

3Q20 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 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Research Models and Services				
Revenue	\$ 151,910	\$ 132,546	\$ 414,455	\$ 405,772
Operating income	37,108	34,385	68,325	103,729
Operating income as a % of revenue	24.4 %	25.9 %	16.5 %	25.6 %
Add back:				
Amortization related to acquisitions	4,010	341	15,581	1,042
Severance	27	381	527	1,106
Acquisition related adjustments ⁽²⁾⁽³⁾	922	-	1,499	2,201
Site consolidation costs, impairments and other items	(59)	-	200	257
Total non-GAAP adjustments to operating income	<u>\$ 4,900</u>	<u>\$ 722</u>	<u>\$ 17,807</u>	<u>\$ 4,606</u>
Operating income, excluding non-GAAP adjustments	\$ 42,008	\$ 35,107	\$ 86,132	\$ 108,335
Non-GAAP operating income as a % of revenue	27.7 %	26.5 %	20.8 %	26.7 %
Depreciation and amortization	\$ 9,455	\$ 4,895	\$ 27,333	\$ 14,198
Capital expenditures	\$ 3,552	\$ 5,818	\$ 15,585	\$ 14,979
Discovery and Safety Assessment				
Revenue	\$ 461,177	\$ 420,079	\$ 1,342,424	\$ 1,179,793
Operating income	90,348	64,995	234,872	175,214
Operating income as a % of revenue	19.6 %	15.5 %	17.5 %	14.9 %
Add back:				
Amortization related to acquisitions	22,191	21,560	68,326	58,067
Severance	423	1,848	3,987	2,533
Acquisition related adjustments ⁽³⁾	461	4,524	2,845	8,516
Site consolidation costs, impairments and other items	2,938	(207)	5,872	(207)
Total non-GAAP adjustments to operating income	<u>\$ 26,013</u>	<u>\$ 27,725</u>	<u>\$ 81,030</u>	<u>\$ 68,909</u>
Operating income, excluding non-GAAP adjustments	\$ 116,361	\$ 92,720	\$ 315,902	\$ 244,123
Non-GAAP operating income as a % of revenue	25.2 %	22.1 %	23.5 %	20.7 %
Depreciation and amortization	\$ 42,707	\$ 39,898	\$ 125,138	\$ 111,231
Capital expenditures	\$ 15,532	\$ 21,141	\$ 46,436	\$ 45,130
Manufacturing Support				
Revenue	\$ 130,213	\$ 115,326	\$ 376,064	\$ 344,523
Operating income	48,246	39,253	132,288	103,893
Operating income as a % of revenue	37.1 %	34.0 %	35.2 %	30.2 %
Add back:				
Amortization related to acquisitions	2,150	2,204	6,614	6,802
Severance	333	248	1,985	549
Acquisition related adjustments ⁽³⁾	-	62	(421)	218
Site consolidation costs, impairments and other items	169	180	169	1,485
Total non-GAAP adjustments to operating income	<u>\$ 2,652</u>	<u>\$ 2,694</u>	<u>\$ 8,347</u>	<u>\$ 9,054</u>
Operating income, excluding non-GAAP adjustments	\$ 50,898	\$ 41,947	\$ 140,635	\$ 112,947
Non-GAAP operating income as a % of revenue	39.1 %	36.4 %	37.4 %	32.8 %
Depreciation and amortization	\$ 6,655	\$ 5,990	\$ 19,257	\$ 17,577
Capital expenditures	\$ 5,787	\$ 6,421	\$ 13,985	\$ 14,299

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 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
CONTINUED FROM PREVIOUS SLIDE				
Unallocated Corporate Overhead	\$ (42,949)	\$ (45,831)	\$ (131,683)	\$ (140,474)
Add back:				
Severance	36	-	36	-
Acquisition related adjustments ⁽³⁾	2,124	5,296	9,976	23,188
Other items ⁽⁴⁾	89	379	(661)	1,408
Total non-GAAP adjustments to operating expense	<u>\$ 2,249</u>	<u>\$ 5,675</u>	<u>\$ 9,351</u>	<u>\$ 24,596</u>
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (40,700)	\$ (40,156)	\$ (122,332)	\$ (115,878)
Total				
Revenue	\$ 743,300	\$ 667,951	\$ 2,132,943	\$ 1,930,088
Operating income	132,753	92,802	303,802	242,362
Operating income as a % of revenue	17.9 %	13.9 %	14.2 %	12.6 %
Add back:				
Amortization related to acquisitions	28,351	24,105	90,521	65,911
Severance	819	2,477	6,535	4,188
Acquisition related adjustments ⁽²⁾⁽³⁾	3,507	9,882	13,899	34,123
Site consolidation costs, impairments and other items ⁽⁴⁾	3,137	352	5,580	2,943
Total non-GAAP adjustments to operating income	<u>\$ 35,814</u>	<u>\$ 36,816</u>	<u>\$ 116,535</u>	<u>\$ 107,165</u>
Operating income, excluding non-GAAP adjustments	\$ 168,567	\$ 129,618	\$ 420,337	\$ 349,527
Non-GAAP operating income as a % of revenue	22.7 %	19.4 %	19.7 %	18.1 %
Depreciation and amortization	\$ 59,580	\$ 51,758	\$ 174,048	\$ 146,262
Capital expenditures	\$ 26,185	\$ 35,163	\$ 78,706	\$ 76,675

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

(2) This amount represents a \$2.2 million charge recorded in connection with the modification of the option to purchase the remaining 8% equity interest in Vital River in the nine months ended September 28, 2019.

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

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

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 26, 2020</u>	<u>September 28, 2019</u>	<u>September 26, 2020</u>	<u>September 28, 2019</u>
Net income attributable to common shareholders	\$ 102,909	\$ 72,810	\$ 221,113	\$ 171,671
Add back:				
Non-GAAP adjustments to operating income (Refer to previous schedule)	35,814	36,816	116,535	107,165
Venture capital and strategic equity investment (gains) losses, net	(20,350)	598	(32,226)	(5,724)
Tax effect of non-GAAP adjustments:				
Non-cash tax provision (benefit) related to international financing structure ⁽²⁾	804	(20,368)	2,990	(20,368)
Tax effect of the remaining non-GAAP adjustments	(1,216)	(6,073)	(19,040)	(18,443)
Net income attributable to common shareholders, excluding non-GAAP adjustments	<u>\$ 117,961</u>	<u>\$ 83,783</u>	<u>\$ 289,372</u>	<u>\$ 234,301</u>
Weighted average shares outstanding - Basic	49,703	48,818	49,482	48,682
Effect of dilutive securities:				
Stock options, restricted stock units and performance share units	999	897	889	945
Weighted average shares outstanding - Diluted	<u>50,702</u>	<u>49,715</u>	<u>50,371</u>	<u>49,627</u>
Earnings per share attributable to common shareholders:				
Basic	\$ 2.07	\$ 1.49	\$ 4.47	\$ 3.53
Diluted	\$ 2.03	\$ 1.46	\$ 4.39	\$ 3.46
Basic, excluding non-GAAP adjustments	\$ 2.37	\$ 1.72	\$ 5.85	\$ 4.81
Diluted, excluding non-GAAP adjustments	\$ 2.33	\$ 1.69	\$ 5.74	\$ 4.72

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

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

Three Months Ended September 26, 2020	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	11.3 %	14.6 %	9.8 %	12.9 %
Increase due to foreign exchange	(1.3)%	(1.5)%	(1.2)%	(1.4)%
Contribution from acquisitions ⁽²⁾	(2.2)%	(11.1)%	- %	- %
Non-GAAP revenue growth, organic ⁽³⁾	7.8 %	2.0 %	8.6 %	11.5 %
Nine Months Ended September 26, 2020	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	10.5 %	2.1 %	13.8 %	9.2 %
Decrease due to foreign exchange	- %	- %	- %	0.5 %
Contribution from acquisitions ⁽²⁾	(4.8)%	(8.2)%	(5.1)%	- %
Non-GAAP revenue growth, organic ⁽³⁾	5.7 %	(6.1)%	8.7 %	9.7 %

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(2) The contribution from acquisitions reflects only completed acquisitions.

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

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

2020 GUIDANCE	CURRENT	PRIOR
Revenue growth, reported	9.5% – 10.5%	7.5% – 9.0%
Less: Contribution from acquisitions (1)	(4.0%) – (4.5%)	~(4.0%)
Unfavorable/(favorable) impact of foreign exchange	0.0% – (0.5%)	~0.5%
Revenue growth, organic (2)	5.0% – 6.0%	4.0% – 5.5%
GAAP EPS estimate	[\$5.80 – \$5.90]	\$4.70 – \$5.00
Acquisition-related amortization	\$1.75 – \$1.80	~\$1.75
Charges related to global efficiency initiatives (3)	[~\$0.15]	\$0.25 – \$0.30
Acquisition-related adjustments (4)	\$0.25 – \$0.30	\$0.20 – \$0.25
Other items (5)	~\$0.25	\$0.25 – \$0.32
Venture capital and other strategic investment losses/(gains), net (6)	(\$0.49)	(\$0.20)
Non-GAAP EPS estimate	\$7.75 – \$7.85	\$7.05 – \$7.35
Free cash flow (7)	~\$415 million	\$350 – \$365 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) 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.
- (4) 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.
- (5) These items primarily relate to charges of approximately \$0.15 associated with the planned termination of the Company's U.S. pension plan in the second half of 2020, as well as charges of approximately \$0.10 primarily associated with U.S. and international tax legislation that necessitated changes to the Company's international financing structure.
- (6) Venture capital and other strategic investment performance only includes recognized gains or losses. The Company does not forecast the future performance of these investments.
- (7) The reconciliation of the current 2020 free cash flow guidance is as follows: Cash flow from operating activities of approximately \$545 million, less capital expenditures of approximately \$130 million, results in free cash flow of approximately \$415 million.

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

	Three Months Ended
	June 27, 2020
Unallocated Corporate Overhead	\$ (42,247)
Add back:	
Acquisition related adjustments ⁽²⁾	869
Other items ⁽³⁾	(463)
Total non-GAAP adjustments to operating expense	\$ 406
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (41,841)

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- (2) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.
- (3) This amount relates to third-party costs, net of insurance reimbursements, associated with the remediation of the unauthorized access into the Company's information systems which was detected in March 2019.

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

	Three Months Ended			Fiscal Year Ended
	September 26, 2020	June 27, 2020	September 28, 2019	December 26, 2020E
GAAP Interest expense, net	\$ 18,688	\$ 19,076	\$ 5,313	\$71,000-\$73,000
Non-GAAP Interest expense, net	\$ 18,688	\$ 19,076	\$ 5,313	\$71,000-\$73,000
Adjustments for foreign exchange forward contract and related interest expense ⁽²⁾	-	-	12,087	~4,000
Adjusted Interest expense, net	<u>\$ 18,688</u>	<u>\$ 19,076</u>	<u>\$ 17,400</u>	<u>\$75,000-\$77,000</u>

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⁽²⁾ Amounts reported in total adjusted interest expense include a \$14.3 million gain on a forward contract and \$1.8 million of additional interest expense for the three months ended September 28, 2019.

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)

	September 26, 2020	December 28, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
<u>DEBT (2):</u>									
Total Debt & Finance Leases	\$ 2,016,107	\$ 1,888,211	\$ 1,668,014	\$ 1,145,104	\$ 1,235,009	\$ 863,031	\$ 777,863	\$ 663,789	\$ 666,520
Plus: Other adjustments per credit agreement	\$ 2,220	\$ 712	\$ 3,033	\$ 298	\$ 3,621	\$ 1,370	\$ 2,828	\$ 9,787	\$ 9,680
Total Indebtedness per credit agreement	\$ 2,018,328	\$ 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	(242,879)	(238,014)	(195,442)	(163,794)	(117,626)	(117,947)	(160,023)	(155,927)	(109,685)
Net Debt	\$ 1,775,449	\$ 1,650,910	\$ 1,475,605	\$ 981,608	\$ 1,121,004	\$ 746,454	\$ 620,668	\$ 517,649	\$ 566,515

	September 26, 2020	December 28, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
<u>ADJUSTED EBITDA (2):</u>									
Net income attributable to common shareholders	\$ 301,462	\$ 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	(1,091)	(310)	—	—	(685)	(9,878)	(2,048)	—	—
Plus: Interest expense	80,488	79,586	65,258	29,777	27,709	15,072	11,950	20,969	33,342
Plus: Provision for income taxes	78,623	50,023	54,996	171,369	66,835	43,391	46,685	32,142	24,894
Plus: Depreciation and amortization	225,882	198,095	161,779	131,159	126,658	94,881	96,445	96,636	81,275
Plus: Non-cash nonrecurring losses	6,098	427	559	17,716	6,792	10,427	1,615	4,202	12,283
Plus: Non-cash stock-based compensation	54,815	57,271	47,346	44,003	43,642	40,122	31,035	24,542	21,855
Plus: Permitted acquisition-related costs	18,862	34,827	19,181	6,687	22,653	13,451	6,285	1,752	3,676
Plus: Pro forma EBITDA adjustments for permitted acquisitions	2,673	12,320	15,648	690	18,573	9,199	10,787	—	253
Adjusted EBITDA (per the calculation defined in compliance certificates)	\$ 767,812	\$ 684,259	\$ 591,140	\$ 524,756	\$ 466,942	\$ 365,978	\$ 329,452	\$ 283,071	\$ 274,873

	September 26, 2020	December 28, 2019	December 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
<u>LEVERAGE RATIO:</u>									
Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA)	2.63x	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)	2.3x	2.4x	2.5x	1.9x	2.4x	2.0x	1.9x	1.8x	2.1x

	September 26, 2020
<u>INTEREST COVERAGE RATIO:</u>	
Capital Expenditures	143,089
Cash Interest Expense	80,885
Interest Coverage ratio per the credit agreement (Adjusted EBITDA minus Capital Expenditures divided by cash interest expense)	7.72x

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

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

	Three Months Ended			Nine Months Ended	
	September 26, 2020	June 27, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Income from operations before income taxes & noncontrolling interests	\$ 135,276	\$ 83,952	\$ 73,235	\$ 274,687	\$ 198,519
Add back:					
Amortization related to acquisitions	28,351	31,264	24,105	90,521	65,911
Severance	819	5,386	2,477	6,535	4,188
Acquisition related adjustments ⁽²⁾⁽³⁾	3,507	1,833	9,882	13,899	34,123
Site consolidation costs, impairments and other items ⁽⁴⁾	3,137	2,501	352	5,580	2,943
Venture capital and strategic equity investment (gains) losses, net	(20,350)	(23,911)	598	(32,226)	(5,724)
Income before income taxes & noncontrolling interests, excluding specified charges (Non-GAAP)	<u>\$ 150,740</u>	<u>\$ 101,025</u>	<u>\$ 110,649</u>	<u>\$ 358,996</u>	<u>\$ 299,960</u>
Provision (benefit) for income taxes (GAAP)	\$ 32,665	\$ 16,284	\$ (317)	\$ 53,571	\$ 24,970
Non-cash tax provision (benefit) related to international financing structure ⁽⁵⁾	(804)	(1,113)	20,368	(2,990)	20,368
Tax effect of the remaining non-GAAP adjustments	1,216	6,020	6,073	19,040	18,443
Provision for income taxes (Non-GAAP)	<u>\$ 33,077</u>	<u>\$ 21,191</u>	<u>\$ 26,124</u>	<u>\$ 69,621</u>	<u>\$ 63,781</u>
Total rate (GAAP)	24.1 %	19.4 %	(0.4)%	19.5 %	12.6 %
Total rate, excluding specified charges (Non-GAAP)	21.9 %	21.0 %	23.6 %	19.4 %	21.3 %

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(2) This amount includes a \$2.2 million charge recorded in the nine months ended September 28, 2019 in connection with the modification of the option to purchase the remaining 8% equity interest in Vital River.

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

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

(5) This adjustment relates to the 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 FREE CASH FLOW (NON-GAAP) ⁽¹⁾
(in thousands)

	Three Months Ended		Nine Months Ended		Fiscal Year Ended
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019	December 26, 2020E
Net cash provided by operating activities	\$ 177,300	\$ 155,847	\$ 408,196	\$ 300,259	~\$545,000
Less: Capital expenditures	(26,185)	(35,163)	(78,706)	(76,675)	(~130,000)
Free cash flow	<u>\$ 151,115</u>	<u>\$ 120,684</u>	<u>\$ 329,490</u>	<u>\$ 223,584</u>	<u>~\$415,000</u>

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