

1Q21 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	
	March 27, 2021	March 28, 2020
Research Models and Services		
Revenue	\$ 176,910	\$ 145,996
Operating income	44,935	27,373
Operating income as a % of revenue	25.4 %	18.7 %
Add back:		
Amortization related to acquisitions	5,339	5,652
Severance	7	(9)
Acquisition related adjustments ⁽²⁾	456	285
Site consolidation costs, impairments and other items	-	229
Total non-GAAP adjustments to operating income	<u>\$ 5,802</u>	<u>\$ 6,157</u>
Operating income, excluding non-GAAP adjustments	\$ 50,737	\$ 33,530
Non-GAAP operating income as a % of revenue	28.7 %	23.0 %
Depreciation and amortization	\$ 9,679	\$ 8,752
Capital expenditures	\$ 2,983	\$ 5,412
Discovery and Safety Assessment		
Revenue	\$ 501,178	\$ 438,683
Operating income	90,949	72,283
Operating income as a % of revenue	18.1 %	16.5 %
Add back:		
Amortization related to acquisitions	22,648	23,007
Severance	412	83
Acquisition related adjustments ⁽²⁾	5,270	1,289
Site consolidation costs, impairments and other items	147	-
Total non-GAAP adjustments to operating income	<u>\$ 28,477</u>	<u>\$ 24,379</u>
Operating income, excluding non-GAAP adjustments	\$ 119,426	\$ 96,662
Non-GAAP operating income as a % of revenue	23.8 %	22.0 %
Depreciation and amortization	\$ 44,608	\$ 41,330
Capital expenditures	\$ 17,040	\$ 14,729
Manufacturing Support		
Revenue	\$ 146,478	\$ 122,380
Operating income	49,437	41,112
Operating income as a % of revenue	33.8 %	33.6 %
Add back:		
Amortization related to acquisitions	2,214	2,247
Severance	294	256
Acquisition related adjustments ⁽²⁾	42	2
Site consolidation costs, impairments and other items	40	-
Total non-GAAP adjustments to operating income	<u>\$ 2,590</u>	<u>\$ 2,505</u>
Operating income, excluding non-GAAP adjustments	\$ 52,027	\$ 43,617
Non-GAAP operating income as a % of revenue	35.5 %	35.6 %
Depreciation and amortization	\$ 6,569	\$ 6,366
Capital expenditures	\$ 7,110	\$ 5,161

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

	<u>Three Months Ended</u>	
	<u>March 27, 2021</u>	<u>March 28, 2020</u>
CONTINUED FROM PREVIOUS SLIDE		
Unallocated Corporate Overhead	\$ (61,618)	\$ (46,487)
Add back:		
Severance	(151)	-
Acquisition related adjustments ⁽²⁾	10,560	6,983
Other items ⁽³⁾	-	(287)
Total non-GAAP adjustments to operating expense	<u>\$ 10,409</u>	<u>\$ 6,696</u>
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (51,209)	\$ (39,791)
Total		
Revenue	\$ 824,566	\$ 707,059
Operating income	123,703	94,281
Operating income as a % of revenue	15.0 %	13.3 %
Add back:		
Amortization related to acquisitions	30,201	30,906
Severance	562	330
Acquisition related adjustments ⁽²⁾	16,328	8,559
Site consolidation costs, impairments and other items ⁽³⁾	187	(58)
Total non-GAAP adjustments to operating income	<u>\$ 47,278</u>	<u>\$ 39,737</u>
Operating income, excluding non-GAAP adjustments	\$ 170,981	\$ 134,018
Non-GAAP operating income as a % of revenue	20.7 %	19.0 %
Depreciation and amortization	\$ 61,508	\$ 57,260
Capital expenditures	\$ 28,030	\$ 25,721

(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) Other items relate to third-party costs, net of insurance reimbursements, incurred during the three months ended March 28, 2020 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	
	March 27, 2021	March 28, 2020
Net income attributable to common shareholders	\$ 61,530	\$ 50,769
Add back:		
Non-GAAP adjustments to operating income (Refer to previous schedule)	47,278	39,737
Write-off of deferred financing costs and fees related to debt financing	25,979	-
Venture capital and strategic equity investment losses, net	16,719	12,035
Other ⁽²⁾	(2,370)	-
Tax effect of non-GAAP adjustments:		
Non-cash tax provision related to international financing structure ⁽³⁾	1,035	1,073
Tax effect of the remaining non-GAAP adjustments	(21,013)	(11,804)
Net income attributable to common shareholders, excluding non-GAAP adjustments	\$ 129,158	\$ 91,810
Weighted average shares outstanding - Basic	49,980	49,189
Effect of dilutive securities:		
Stock options, restricted stock units and performance share units	1,095	777
Weighted average shares outstanding - Diluted	51,075	49,966
Earnings per share attributable to common shareholders:		
Basic	\$ 1.23	\$ 1.03
Diluted	\$ 1.20	\$ 1.02
Basic, excluding non-GAAP adjustments	\$ 2.58	\$ 1.87
Diluted, excluding non-GAAP adjustments	\$ 2.53	\$ 1.84

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(2) This adjustment relates to the gain on an immaterial divestiture which occurred in the three months ended March 27, 2021.

(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 March 27, 2021	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	16.6 %	21.2 %	14.2 %	19.7 %
Increase due to foreign exchange	(2.9)%	(4.2)%	(2.3)%	(4.1)%
Contribution from acquisitions ⁽²⁾	(0.7)%	(2.2)%	(0.3)%	- %
Non-GAAP revenue growth, organic ⁽³⁾	13.0 %	14.8 %	11.6 %	15.6 %

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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 25, 2021E

2021 GUIDANCE INCLUDING COGNATE	CURRENT	PRIOR
Revenue growth, reported	19% – 21%	16% – 18%
Less: Contribution from acquisitions ⁽¹⁾	(4.5%) – (5.0%)	(4.5%) – (5.0%)
Unfavorable/(favorable) impact of foreign exchange	~(2.5%)	(2.0%) – (2.5%)
Revenue growth, organic ⁽²⁾	12% – 14%	9% – 11%
GAAP EPS estimate	\$5.95 – \$6.20	—
Acquisition-related amortization ⁽³⁾	\$2.15 – \$2.40	—
Acquisition-related adjustments ⁽⁴⁾	\$0.75 – \$0.80	—
Other items ⁽⁵⁾	~\$0.55	—
Venture capital and other strategic investment losses/(gains), net ⁽⁶⁾	\$0.25	—
Non-GAAP EPS estimate	\$9.75 – \$10.00	\$9.00 – \$9.25
Free cash flow ⁽⁷⁾	~\$435 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) Acquisition-related amortization includes an estimate of \$0.45-\$0.65 for the impact of the Cognate acquisition and \$0.05-\$0.10 for other acquisitions completed in 2021 because the preliminary purchase price allocation has not been completed.

(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 a) approximately \$0.15 associated with U.S. and international tax legislation, and b) approximately \$0.40 associated with debt extinguishment costs and the write-off of deferred financing costs related to debt refinancing.

(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) Reconciliation of the current 2021 free cash flow guidance is as follows: Cash flow from operating activities of approximately \$655 million, less capital expenditures of approximately \$220 million, equates to free cash flow of approximately \$435 million.

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

	Three Months Ended
	December 26, 2020
Unallocated Corporate Overhead	\$ (45,747)
Add back:	
Severance and executive transition costs	375
Acquisition related adjustments ⁽²⁾	4,020
	\$ 4,395
Total non-GAAP adjustments to operating expense	\$ 4,395
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (41,352)

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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.

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

	Three Months Ended		
	March 27, 2021	December 26, 2020	March 28, 2020
Income from operations before income taxes & noncontrolling interests	\$ 66,302	\$ 172,427	\$ 55,459
Add back:			
Amortization related to acquisitions	30,201	28,097	30,906
Severance	562	1,051	330
Acquisition related adjustments ⁽²⁾	16,328	5,724	8,559
Site consolidation costs, impairments and other items ⁽³⁾	187	877	(58)
Write-off of deferred financing costs and fees related to debt financing	25,979	-	-
Venture capital and strategic equity investment losses (gains), net	16,719	(68,635)	12,035
Loss due to U.S. Pension termination	-	10,283	-
Other ⁽⁴⁾	(2,370)	-	-
Income before income taxes & noncontrolling interests, excluding specified charges (Non-GAAP)	<u>\$ 153,908</u>	<u>\$ 149,824</u>	<u>\$ 107,231</u>
Provision for income taxes (GAAP)	\$ 2,367	\$ 28,237	\$ 4,622
Non-cash tax benefit related to international financing structure ⁽⁵⁾	(1,035)	(1,454)	(1,073)
Tax effect of the remaining non-GAAP adjustments	21,013	(87)	11,804
Provision for income taxes (Non-GAAP)	<u>\$ 22,345</u>	<u>\$ 26,696</u>	<u>\$ 15,353</u>
Total rate (GAAP)	3.6 %	16.4 %	8.3 %
Total rate, excluding specified charges (Non-GAAP)	14.5 %	17.8 %	14.3 %

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(4) This adjustment relates to the gain on an immaterial divestiture which occurred in the three months ended March 27, 2021.

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

	Three Months Ended			Fiscal Year Ended
	March 27, 2021	December 26, 2020	March 28, 2020	December 25, 2021E
GAAP Interest expense, net	\$ 29,684	\$ 33,084	\$ 14,751	\$96,000-\$99,000
Exclude:				
Write-off of deferred financing costs and fees related to debt financing	(25,979)	-	-	(26,000)
Non-GAAP Interest expense, net	3,705	33,084	14,751	70,000-73,000
Adjustments for foreign exchange forward contract and related interest expense, net ⁽²⁾	13,356	(16,068)	4,213	13,000
Adjusted Interest expense, net	<u>\$ 17,061</u>	<u>\$ 17,016</u>	<u>\$ 18,964</u>	<u>\$83,000-\$86,000</u>

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⁽²⁾ Amounts reported in total adjusted interest expense include a \$14.0 million gain on a forward contract and \$0.1 million of additional interest expense for the three months ended March 27, 2021; a \$15.4 million loss on a forward contract and \$0.1 million of additional interest expense for the three months ended December 26, 2020; and a \$6.1 million gain on a forward contract partially offset by \$1.4 million of additional interest expense for the three months ended March 28, 2020.

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)

	March 27, 2021	December 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
DEBT (2):										
Total Debt & Finance Leases	\$ 2,205,266	\$ 1,979,784	\$ 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	\$ 33,163	\$ 2,328	\$ 712	\$ 3,033	\$ 298	\$ 3,621	\$ 1,370	\$ 2,828	\$ 9,787	\$ 9,680
Less: Unrestricted Cash and Cash Equivalents up to \$150M	\$ (150,000)	—	—	—	—	—	—	—	—	—
Total Indebtedness per credit agreement	\$ 2,088,429	\$ 1,982,112	\$ 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 (net of \$150M above)	(315,411)	(228,424)	(238,014)	(195,442)	(163,794)	(117,626)	(117,947)	(160,023)	(155,927)	(109,685)
Net Debt	\$ 1,773,018	\$ 1,753,688	\$ 1,650,910	\$ 1,475,605	\$ 981,608	\$ 1,121,004	\$ 746,454	\$ 620,668	\$ 517,649	\$ 566,515

	March 27, 2021	December 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
ADJUSTED EBITDA (2):										
Net income attributable to common shareholders	\$ 375,064	\$ 364,304	\$ 252,019	\$ 226,373	\$ 123,355	\$ 154,765	\$ 149,313	\$ 126,698	\$ 102,828	\$ 97,295
Adjustments:										
Adjust: Non-cash gains/losses of VC partnerships & strategic investments	26,148	—	—	—	—	—	—	—	—	—
Less: Aggregate non-cash amount of nonrecurring gains	(1,423)	(1,361)	(310)	—	—	(685)	(9,878)	(2,048)	—	—
Plus: Interest expense	99,647	76,825	79,586	65,258	29,777	27,709	15,072	11,950	20,969	33,342
Plus: Provision for income taxes	79,553	81,808	50,023	54,996	171,369	66,835	43,391	46,685	32,142	24,894
Plus: Depreciation and amortization	239,172	234,924	198,095	161,779	131,159	126,658	94,881	96,445	96,636	81,275
Plus: Non-cash nonrecurring losses	13,783	16,810	427	559	17,716	6,792	10,427	1,615	4,202	12,283
Plus: Non-cash stock-based compensation	58,570	56,341	57,271	47,346	44,003	43,642	40,122	31,035	24,542	21,855
Plus: Permitted acquisition-related costs	26,183	18,750	34,827	19,181	6,687	22,653	13,451	6,285	1,752	3,676
Plus: Pro forma EBITDA adjustments for permitted acquisitions	5,420	8	12,320	15,648	690	18,573	9,199	10,787	—	253
Adjusted EBITDA (per the calculation defined in compliance certificates)	\$ 922,117	\$ 848,408	\$ 684,259	\$ 591,140	\$ 524,756	\$ 466,942	\$ 365,978	\$ 329,452	\$ 283,071	\$ 274,873

	March 27, 2021	December 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
LEVERAGE RATIO:										
Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA)	2.26x	2.34x	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)	1.9x	2.1x	2.4x	2.5x	1.9x	2.4x	2.0x	1.9x	1.8x	2.1x

	March 27, 2021	December 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
INTEREST COVERAGE RATIO:										
Capital Expenditures	166,578	166,560	—	—	—	—	—	—	—	—
Cash Interest Expense	99,814	77,145	—	—	—	—	—	—	—	—
Interest Coverage ratio per the credit agreement (Adjusted EBITDA minus Capital Expenditures divided by cash interest expense)	7.57x	8.84x	—	—	—	—	—	—	—	—

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- (2) Pursuant to the definition in its credit agreement dated April 21, 2021, the Company has defined its pro forma leverage ratio as total debt divided by adjusted EBITDA for the trailing-twelve-month period. The Company has defined interest coverage ratio as adjusted EBITDA for the trailing-twelve-month period less the aggregate amount of capital expenditures for the trailing-twelve-period, divided by the consolidated interest expense for the period of four consecutive fiscal quarters.

Total Debt represents third-party debt and financial lease obligations minus up to \$150M of unrestricted cash and cash equivalents. Adjusted EBITDA represents net income, prepared in accordance with accounting principles generally accepted in the U.S. (GAAP), adjusted for interest, taxes, depreciation and amortization, and certain items that management believes are not reflective of the operational performance of the business. These adjustments include, but are not limited to, non-cash gains/loss on venture capital portfolios and strategic partnerships, acquisition-related expenses including transaction and advisory costs; asset impairments; changes in fair value of contingent consideration obligations; employee stock compensation; historical EBITDA of companies acquired during the period; and other items identified by the company.

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

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

	Three Months Ended		Fiscal Year Ended
	March 27, 2021	March 28, 2020	December 25, 2021E
Net cash provided by operating activities	\$ 170,229	\$ 68,590	~\$655,000
Less: Capital expenditures	(28,030)	(25,721)	(~220,000)
Free cash flow	<u>\$ 142,199</u>	<u>\$ 42,869</u>	<u>~\$435,000</u>

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