

1Q16 Results Regulation G Financial Reconciliations & Appendix

Charles River Laboratories International, Inc.
May 4, 2016

**SCHEDULE 3 FROM PRESS RELEASE
RECONCILIATION OF GAAP TO NON-GAAP
SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED) ⁽¹⁾**
(in thousands, except percentages)

	<u>Three Months Ended</u>	
	<u>March 26, 2016</u>	<u>March 28, 2015</u>
Research Models and Services		
Revenue	\$ 124,010	\$ 120,011
Operating income	36,533	28,845
Operating income as a % of revenue	29.5%	24.0%
Add back:		
Amortization of intangible assets related to acquisitions	588	766
Severance	-	919
Government billing adjustment and related expenses	60	244
Site consolidation costs, impairments and other items	69	798
Total non-GAAP adjustments to operating income	<u>\$ 717</u>	<u>\$ 2,727</u>
Operating income, excluding non-GAAP adjustments	\$ 37,250	\$ 31,572
Non-GAAP operating income as a % of revenue	30.0%	26.3%
Depreciation and amortization	\$ 5,281	\$ 6,045
Capital expenditures	\$ 1,053	\$ 2,733
Discovery and Safety Assessment		
Revenue	\$ 157,983	\$ 140,012
Operating income	30,830	23,516
Operating income as a % of revenue	19.5%	16.8%
Add back:		
Amortization of intangible assets related to acquisitions	3,095	3,425
Severance	21	19
Operating losses (2)	-	806
Acquisition related adjustments (3)	802	25
Site consolidation costs, impairments and other items	2,033	-
Total non-GAAP adjustments to operating income	<u>\$ 5,951</u>	<u>\$ 4,275</u>
Operating income, excluding non-GAAP adjustments	\$ 36,781	\$ 27,791
Non-GAAP operating income as a % of revenue	23.3%	19.8%
Depreciation and amortization	\$ 11,957	\$ 11,139
Capital expenditures	\$ 4,707	\$ 5,378
Manufacturing Support		
Revenue	\$ 72,875	\$ 60,391
Operating income	19,468	16,798
Operating income as a % of revenue	26.7%	27.8%
Add back:		
Amortization of intangible assets and inventory step-up related to acquisitions	3,004	1,067
Severance	-	177
Acquisition related adjustments (3)	187	-
Site consolidation costs, impairments and other items	229	-
Total non-GAAP adjustments to operating income	<u>\$ 3,420</u>	<u>\$ 1,244</u>
Operating income, excluding non-GAAP adjustments	\$ 22,888	\$ 18,042
Non-GAAP operating income as a % of revenue	31.4%	29.9%
Depreciation and amortization	\$ 5,945	\$ 3,286
Capital expenditures	\$ 2,129	\$ 1,566

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

SCHEDULE 3 FROM PRESS RELEASE (CONTINUED)
 RECONCILIATION OF GAAP TO NON-GAAP
 SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED) ⁽¹⁾
 (in thousands, except percentages)

	Three Months Ended	
	March 26, 2016	March 28, 2015
CONTINUED FROM PREVIOUS SLIDE		
Unallocated Corporate Overhead	\$ (35,359)	\$ (26,154)
Add back:		
Severance and executive transition costs	-	926
Acquisition related adjustments (3)	3,763	(362)
Total non-GAAP adjustments to operating expense	\$ 3,763	\$ 564
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (31,596)	\$ (25,590)
Total		
Revenue	\$ 354,868	\$ 320,414
Operating income	51,472	43,005
Operating income as a % of revenue	14.5%	13.4%
Add back:		
Amortization of intangible assets and inventory step-up related to acquisitions	6,687	5,258
Severance and executive transition costs	21	2,041
Operating losses (2)	-	806
Acquisition related adjustments (3)	4,752	(337)
Government billing adjustment and related expenses	60	244
Site consolidation costs, impairments and other items	2,331	798
Total non-GAAP adjustments to operating income	\$ 13,851	\$ 8,810
Operating income, excluding non-GAAP adjustments	\$ 65,323	\$ 51,815
Non-GAAP operating income as a % of revenue	18.4%	16.2%
Depreciation and amortization	\$ 24,655	\$ 22,368
Capital expenditures	\$ 8,250	\$ 10,648

- (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 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 GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent
- (2) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.
- (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.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

SCHEDULE 4 FROM PRESS RELEASE
RECONCILIATION OF GAAP EARNINGS TO NON-GAAP EARNINGS (UNAUDITED)⁽¹⁾
 (in thousands, except per share data)

	Three Months Ended	
	March 26, 2016	March 28, 2015
Net income attributable to common shareholders	\$ 37,143	\$ 31,541
Less: Loss from discontinued operations, net of income taxes	26	7
Net income from continuing operations attributable to common shareholders	37,169	31,548
Add back:		
Non-GAAP adjustments to operating income (Refer to Schedule 3)	13,851	8,810
Reversal of an indemnification asset associated with acquisition and corresponding interest (2)	-	10,411
Tax effect of non-GAAP adjustments:		
Reversal of uncertain tax position associated with acquisition and corresponding interest (2)	-	(10,411)
Tax effect of the remaining non-GAAP adjustments	(4,482)	(2,757)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	<u>46,538</u>	<u>37,601</u>
Weighted average shares outstanding - Basic	46,642	46,772
Effect of dilutive securities:		
Stock options, restricted stock units, performance share units and restricted stock	975	1,096
Weighted average shares outstanding - Diluted	<u>47,617</u>	<u>47,868</u>
Basic earnings per share from continuing operations	\$ 0.80	\$ 0.67
Diluted earnings per share from continuing operations	\$ 0.78	\$ 0.66
Basic earnings per share from continuing operations, excluding non-GAAP adjustments	\$ 1.00	\$ 0.80
Diluted earnings per share from continuing operations, excluding non-GAAP adjustments	\$ 0.98	\$ 0.79

- (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 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 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 amounts represent the reversal of an uncertain tax position and an offsetting indemnification asset related to the acquisition of BioFocus.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

**SCHEDULE 5 FROM PRESS RELEASE
RECONCILIATION OF GAAP TO NON-GAAP REVENUE GROWTH (UNAUDITED)
EXCLUDING THE IMPACT OF FOREIGN EXCHANGE
For the Three Months Ended March 26, 2016**

For the three months ended March 26, 2016	<u>Total CRL</u>	<u>RMS Segment</u>	<u>DSA Segment</u>	<u>MS Segment</u>
Revenue growth, reported	10.8%	3.3%	12.8%	20.7%
Impact of foreign exchange	(1.6%)	(1.3%)	(1.9%)	(1.8%)
Non-GAAP revenue growth, constant currency	<u>12.4%</u>	<u>4.6%</u>	<u>14.7%</u>	<u>22.5%</u>

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 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 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 ORGANIC REVENUE GROWTH (NON-GAAP)**

	Three Months Ended
	March 26,
	2016
Revenue growth, reported	10.8%
Impact of foreign exchange	(1.6%)
Non-GAAP revenue growth, constant currency	12.4%
Impact of acquisitions	3.7%
Organic revenue growth, constant currency (Non-GAAP)	8.7%

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 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 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 REVENUE AND EARNINGS PER SHARE (EPS)
Guidance for the Twelve Months Ended December 31, 2016E

	2016E Guidance Including WIL	
	REVISED	PRIOR
Revenue growth, reported	19%-22.5%	19%-22.5%
Less: Unfavorable impact of foreign exchange	(~1%)	(~1%)
Revenue growth, constant currency	20%-23.5%	20%-23.5%
 GAAP EPS estimate (1)	 \$3.39-\$3.57	 ---
Add back:		
Amortization of intangible assets (2)	\$0.55-\$0.60	---
Charges related to global efficiency initiatives (3)	\$0.03	---
Acquisition-related adjustments (4)	\$0.30	---
Non-GAAP EPS estimate	\$4.32-\$4.45	\$4.27 - \$4.40

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 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 GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations, and guidance.

(1) GAAP EPS includes an estimate of \$0.15-\$0.20 for the impact of amortization of intangible assets related to the WIL Research acquisition because the preliminary purchase price allocation has not been completed.

(2) Amortization of intangible assets includes an estimate of \$0.15-\$0.20 for the impact of the WIL Research acquisition because the preliminary purchase price allocation has not been completed. This item also includes amortization of an inventory fair value adjustment related to the Celsis acquisition of \$0.03 per share.

(3) These charges relate primarily to the Company's planned efficiency initiatives in 2016, including site consolidation costs, asset impairments, and severance. Other projects in support of the 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, which primarily include transaction, advisory, and certain third-party integration costs, as well as certain costs associated with acquisition-related efficiency initiatives.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
RECONCILIATION OF GAAP TO NON-GAAP NET INTEREST EXPENSE

(dollars in thousands)

	Three Months Ended		
	March 26, 2016	December 26, 2015	March 28, 2015
GAAP Interest Expense, net	\$ 3,948	\$ 3,536	\$ 2,740
Exclude:			
Reversal of an indemnification asset associated with acquisition and corresponding interest	-	-	(180)
Non-GAAP Interest Expense, net	\$ 3,948	\$ 3,536	\$ 2,560

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 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 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	
	March 26, 2016	March 28, 2015
Income from continuing operations before income taxes & noncontrolling interest	\$ 51,550	\$ 31,952
Add back:		
Amortization of intangible assets and inventory step-up related to acquisitions	6,687	5,258
Severance and executive transition costs	21	2,041
Site consolidation costs, impairments and other items	2,331	798
Operating losses (2)	-	806
Acquisition related adjustments (3)	4,752	(337)
Government billing adjustment and related expenses	60	244
Reversal of an indemnification asset associated with acquisition and corresponding interest (4)	-	10,411
	<u>\$ 65,401</u>	<u>\$ 51,173</u>
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)		
Provision for income taxes (GAAP)	\$ 13,975	\$ 331
Tax effect from reversal of uncertain tax position associated with acquisition and corresponding interest (4)	-	10,411
Tax effect on non-GAAP adjustments	4,482	2,757
Provision for income taxes (Non-GAAP)	<u>\$ 18,457</u>	<u>\$ 13,499</u>
Total rate (GAAP)	27.1%	1.0%
Total rate, excluding specified charges (Non-GAAP)	28.2%	26.4%

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(2) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.

(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) These amounts represent the reversal of an uncertain tax position and an offsetting indemnification asset related to the acquisition of BioFocus.

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

	<u>Fiscal Year Ended</u> December 31 2016E
GAAP Tax Rate	27.5%-28.5%
Amortization of intangible assets and inventory purchase accounting adjustment related to acquisitions, charges related to global efficiency initiatives and other items, and acquisition-related adjustments	~0.5%
Non-GAAP Tax Rate	<hr/> 28.0%-29.0% <hr/>

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 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 GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations, and guidance.

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

	<u>Three Months Ended</u>		<u>Fiscal Year Ended</u>
	March 26, 2016	March 28, 2015	December 31, 2016E Including WIL
Net cash provided by operating activities	\$ 38,539	\$ 11,252	\$315,000-\$325,000
Less: Capital expenditures	(8,250)	(10,648)	(80,000)-(85,000)
Free cash flow	<u>\$ 30,289</u>	<u>\$ 604</u>	<u>\$235,000-\$245,000</u>

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 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 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, except percentages)

	Three Months Ended	
	December 26,	
	2015	
Research Models and Services		
Revenue	\$	114,724
Operating income		27,647
Operating income as a % of revenue		24.1%
Add back:		
Amortization of intangible assets related to acquisitions		792
Severance		172
Government billing adjustment and related expenses		141
Site consolidation costs, impairments and other items		418
Operating income, excluding specified charges (Non-GAAP)	\$	29,170
Non-GAAP operating income as a % of revenue		25.4%
Discovery and Safety Assessment		
Revenue	\$	160,514
Operating income		37,125
Operating income as a % of revenue		23.1%
Add back:		
Amortization of intangible assets related to acquisitions		3,337
Severance		354
Operating losses (2)		2,654
Acquisition related adjustments (3)		84
Operating income, excluding specified charges (Non-GAAP)	\$	43,554
Non-GAAP operating income as a % of revenue		27.1%
Manufacturing Support		
Revenue	\$	78,612
Operating income		18,548
Operating income as a % of revenue		23.6%
Add back:		
Amortization of intangible assets and inventory step-up related to acquisitions		5,672
Severance		384
Site consolidation costs, impairments and other items		407
Acquisition related adjustments (3)		1,582
Operating income, excluding specified charges (Non-GAAP)	\$	26,593
Non-GAAP operating income as a % of revenue		33.8%
Unallocated Corporate Overhead		
	\$	(31,051)
Add back:		
Severance and executive transition costs		96
Acquisition related adjustments (3)		5,027
Unallocated corporate overhead, excluding specified charges (Non-GAAP)	\$	(25,928)
Total		
Revenue	\$	353,850
Operating income		52,269
Operating income as a % of revenue		14.8%
Add back:		
Amortization of intangible assets and inventory step-up related to acquisitions		9,801
Severance and executive transition costs		1,006
Site consolidation costs, impairments and other items		825
Operating losses (2)		2,654
Acquisition related adjustments (3)		6,693
Government billing adjustment and related expenses		141
Operating income, excluding specified charges (Non-GAAP)	\$	73,389
Non-GAAP operating income as a % of non-GAAP revenue		20.7%

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(2) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.

(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.

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

	Three Months Ended
	December 26,
	2015
Net income attributable to common shareholders	\$ 31,884
Less: Discontinued operations	<u>902</u>
Net income from continuing operations attributable to common shareholders	32,786
Add back:	
Amortization of intangible assets and inventory step-up related to acquisitions	9,801
Severance and executive transition costs	1,006
Site consolidation costs, impairments and other items	825
Operating losses (2)	2,654
Acquisition related adjustments (3)	6,693
Government billing adjustment and related expenses	141
Gain on bargain purchase (4)	96
Tax effect of non-GAAP adjustments:	
Tax effect of the remaining non-GAAP adjustments and certain other tax items	<u>(6,684)</u>
Net income from continuing operations attributable to common shareholders, excluding specified charges (Non-GAAP)	<u>\$ 47,318</u>
Weighted average shares outstanding - Basic	46,269
Effect of dilutive securities:	
Stock options, restricted stock units, performance stock units, and contingently issued restricted stock	<u>1,146</u>
Weighted average shares outstanding - Diluted	47,415
Basic earnings per share from continuing operations	\$ 0.71
Diluted earnings per share from continuing operations	\$ 0.69
Basic earnings per share from continuing operations, excluding specified charges (Non-GAAP)	\$ 1.02
Diluted earnings per share from continuing operations, excluding specified charges (Non-GAAP)	\$ 1.00

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- (2) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.
- (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) The amount relates to the acquisition of Sunrise Farms, Inc. and represents the excess of the estimated fair value of the net assets acquired over the preliminary purchase price.

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

	Three Months Ended
	December 26, 2015
Income from continuing operations before income taxes & noncontrolling interests	\$ 49,992
Add back:	
Amortization of intangible assets and inventory step-up related to acquisitions	9,801
Severance and executive transition costs	1,006
Site consolidation costs, impairments and other items	825
Operating losses (2)	2,654
Acquisition related adjustments (3)	6,693
Government billing adjustment and related expenses	141
Gain on bargain purchase (4)	96
Net income from continuing operations attributable to common shareholders, excluding specified charges (Non-GAAP)	\$ 71,208
Provision for income taxes (GAAP)	\$ 16,729
Tax effect on amortization, severance and other charges	6,684
Provision for income taxes (Non-GAAP)	\$ 23,413
Total rate (GAAP)	33.5%
Total rate, excluding specified charges (Non-GAAP)	32.9%

- (1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of 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 GAAP. The
- (2) This item includes operating losses related primarily to the Company's Shrewsbury, Massachusetts facility.
- (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) The amount relates to the acquisition of Sunrise Farms, Inc. and represents the excess of the estimated fair value of the net assets acquired over the preliminary purchase price.



charles river | every step
of the way.

CRL
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