
Acquisition-related adjustments (6)	~$0.25
Other items (7)	$0.25 - $0.32
Non-GAAP EPS estimate	$7.45 – $7.60
Free cash flow (8)	$350 - $360 million

Footnotes to Guidance Table:

(1) The contribution from acquisitions reflects only those acquisitions that have been completed.

(2) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions and foreign currency translation.

(3) GAAP EPS guidance does not include an estimate for future gains or losses from venture capital investments. Potential gains or losses are expected in 2020, but the Company does not forecast the future performance of its venture capital investments. Any future gains or losses would be excluded from non-GAAP results.

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

(5) These charges, which primarily include severance and other costs, relate primarily to the Company's planned efficiency initiatives. Other projects in support of global productivity and efficiency initiatives are expected, but these charges reflect only the decisions that have already been finalized.

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

(7) These items primarily relate to charges of $0.15-$0.22 associated with the planned termination of the Company's U.S. pension plan in the second half of 2020, as well as charges of approximately $0.10 associated with U.S. and international tax legislation that necessitated changes to the Company's international financing structure.

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

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

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

[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, net include a $3.0 million loss on a forward contract and $1.6 million of additional interest expense for the three months ended December 28, 2019; and an $18.7 million gain on forward contracts and $7.4 million of additional interest expense for the twelve months ended December 28, 2019.

charles river

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GROSS/NET LEVERAGE RATIO, INCLUDING GAAP NET INCOME TO ADJUSTED EBITDA (1)

(dollars in thousands, except for per share data)

	December 28, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
DEBT (2):								
Total Debt & Finance Leases	$ 1,888,211	$ 1,668,014	$ 1,145,104	$ 1,235,009	$ 863,031	$ 777,863	$ 663,789	$ 666,520
Plus: Other adjustments per credit agreement	$ 712	$ 3,033	$ 298	$ 3,621	$ 1,370	$ 2,828	$ 9,787	$ 9,680
Total Indebtedness per credit agreement	$ 1,888,924	$ 1,671,047	$ 1,145,402	$ 1,238,630	$ 864,401	$ 780,691	$ 673,576	$ 676,200
Less: Cash and cash equivalents	(238,014)	(195,442)	(163,794)	(117,626)	(117,947)	(160,023)	(155,927)	(109,685)
Net Debt	$ 1,650,910	$ 1,475,605	$ 981,608	$ 1,121,004	$ 746,454	$ 620,668	$ 517,649	$ 566,515

	December 28, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
ADJUSTED EBITDA (2):								
Net income attributable to common shareholders	$ 252,019	$ 226,373	$ 123,355	$ 154,765	$ 149,313	$ 126,698	$ 102,828	$ 97,295
Adjustments:								
Less: Aggregate non-cash amount of nonrecurring gains	(310)	—	—	(685)	(9,878)	(2,048)	—	—
Plus: Interest expense	79,586	65,258	29,777	27,709	15,072	11,950	20,969	33,342
Plus: Provision for income taxes	50,023	54,996	171,369	66,835	43,391	46,685	32,142	24,894
Plus: Depreciation and amortization	198,095	161,779	131,159	126,658	94,881	96,445	96,636	81,275
Plus: Non-cash nonrecurring losses	427	559	17,716	6,792	10,427	1,615	4,202	12,283
Plus: Non-cash stock-based compensation	57,271	47,346	44,003	43,642	40,122	31,035	24,542	21,855
Plus: Permitted acquisition-related costs	34,827	19,181	6,687	22,653	13,451	6,285	1,752	3,676
Plus: Pro forma EBITDA adjustments for permitted acquisitions	12,320	15,648	690	18,573	9,199	10,787	—	253
Adjusted EBITDA (per the calculation defined in compliance certificates)	$ 684,259	$ 591,140	$ 524,756	$ 466,942	$ 365,978	$ 329,452	$ 283,071	$ 274,873

	December 28, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
LEVERAGE RATIO:								
Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA)	2.76x	2.83x	2.2x	2.7x	2.4x	2.4x	2.4x	2.5x
Net leverage ratio (net debt divided by adjusted EBITDA)	2.4x	2.5x	1.9x	2.4x	2.0x	1.9x	1.8x	2.1x

(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 March 26. 2018, the Company has defined its pro forma leverage ratio as total debt divided by adjusted EBITDA for the trailing-twelve-month period following the close of, and pro forma for, the acquisition of CTL International. Adjusted EBITDA represents net income, prepared in accordance with accounting principles generally accepted in the U.S. (GAAP), adjusted for interest, taxes, depreciation and amortization, and certain items that management believes are not reflective of the operational performance of the business. These adjustments include, but are not limited to, acquisition-related expenses including transaction and advisory costs; asset impairments; changes in fair value of contingent consideration obligations; employee stock compensation; historical EBITDA of companies acquired during the period; and other items identified by the company.

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

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

(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 includes a $2.2 million charge recorded in connection with the modification of the option to purchase the remaining 8% equity interest in Vital River.

(3) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.

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

(5) This adjustment is related to the refinement of one-time charges associated with the enactment of U.S. Tax Reform related to the transition tax on unrepatriated earnings (also known as the toll tax), and the revaluation of U.S. federal net deferred tax liabilities.

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

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP TO NON-GAAP TAX RATE GUIDANCE [1]

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

[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.

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

	Three Months Ended		Twelve Months Ended		Fiscal Year Ended
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018	December 26, 2020E
Net cash provided by operating activities	$ 180,677	$ 139,973	$ 480,936	$ 441,140	$500,000-$510,000
Less: Capital expenditures	(63,839)	(68,676)	(140,514)	(140,054)	(~150,000)
Free cash flow	$ 116,838	$ 71,297	$ 340,422	$ 301,086	$350,000-$360,000

[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.

CRL

LISTED

NYSE