3Q 2019 Results

November 6, 2019

Charles River Laboratories

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 regarding risks and uncertainties associated with the unauthorized access into our information systems reported on April 30, 2019, including the timing and effectiveness of adding enforced security features and monitoring procedures, the percentage of clients affected by the unauthorized access, and the potential revenue and financial impact related to the incident; our projected 2019 and other future financial performance whether reported, constant currency, organic, and/or factoring acquisitions including, with respect to Charles River as a whole and/or any of our reporting or operating segments or business units, revenue and revenue growth rates, operating margin, earnings per share, capital expenditures, operating and free cash flow, specified costs (including unallocated corporate expenses), net interest expense, effective tax rate, average diluted share count, global efficiency initiatives, cost increases, the impact of wage adjustments, pricing, foreign exchange rates, leverage ratios, days sales outstanding, and the operating results of our businesses; 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 our facility realignments; 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; the impact of US tax reform passed in the fourth quarter of 2017; 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 Citoxlab’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 July 31, 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.

Market Remains Robust

- 3Q19 highlighted by:
  - High-single-digit organic revenue growth consistent with long-term target
  - Operating margin expansion represented a positive step towards achieving our 20% target in 2021
- Market demand for our leading, early-stage portfolio remained strong through the year
- Industry fundamentals and scientific innovation remain robust, and outsourcing is key to our clients' success
  - Despite biotech funding and number of molecules approved by the FDA being slightly below peak levels
- Promises to be another solid year for the biopharmaceutical industry as clients discover solutions using new technologies like cell and gene therapies and immunotherapies
- Clients rely on CROs like CRL to support their research programs
- No indication that relationships with our clients, or their spending levels, have been affected by geopolitical rhetoric involving the trade war and drug pricing
- Firmly believe our clients will continue to partner with CRL to bring new drugs to market faster and more efficiently

3Q19 Revenue

($ in millions)	3Q19	3Q18	YOY Δ
Revenue, reported	$668.0	$585.3	14.1%
(Increase)/decrease due to FX			1.3%
Contribution from acquisitions			(7.5)%
Revenue growth, organic			7.9%

- Each business segment contributed meaningfully to growth
- Biotech clients continued to drive revenue growth
- Acknowledge that 3Q19 revenue growth was below the outlook provided in July, but were pleased by the high-single-digit growth rate
  - Consistent with our long-term growth rate

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

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3Q19 Operating Margin

	3Q19	3Q18	YOY Δ
GAAP OM%	13.9%	14.4%	(50) bps
Non-GAAP OM%	19.4%	18.8%	60 bps

- Non-GAAP operating margin improvement was driven by the Manufacturing and RMS segments
  - More than offset headwinds from Citoxlab acquisition, Biologics capacity expansion, and the large Insourcing Solutions contract
- 3Q19 margin expansion demonstrates our ability to leverage investments we made in staff, capacity, and infrastructure to accommodate robust growth in a more scalable and efficient manner
  - Provides a line of sight to our 2-year goal of 20%
- With significant investments largely behind us and our focus on driving greater efficiency, expect the 2H19 operating margin will be higher than 1H19, resulting in FY 2019 margin that approaches 2018 level of 18.8%

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

3Q19 EPS

From Continuing Operations	3Q19	3Q18	YOY Δ
GAAP EPS	$1.46	$1.22	19.7%
Non-GAAP EPS	$1.69	$1.45	16.6%

- Higher revenue and operating margin improvement drove the YOY increase

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

2019 Guidance

	CURRENT	PRIOR
Revenue growth, reported	15.0%-15.5%	16%-17%
Contribution from acquisitions	(8.5%-9.0%)	(8.5%-9.0%)
(Increase)/decrease due to FX	1.5%-2.0%	1.0%-1.5%
Revenue growth, organic	8.25%-8.75%	8.5%-9.5%
GAAP EPS	$4.65-$4.75	$4.65-$4.80
Amortization of intangible assets	~$1.35	$1.35-1.40
Charges related to global efficiency initiatives	$0.20-$0.25	~$0.07
Acquisition-related adjustments	$0.72-$0.75	$0.40-$0.45
Other items	~$0.05	~$0.03
Venture capital investment (gains)/losses	(~$0.08)	(~$0.09)
Discrete tax benefit	($0.41)	--
Non-GAAP EPS	$6.50-$6.60	$6.45-$6.60

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

2019 Guidance, cont.

- Organic revenue guidance moderated from prior outlook, but still well within the high-single-digit range
- Organic revenue growth outlooks each of the business segments are being narrowed, but remain within the previous guidance ranges for 2019
- Do not believe narrowing the organic growth range demonstrates any diminution in market conditions
  - Believe both market demand and our fundamental business trends remain robust
- Continue to be well positioned for organic revenue growth in 2019 near 8.7% reported in 2018 and consistent with our long-term, high-single-digit growth target
  - 2018 organic revenue growth was the highest level in a decade
- Due to 3Q19 performance, narrowing non-GAAP EPS guidance to the upper end of the prior range
  - \$6.50-\$6.60 represents 12%-14% growth from \$5.80 in 2018

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DSA Results – Revenue

($ in millions)	3Q19	3Q18	YOY Δ
Revenue, reported	$420.1	$352.3	19.3%
(Increase)/decrease due to FX			1.1%
Contribution from acquisitions			(12.5)%
Revenue growth, organic			7.9%

- Revenue driven by contributions from both the Discovery and Safety Assessment (SA) businesses

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

DSA Results – Revenue, cont.

- Believe that high-single-digit organic growth will continue to be driven by demand for outsourced services
  - Global biopharmaceutical clients choose to partner with CRL rather than build or maintain in-house capacity
  - Biotech clients leverage our expertise because they have limited or no internal capabilities
- To meet client needs, we have focused our business on unmatched scientific expertise; rapid turnaround times; flexible, creative solutions; and ability to accommodate increasing complexity of our clients' research programs
- Our business model has made us an attractive partner for large pharma, biotech, academic institutions, governmental agencies, and NGOs
- Clearly have become the partner of choice for biotech clients of all sizes
  - Biotechs are a demanding clientele, focusing on exquisite science and speed
  - Our unique portfolio and client-focused business approach have made CRL an indispensable research partner, tailor made for this expanding client segment

DSA Results – Discovery Services

- Discovery Services had an excellent quarter, driven by broad-based growth across oncology, early discovery, and CNS
- Distinguish ourselves through the breadth of our portfolio and synergies between Discovery and SA
- Client programs often begin with target identification capabilities of Early Discovery and encompass multiple DSA sites and services as programs advance
- Successfully demonstrating to clients that working with CRL through a broader portion of the early-stage drug research process enhances the value we provide, both from a scientific and cost-effectiveness perspective
- Efforts to strengthen our discovery “toolkit” and expand our footprint continue to resonate with both large and small clients

DSA Results – Discovery Services, cont.

- Continue to evaluate new opportunities to add innovative discovery capabilities to our portfolio, as we believe creating comprehensive solutions at the earliest stages of drug research will enhance client retention
- Recent Distributed Bio partnership is progressing nicely
  - Distributed Bio's large molecule discovery capabilities are generating considerable client interest
  - Believe this relationship and our broader partnership strategy will create additional opportunities to work with clients on their integrated programs
- Client utilization of our expanded South San Francisco (SSF) site continues to increase
  - SSF offers a wide range of discovery capabilities to the fast-growing, West Coast biotech client base, and we expect to offer more services there
- Whether by internal investment, partnership, or acquisition, intend to build our discovery portfolio to reinforce our position as the premier single-source provider for a comprehensive range of discovery services

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DSA Results – Safety Assessment

- 3Q19 organic revenue growth for SA was consistent with both our full-year and long-term expectations for the overall DSA segment
- Business continued to perform well, driven by robust demand from biotech clients and increased pricing
- Bookings and backlog improved YOY, supporting our SA outlook for the remainder of 2019 and into 2020
- SA growth is not linear, and will fluctuate modestly from quarter to quarter because the balance between price, volume, mix, and the timing of study starts is not always uniform

DSA Results – Citoxlab Acquisition

- Integration of Citoxlab remains on track and financial performance is in line with acquisition plan
- As anticipated, it is a complex integration across multiple sites in multiple countries, but collaborative efforts and hard work of Citoxlab and CRL have resulted in a successful first 6 months
- With Citoxlab to date, and MPI and WIL before, we have done an excellent job on the integrations, achieving our goals of adding and retaining hundreds of new clients, enhancing work experience for our employees, expanding our capabilities both geographically and scientifically, and driving operational synergies and greater efficiencies

DSA Results – Operating Margin

	3Q19	3Q18	YOY Δ
DSA GAAP OM%	15.5%	17.9%	(240) bps
DSA Non-GAAP OM%	22.1%	22.6%	(50) bps

- DSA non-GAAP operating margin decline due entirely to an 80-bps headwind from Citoxlab
  - As noted at the time of the acquisition, Citoxlab's operating margin is lower than legacy SA
  - Believe it will reach the 20% level within ~2 years of the transaction, driven by acquisition synergies and continued growth

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

DSA Well Positioned

- We have built a global DSA footprint with unparalleled breadth and depth by adding capabilities, capacity, and staff through acquisitions and internal investments
- As a result, CRL has become the partner of choice for a broad range of clients
- Invested significantly in the last few years to achieve the appropriate staffing levels in order to accommodate growing client demand in the SA business and believe we have achieved this goal
- With appropriate headcount going forward, continued modest capacity additions, and a focus on operational excellence, the DSA segment is well positioned to achieve a mid-20% operating margin over the next 2 years

RMS Results – Revenue

($ in millions)	3Q19	3Q18	YOY Δ
Revenue, reported	$132.5	$126.8	4.5%
(Increase)/decrease due to FX			1.3%
Revenue growth, organic			5.8%

- Primary drivers of RMS revenue growth continued to be strong demand for research models in China and Insourcing Solutions (IS)

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

RMS Results – RM Production

- Abundant opportunities to expand in China to support the substantial growth in this rapidly emerging biomedical research market
- In addition to our current footprint in Beijing and Shanghai, we have plans to open a new site in Central China in 2020
- Expanding our presence supports our goals of market leadership and a market share similar to that in Western markets
- Research model markets outside of China are mature and volume growth is limited
- Expect a continuation of trends that have been largely present for many years:
  - Declining demand from large biopharma
  - Increasing demand from biotechs
  - Consistent price increases

RMS Results – Insourcing Solutions (IS)

- IS continued to perform very well as clients increasingly adopt flexible models to enhance the operational efficiency of their vivarium management and research efforts
- NIAID contract (National Institute of Allergy and Infectious Diseases) contributed ~350 bps to 3Q19 revenue growth
- Anniversaried the contract in mid-September, so the YOY contribution to revenue growth and the corresponding operating margin headwind will normalize beginning in 4Q19
  - Expect RMS revenue growth to moderate to a low-single-digit rate in 4Q19
- CRADL initiative (Charles River Accelerator and Development Labs) has become a successful solution to provide both small and large biopharma clients with turnkey research capacity in the Boston/Cambridge biohub
  - Expect to open our new CRADL site in the South San Francisco biohub early in 2020
- Through both unique models like CRADL and more traditional, insourced staffing arrangements, the IS business has become an important partner for clients who need this type of support for their research programs

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RMS Results – Operating Margin

	3Q19	3Q18	YOY Δ
RMS GAAP OM%	25.9%	25.3%	60 bps
RMS Non-GAAP OM%	26.5%	25.9%	60 bps

- RMS non-GAAP operating margin increase due primarily to the research models business and our ongoing efficiency initiatives
- Partially offset by the lower-margin NIAID contract
  - Reduced the RMS operating margin by ~50 bps
- Goal is to maintain the RMS operating margin above 25% through continuing efforts to enhance operating efficiency

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

Manufacturing Results – Revenue

($ in millions)	3Q19	3Q18	YOY Δ
Revenue, reported	$115.3	$106.2	8.6%
(Increase)/decrease due to FX			2.2%
Contribution from acquisitions			(0.2)%
Revenue growth, organic			10.6%

- Increase was driven by strong demand across both Biologics Testing Solutions (Biologics) and Microbial Solutions businesses

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

Manufacturing Results – Microbial Solutions

- Microbial Solutions had a good quarter, with broad-based growth across all 3 of its major testing platforms: Endosafe® endotoxin testing, Celsis® bioburden and sterility testing, and Accugenix® microbial identification services
- Primary growth driver was demand for Endosafe® rapid testing systems and cartridges
- Sold significantly more Endosafe® instruments over the prior year, which will drive greater demand for cartridges
  - Continued expansion of the installed instrument base drives demand for consumable cartridges, which provides a healthy, recurring revenue stream
- Endosafe® improves the efficiency of our clients' manufacturing and lot release testing processes, and because there is no competitive alternative to our rapid testing systems, we are continuing to convert the marketplace to our more efficient and reliable testing platform
- Investments in process improvements discussed last quarter are already beginning to result in improved operating leverage

Manufacturing Results – Biologics

- Biologics revenue growth rebounded well above the 10% level in 3Q19, as expected
- Adding capacity globally to accommodate robust growth in number of biologics in the pipeline and on the market, and the demand for our services
- Largest global expansion is in Pennsylvania
  - New Wayne site is expected to provide the required scale in the U.S. to support growth for the next 3 to 5 years
    - Site has been registered with the FDA
    - Working with clients on their validation activities at the new site, which are expected to be substantially complete by the end of the year
- In addition to building scale, also enhancing our testing capabilities to accommodate more of our clients' process development and quality control needs
  - Cell and gene therapy continues to be the fastest-growing area for our business
    - Developing new assays to provide a more comprehensive portfolio of these services

Manufacturing – Operating Margin

	3Q19	3Q18	YOY Δ
Manufacturing GAAP OM%	34.0%	31.3%	270 bps
Manufacturing Non-GAAP OM%	36.4%	33.4%	300 bps

- YOY non-GAAP operating margin increase due primarily to enhanced operating efficiency in the Microbial Solutions business and operating leverage from robust revenue growth in Biologics
- Pleased that the operating margin rebounded to the mid-30% level, which is consistent with our 2-year target

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

Enhancing Our Position as Leading, Early-Stage CRO

- CRL has become the partner of choice for clients due to:
  - Extensive scientific expertise, which we believe is unique and unparalleled
  - Investment in people, technology, and infrastructure to create a more efficient and responsive organization
- In the future, imperative that we continue to expand our portfolio 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 modalities, such as cell and gene therapies
- Increasingly utilizing a partnership strategy to add innovative capabilities and cutting-edge technologies with limited upfront risk
  - Signed several partnerships to-date encompassing most of our businesses, and intend to sign more

Enhancing Our Position as Leading, Early-Stage CRO, cont.

- Partnerships allow us to assess breakthrough technologies and have the potential to result in longer-term collaboration agreements or can be a precursor to acquiring the company
  - Partnerships typically have a small, upfront investment
- Look to add at least $1B in annual revenue through acquisitions and partnerships over the next 5 years
  - Acquisitions will fit our strategic rationale; and
  - Meet our disciplined investment criteria in order to generate greater shareholder returns
- 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
- Will enable us to achieve 2-year financial targets including aggressive but realistic 20% operating margin in 2021

Enhancing Our Position as Leading, Early-Stage CRO, cont.

- Maintaining an intense focus on sustainability
- Committed to environmental, social, and corporate governance initiatives
  - Minimize our impact on the environment by implementing sustainable practices
  - Enhance corporate citizenship by focusing on improving the quality of people's lives including patients, clients, employees, and our communities
  - Operate our business with integrity and accountability, which we have always done
- Pleased to welcome Gina Wilson to our Board
  - Diverse experience across multiple industries enhances the Board's financial acumen and its ability to oversee our strategy and focus on profitable growth
  - Highly valuable knowledge and experience managing Finance organizations of growing businesses, strategically allocating capital, and driving operating efficiency complements the skills and experience of our current directors
  - Continue to evaluate adding new members to our Board to further enhance its diversity of skills, experience, and perspectives

Enhancing Our Position as Leading, Early-Stage CRO, cont.

- Pleased with the performance of the collective portfolio in 3Q19
- Over the longer term, expect to deliver:
  - High-single-digit organic revenue growth
  - Non-GAAP EPS growth at least in low-double digits
  - Strong free cash flow

3Q19 Results

($ in millions)	3Q19	3Q18	YOY Δ	Organic Δ
Revenue	$668.0	$585.3	14.1%	7.9%
GAAP OM%	13.9%	14.4%	(50) bps	
Non-GAAP OM%	19.4%	18.8%	60 bps	
GAAP EPS	$1.46	$1.22	19.7%	
Non-GAAP EPS	$1.69	$1.45	16.6%	
Free Cash Flow	$120.7	$94.8	27.3%	

- Pleased with 3Q19 results
  - High-single-digit organic revenue growth and mid-teens non-GAAP EPS growth
  - Sequential and year-over-year improvement in non-GAAP operating margin
  - Demonstrate progress towards achieving the 2-year financial targets of high-single digit organic revenue growth, a non-GAAP operating margin of 20%, and at least low-double-digit non-GAAP EPS growth

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

Operating Margin Improvement

- Very pleased with the collective efforts that have enabled us to leverage revenue growth and drive greater operating efficiency
- 3Q19 non-GAAP operating margin of 19.4% represented 60 bps YOY increase and 90 bps sequential increase
  - Well above prior expectations of operating margin similar to 2Q19 level
  - Benefit from scalable investments made in staff, capacity, and infrastructure
  - Continuing focus on operational excellence and cost management
- Margin improvement driven by Manufacturing and RMS segments, as well as leverage of unallocated corporate costs
  - Anniversaried YOY headwind from compensation structure adjustment

Unallocated Corporate Expense

($ in millions)	3Q19	2Q19	3Q18
GAAP	$45.8	$48.4	$43.9
Non-GAAP	$40.2	$34.9	$37.5

- 3Q19 non-GAAP unallocated corporate costs were 6.0% of total revenue, a 40-bps decline from 6.4% last year
- At 6.0% year-to-date, expect non-GAAP unallocated corporate costs to be at, or slightly below, 6% of total revenue for the year
- GAAP unallocated corporate costs expected to be ~7% of 2019 total revenue

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

Operating Margin Performance

- Particularly pleased with operating margin performance because we continued to be impacted by headwinds from:
  - Large government contract in the RMS segment
  - Biologics capacity expansion in the Manufacturing segment
  - Acquisition of Citoxlab in the DSA segment
    - Citoxlab had a mid-teens operating margin when acquired, well below the legacy Safety Assessment business
    - Citoxlab's operating margin will improve over time through the attainment of deal synergies
- 3Q19 operating margin performance reflects our ability to leverage the investments we have made and our focus on increasing efficiency to drive profitable growth
- Expect full-year non-GAAP operating margin to be approaching the 2018 level of 18.8%

Capital Structure Enhancements

- In October, issued $500M of senior notes due in 2028, at a 4.25% coupon rate
- Fixed-rate debt enhances our capital structure by:
  - Locking in a favorable interest rate
  - Staggering the maturity of our long-term debt
- Upsized our revolver by $500M, which will provide additional long-term borrowing capacity to support our M&A strategy

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

Capital Priorities

- Reduced outstanding debt by $158M to $1.9B at end of 3Q19, compared to $2.1B in 2Q19
- 3Q19 gross leverage ratio(1) was 2.96x and net leverage ratio was 2.7x
  - Able to reduce leverage to less than 3x within 6 months of the Citoxlab acquisition, ahead of initial 12-month outlook
  - Sub-3x leverage generates interest savings on variable-rate debt, reducing the rate 25 bps to LIBOR + 125 bps
- 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
  - Comfortable with gross leverage ratio below 3x, and absent any acquisitions, will continue to repay debt
- Year-to-date, have not repurchased any shares and do not intend to in 4Q19

(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.

Net Interest Expense

($ in millions)	3Q19	2Q19	3Q18
GAAP interest expense, net	$5.3	$20.6	$17.0
Non-GAAP interest expense, net	$5.3	$20.6	$17.0
Adjustments for foreign exchange forward contract and related interest expense[(1)]	($12.1)	$3.7	–
Adjusted net interest expense	$17.4	$16.8	$17.0

- 3Q19 adjusted net interest expense was relatively stable
- Expect adjusted net interest expense (non-GAAP) for 2019 to be at the low end of the previous range of $68-$71M, due to lower rates from our sub-3x leverage ratio and Federal Reserve rate reductions, partially offset by higher interest expense associated with new $500M senior notes
- Expect GAAP interest expense to be $68-$71M in 2019
- 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 $14.3M gain on forward contract and $1.8M of additional interest expense.

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

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Tax Rate

	3Q19	2Q19	3Q18
GAAP	(0.4)%	24.9%	16.9%
Non-GAAP	23.6%	22.1%	23.1%

- 3Q19 non-GAAP tax rate was essentially unchanged from last year
- Trending to the low end of the previous guidance range, we are reducing our full-year non-GAAP tax rate outlook by ~50 bps to a range of 22%-23%
- 3Q19 GAAP tax rate was more favorable than prior year, due primarily to a non-cash discrete tax benefit of $20.4M related to our international financing structure
- Expect GAAP tax rate to be 16%-17% in 2019 due to this discrete tax benefit

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

Cash Flow

($ in millions)	3Q19	3Q18	2019 Outlook
Free cash flow (FCF)	$120.7	$94.8	$310-$320
Capex	$35.2	$22.4	~$140
Depreciation	$28.0	$24.8	~$110
Amortization	$23.8	$18.8	~$90

- 3Q19 FCF increase reflected continued focus on working capital management and operating performance
- 2019 FCF guidance remains unchanged
- Expect to invest ~$140M in capex for 2019, $30M below prior outlook due primarily to the timing of projects, some of which have shifted into 2020

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

Updated 2019 Guidance

	REVISED	PRIOR
Revenue growth, reported	15.0%-15.5%	16%-17%
Revenue growth, organic	8.25%-8.75%	8.5%-9.5%
GAAP EPS	$4.65-$4.75	$4.65-$4.80
Non-GAAP EPS	$6.50-$6.60	$6.45-$6.60
Free Cash Flow	$310-$320M	$310-$320M

- Moderating reported revenue growth and organic revenue growth outlooks reflecting:
  - 3Q19 performance
  - Greater FX headwind by ~50 bps than previously anticipated
    - Now expected to be 1.5%-2% vs. prior outlook of 1%-1.5%
- In light of 3Q19 operating performance, narrowing full-year non-GAAP EPS guidance to the higher end of previous outlook

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

Updated 2019 Segment Revenue Outlook

	2019 Reported Revenue Growth	2019 Organic Revenue Growth
RMS	Low- to mid-single digits	Mid-single digits
DSA	Low-20% range	High-single digits
Manufacturing	Just under 10%	Low-double digits
Consolidated CRL	15.0%-15.5%	8.25%-8.75%

- Although outlook for organic revenue growth was narrowed for 2019, expectations for segment revenue growth on an organic basis remain within the previous ranges

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

Updated 2019 Guidance Summary

	GAAP	Non-GAAP
Revenue growth	15.0%-15.5% reported	8.25%-8.75% organic
Operating margin	Below 2018 including Citoxlab amort & transaction costs (14.6% in 2018)	Approaching 2018 level (18.8% in 2018)
Unallocated corporate	~7% of revenue including transaction costs	At or slightly below 6% of revenue
Net interest expense (total)	$68M-$71M	Low end of $68M-$71M
Tax rate	16%-17%	22%-23%
EPS	$4.65-$4.75	$6.50-$6.60
Cash flow	Operating cash flow: $450M-$460M	Free cash flow: $310M-$320M
Capital expenditures	~$140M	~$140M

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

4Q19 Outlook

	4Q19 Outlook
Organic revenue growth YOY	At or slightly below 3Q19 organic growth rate
Non-GAAP EPS	12%-18% growth vs. $1.59 in 4Q18 (excluding VCs)

- Organic growth rate reflects anniversary of NIAID contract in September, which will reduce RMS growth rate by >300 bps
- Continue to expect 2H19 non-GAAP operating margin to be above 19%

Concluding Remarks

- Pleased with our overall 3Q19 performance, which included:
  - Consistent revenue and earnings per share growth
  - Meaningful operating margin improvement
- Demand environment for our unique, early-stage portfolio continues to be encouraging
- On track to achieve our full-year targets

3Q19 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		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Research Models and Services				
Revenue	$ 132,546	$ 126,811	$ 405,772	$ 391,195
Operating income	34,385	32,121	103,729	104,893
Operating income as a % of revenue	25.9 %	25.3 %	25.6 %	26.8 %
Add back:				
Amortization related to acquisitions	341	385	1,042	1,202
Severance	381	65	1,106	808
Acquisition related adjustments (2)	—	—	2,201	—
Site consolidation costs, impairments and other items	—	238	257	822
Total non-GAAP adjustments to operating income	$ 722	$ 688	$ 4,606	$ 2,832
Operating income, excluding non-GAAP adjustments	$ 35,107	$ 32,809	$ 108,335	$ 107,725
Non-GAAP operating income as a % of revenue	26.5 %	25.9 %	26.7 %	27.5 %
Depreciation and amortization	$ 4,895	$ 4,811	$ 14,198	$ 14,565
Capital expenditures	$ 5,818	$ 8,166	$ 14,979	$ 18,105
Discovery and Safety Assessment				
Revenue	$ 420,079	$ 352,257	$ 1,179,793	$ 958,665
Operating income	64,995	62,909	175,214	160,391
Operating income as a % of revenue	15.5 %	17.9 %	14.9 %	16.7 %
Add back:				
Amortization related to acquisitions	21,560	16,204	58,067	39,796
Severance	1,848	30	2,533	973
Acquisition related adjustments (3)	4,524	269	8,516	1,466
Site consolidation costs, impairments and other items	(207)	26	(207)	(117)
Total non-GAAP adjustments to operating income	$ 27,725	$ 16,529	$ 68,909	$ 42,118
Operating income, excluding non-GAAP adjustments	$ 92,720	$ 79,438	$ 244,123	$ 202,509
Non-GAAP operating income as a % of revenue	22.1 %	22.6 %	20.7 %	21.1 %
Depreciation and amortization	$ 39,898	$ 31,433	$ 111,231	$ 83,262
Capital expenditures	$ 21,141	$ 10,800	$ 45,130	$ 34,496
Manufacturing Support				
Revenue	$ 115,326	$ 106,227	$ 344,523	$ 314,706
Operating income	39,253	33,266	103,893	95,904
Operating income as a % of revenue	34.0 %	31.3 %	30.2 %	30.5 %
Add back:				
Amortization related to acquisitions	2,204	2,217	6,802	6,816
Severance	248	—	549	870
Acquisition related adjustments (3)	62	(15)	218	—
Site consolidation costs, impairments and other items	180	—	1,485	159
Total non-GAAP adjustments to operating income	$ 2,694	$ 2,202	$ 9,054	$ 7,845
Operating income, excluding non-GAAP adjustments	$ 41,947	$ 35,468	$ 112,947	$ 103,749
Non-GAAP operating income as a % of revenue	36.4 %	33.4 %	32.8 %	33.0 %
Depreciation and amortization	$ 5,990	$ 5,709	$ 17,577	$ 17,313
Capital expenditures	$ 6,421	$ 2,709	$ 14,299	$ 12,731

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		Nine Months Ended	
	September 28, 2019	**September 29, 2018**	**September 28, 2019**	**September 29, 2018**
CONTINUED FROM PREVIOUS SLIDE				
Unallocated Corporate Overhead	$ (45,831)	$ (43,934)	$ (140,474)	$ (132,287)
Add back:				
Severance	—	4,619	—	5,278
Acquisition related adjustments (3)	5,296	1,801	23,188	15,698
Other items (4)	$ 379	$ —	$ 1,408	$ —
Total non-GAAP adjustments to operating expense	$ 5,675	$ 6,420	$ 24,596	$ 20,976
Unallocated corporate overhead, excluding non-GAAP adjustments	$ (40,156)	$ (37,514)	$ (115,878)	$ (111,311)
Total				
Revenue	$ 667,951	$ 585,295	$ 1,930,088	$ 1,664,566
Operating income	$ 92,802	$ 84,362	$ 242,362	$ 228,901
Operating income as a % of revenue	13.9 %	14.4 %	12.6 %	13.8 %
Add back:				
Amortization related to acquisitions	24,105	18,806	65,911	47,814
Severance and executive transition costs	2,477	4,714	4,188	7,929
Acquisition related adjustments (2)(3)	9,882	2,055	34,123	17,164
Site consolidation costs, impairments and other items (4)	352	264	2,943	864
Total non-GAAP adjustments to operating income	$ 36,816	$ 25,839	$ 107,165	$ 73,771
Operating income, excluding non-GAAP adjustments	$ 129,618	$ 110,201	$ 349,527	$ 302,672
Non-GAAP operating income as a % of revenue	19.4 %	18.8 %	18.1 %	18.2 %
Depreciation and amortization	$ 51,758	$ 43,592	$ 146,262	$ 120,198
Capital expenditures	$ 35,163	$ 22,439	$ 76,675	$ 71,378

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

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

(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		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net income attributable to common shareholders	$ 72,810	$ 60,368	$ 171,671	$ 166,708
Less: Income from discontinued operations, net of income taxes	—	—	—	1,506
Net income from continuing operations attributable to common shareholders	72,810	60,368	171,671	165,202
Add back:				
Non-GAAP adjustments to operating income (Refer to Schedule 4)	36,816	25,839	107,165	73,771
Write-off of deferred financing costs and fees related to debt refinancing	—	—	—	5,060
Venture capital (gains) losses	598	(5,376)	(5,724)	(22,760)
Tax effect of non-GAAP adjustments:				
Tax effect from U.S. Tax Reform [2]	—	(2,800)	—	(2,800)
Tax effect from divestiture of CDMO business	—	(1,000)	—	(1,000)
Non-cash tax benefit related to international financing structure [3]	(20,368)	—	(20,368)	—
Tax effect of the remaining non-GAAP adjustments	(6,073)	(5,476)	(18,443)	(11,822)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	$ 83,783	$ 71,555	$ 234,301	$ 205,651
Weighted average shares outstanding - Basic	48,818	48,310	48,682	48,098
Effect of dilutive securities:				
Stock options, restricted stock units, performance share units and restricted stock	897	1,016	945	1,020
Weighted average shares outstanding - Diluted	49,715	49,326	49,627	49,118
Earnings per share from continuing operations attributable to common shareholders				
Basic	$ 1.49	$ 1.25	$ 3.53	$ 3.43
Diluted	$ 1.46	$ 1.22	$ 3.46	$ 3.36
Basic, excluding non-GAAP adjustments	$ 1.72	$ 1.48	$ 4.81	$ 4.28
Diluted, excluding non-GAAP adjustments	$ 1.69	$ 1.45	$ 4.72	$ 4.19

(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)

Three Months Ended September 28, 2019	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	14.1 %	4.5 %	19.3 %	8.6 %
Decrease (increase) due to foreign exchange	1.3 %	1.3 %	1.1 %	2.2 %
Contribution from acquisitions (2)	(7.5)%	—%	(12.5)%	(0.2)%
Non-GAAP revenue growth, organic (3)	**7.9 %**	**5.8 %**	**7.9 %**	**10.6 %**

Nine Months Ended September 28, 2019	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	16.0 %	3.7 %	23.1 %	9.5 %
Decrease (increase) due to foreign exchange	1.9 %	2.3 %	1.4 %	3.1 %
Contribution from acquisitions (2)	(8.9)%	—%	(15.4)%	(0.2)%
Non-GAAP revenue growth, organic (3)	**9.0 %**	**6.0 %**	**9.1 %**	**12.4 %**

(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) 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 28, 2019E

2019 GUIDANCE	CURRENT	PRIOR
Revenue growth, reported	15.0% - 15.5%	16% - 17%
Less: Contribution from acquisitions (1)	8.5% - 9.0%	8.5% - 9.0%
Add: Negative impact of foreign exchange	1.5% - 2.0%	1.0% - 1.5%
Revenue growth, organic (2)	8.25% - 8.75%	8.5% - 9.5%
GAAP EPS estimate	$4.65-$4.75	$4.65-$4.80
Amortization of intangible assets (3)	~$1.35	$1.35-$1.40
Charges related to global efficiency initiatives (4)	$0.20-$0.25	~$0.07
Acquisition-related adjustments (5)	$0.72-$0.75	$0.40-$0.45
Other items (6)	~$0.05	~$0.03
Venture capital investment (gains)/losses (7)	(~$0.08)	(~$0.09)
Discrete tax benefit (8)	($0.41)	--
Non-GAAP EPS estimate	$6.50 - $6.60	$6.45 - $6.60
Free cash flow (9)	$310 - $320 million	$310 - $320 million

Footnotes to Guidance Table:

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

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

(3) Amortization of intangible assets includes an estimate of approximately $0.20 for the impact of the Citoxlab acquisition based on the preliminary purchase price allocation.

(4) 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.

(5) 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. In addition, these adjustments include a charge associated with modification of a purchase option for the remaining 8% equity interest in Vital River. These costs are partially offset by the net impact of discrete tax benefit items.

(6) Other items include 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. In addition, other items include the write-off of deferred financing costs and fees related to debt financing.

(7) Venture capital investment performance only includes recognized gains or losses. The Company does not forecast future venture capital investment gains or losses.

(8) This item includes a non-cash, discrete tax benefit related to the Company's international financing structure. The Company recorded a $20.4 million deferred tax asset relating to foreign indefinite-lived tax loss carryforwards, which it now expects to utilize in the future.

(9) The reconciliation of the current 2019 free cash flow guidance is as follows: Cash flow from operating activities of $450-$460 million, less capital expenditures of approximately $140 million, equates to free cash flow of $310-$320 million.

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 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018	December 28, 2019E
Net cash provided by operating activities	$ 155,847	$ 117,244	$ 300,259	$ 301,167	$450,000-$460,000
Less: Capital expenditures	(35,163)	(22,439)	(76,675)	(71,378)	(~140,000)
Free cash flow	$ 120,684	$ 94,805	$ 223,584	$ 229,789	$310,000-$320,000

[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.

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 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Income from continuing operations before income taxes & noncontrolling interest	73,235	73,305	198,519	206,633
Add back:				
Amortization related to acquisitions	24,105	18,806	65,911	47,814
Severance and executive transition costs	2,477	4,714	4,188	7,929
Acquisition related adjustments [2][3]	9,882	2,055	34,123	17,164
Site consolidation costs, impairments and other items [4]	352	264	2,943	864
Write-off of deferred financing costs and fees related to debt refinancing	—	—	—	5,060
Venture capital (gains) losses	598	(5,376)	(5,724)	(22,760)
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	$ 110,649	$ 93,768	$ 299,960	$ 262,704
(Benefit) provision for income taxes (GAAP)	(317)	12,403	24,970	39,613
Tax effect from U.S. Tax Reform (5)	—	2,800	—	2,800
Tax effect from divestiture of CDMO business	—	1,000	—	1,000
Non-cash tax benefit related to international financing structure (6)	20,368	—	20,368	—
Tax effect of the remaining non-GAAP adjustments	6,073	5,476	18,443	11,822
Provision for income taxes (Non-GAAP)	26,124	21,679	63,781	55,235
Total rate (GAAP)	-0.4%	16.9%	12.6%	19.2%
Total rate, excluding specified charges (Non-GAAP)	23.6%	23.1%	21.3%	21.0%

(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 TAX RATE TO NON-GAAP TAX RATE (UNAUDITED)[1]
(in thousands)

	Three Months Ended June 29, 2019
Income from continuing operations before income taxes & noncontrolling interest	$ 58,994
Add back:	
Amortization related to acquisitions	22,395
Severance and executive transition costs	1,311
Acquisition related adjustments [2][3]	16,515
Site consolidation costs, impairments and other items [4]	1,402
Write-off of deferred financing costs and fees related to debt refinancing	-
Venture capital (gains) losses	4,254
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	$ 104,871
Provision for income taxes (GAAP)	$ 14,685
Tax effect of non-GAAP adjustments	8,491
Provision for income taxes (Non-GAAP)	$ 23,176
Total rate (GAAP)	24.9%
Total rate, excluding specified charges (Non-GAAP)	22.1%

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

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

(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

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP TAX RATE GUIDANCE [1]

	Fiscal Year Ended December 28, 2019E
GAAP Tax Rate	**16.0%-17.0%**
Non-cash discrete tax benefit related to international financing structure	7.2%
Amortization of intangible assets, acquisition related adjustments, charges related to global efficiency initiatives and other items	(~1.2%)
Non-GAAP Tax Rate	**22.0%-23.0%**

[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 GAAP TO NON-GAAP
SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)[1]
(in thousands)

	Three Months Ended June 29, 2019	
Unallocated Corporate Overhead	$	(48,399)
Add back:		
Acquisition related adjustments [2]		12,470
Other items [3]		1,029
Total non-GAAP adjustments to operating expense	$	13,499
Unallocated corporate overhead, excluding non-GAAP adjustments	$	(34,900)

(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.

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

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP TO NON-GAAP NET INTEREST EXPENSE [1]

(in thousands)

	Three Months Ended		
	September 28, 2019	June 29, 2019	September 29, 2018
GAAP Interest expense, net	$ 5,313	$ 20,561	$ 16,967
Non-GAAP Interest expense, net	$ 5,313	$ 20,561	$ 16,967
Adjustments for foreign exchange forward contract and related interest expense [2]	12,087	(3,713)	—
Adjusted Interest expense, net	$ 17,400	$ 16,848	$ 16,967

[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 $14.3 million gain on a forward contract and $1.8 million of additional interest expense.

charles river

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GROSS/NET LEVERAGE RATIO, INCLUDING GAAP NET INCOME TO ADJUSTED EBITDA (1)
(dollars in thousands)

	September 28, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013
DEBT (2):							
Total Debt & Capital Leases	$ 1,916,204	$ 1,668,014	$ 1,145,104	$ 1,235,009	$ 863,031	$ 777,863	$ 663,789
Plus: Other adjustments per credit agreement	$ 692	$ 3,033	$ 298	$ 3,621	$ 1,370	$ 2,828	$ 9,787
Total Indebtedness per credit agreement	$ 1,916,896	$ 1,671,047	$ 1,145,402	$ 1,238,630	$ 864,401	$ 780,691	$ 673,576
Less: Cash and cash equivalents	(165,614)	(195,442)	(163,794)	(117,626)	(117,947)	(160,023)	(155,927)
Net Debt	$ 1,751,282	$ 1,475,605	$ 981,608	$ 1,121,004	$ 746,454	$ 620,668	$ 517,649

	September 28, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013
ADJUSTED EBITDA (2):							
Net income attributable to common shareholders	$ 231,337	$ 226,373	$ 123,355	$ 154,765	$ 149,313	$ 126,698	$ 102,828
Adjustments:							
Less: Aggregate non-cash amount of nonrecurring gains	(207)	—	—	(685)	(9,878)	(2,048)	—
Plus: Interest expense	76,405	65,258	29,777	27,709	15,072	11,950	20,969
Plus: Provision for income taxes	39,821	54,996	171,369	66,835	43,391	46,685	32,142
Plus: Depreciation and amortization	187,843	161,779	131,159	126,658	94,881	96,445	96,636
Plus: Non-cash nonrecurring losses	76	559	17,716	6,792	10,427	1,615	4,202
Plus: Non-cash stock-based compensation	54,867	47,346	44,003	43,642	40,122	31,035	24,542
Plus: Permitted acquisition-related costs	31,886	19,181	6,687	22,653	13,451	6,285	1,752
Plus: Pro forma EBITDA adjustments for permitted acquisitions	24,773	15,648	690	18,573	9,199	10,787	—
Adjusted EBITDA (per the calculation defined in compliance certificates)	$ 646,799	$ 591,140	$ 524,756	$ 466,942	$ 365,978	$ 329,452	$ 283,071

	September 28, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013
LEVERAGE RATIO:							
Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA)	2.96x	2.83x	2.2x	2.7x	2.4x	2.4x	2.4x
Net leverage ratio (net debt divided by adjusted EBITDA)	2.7x	2.5x	1.9x	2.4x	2.0x	1.9x	1.8x

(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.

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