

4Q20/FY20 Regulation G Financial Reconciliations

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

	Three Months Ended		Twelve Months Ended	
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Research Models and Services				
Revenue	\$ 156,697	\$ 131,317	\$ 571,152	\$ 537,089
Operating income	34,381	30,183	102,706	133,912
Operating income as a % of revenue	21.9 %	23.0 %	18.0 %	24.9 %
Add back:				
Amortization related to acquisitions	3,975	339	19,556	1,381
Severance	118	1,000	645	2,106
Acquisition related adjustments ⁽²⁾⁽³⁾	876	-	2,375	2,201
Site consolidation costs, impairments and other items	-	786	200	1,043
Total non-GAAP adjustments to operating income	<u>\$ 4,969</u>	<u>\$ 2,125</u>	<u>\$ 22,776</u>	<u>\$ 6,731</u>
Operating income, excluding non-GAAP adjustments	\$ 39,350	\$ 32,308	\$ 125,482	\$ 140,643
Non-GAAP operating income as a % of revenue	25.1 %	24.6 %	22.0 %	26.2 %
Depreciation and amortization	\$ 9,747	\$ 4,999	\$ 37,080	\$ 19,197
Capital expenditures	\$ 13,902	\$ 12,010	\$ 29,487	\$ 26,989
Discovery and Safety Assessment				
Revenue	\$ 495,004	\$ 439,202	\$ 1,837,428	\$ 1,618,995
Operating income	91,087	83,689	325,959	258,903
Operating income as a % of revenue	18.4 %	19.1 %	17.7 %	16.0 %
Add back:				
Amortization related to acquisitions	21,978	22,357	90,304	80,424
Severance	130	4,778	4,117	7,311
Acquisition related adjustments ⁽³⁾	828	1,614	3,673	10,130
Site consolidation costs, impairments and other items	726	-	6,598	(207)
Total non-GAAP adjustments to operating income	<u>\$ 23,662</u>	<u>\$ 28,749</u>	<u>\$ 104,692</u>	<u>\$ 97,658</u>
Operating income, excluding non-GAAP adjustments	\$ 114,749	\$ 112,438	\$ 430,651	\$ 356,561
Non-GAAP operating income as a % of revenue	23.2 %	25.6 %	23.4 %	22.0 %
Depreciation and amortization	\$ 43,784	\$ 39,908	\$ 168,922	\$ 151,139
Capital expenditures	\$ 59,217	\$ 41,713	\$ 105,653	\$ 86,843
Manufacturing Support				
Revenue	\$ 139,289	\$ 120,619	\$ 515,353	\$ 465,142
Operating income	49,206	41,527	181,494	145,420
Operating income as a % of revenue	35.3 %	34.4 %	35.2 %	31.3 %
Add back:				
Amortization related to acquisitions	2,144	2,260	8,758	9,062
Severance	428	1,102	2,413	1,651
Acquisition related adjustments ⁽³⁾	-	68	(421)	286
Site consolidation costs, impairments and other items	151	(103)	320	1,382
Total non-GAAP adjustments to operating income	<u>\$ 2,723</u>	<u>\$ 3,327</u>	<u>\$ 11,070</u>	<u>\$ 12,381</u>
Operating income, excluding non-GAAP adjustments	\$ 51,929	\$ 44,854	\$ 192,564	\$ 157,801
Non-GAAP operating income as a % of revenue	37.3 %	37.2 %	37.4 %	33.9 %
Depreciation and amortization	\$ 6,647	\$ 6,007	\$ 25,904	\$ 23,584
Capital expenditures	\$ 12,302	\$ 9,318	\$ 26,287	\$ 23,617

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

	Three Months Ended		Twelve Months Ended	
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
CONTINUED FROM PREVIOUS SLIDE				
Unallocated Corporate Overhead	\$ (45,747)	\$ (46,610)	\$ (177,430)	\$ (187,084)
Add back:				
Severance and executive transition costs	375	390	411	390
Acquisition related adjustments ⁽³⁾	4,020	3,634	13,996	26,822
Other items ⁽⁴⁾	-	657	(661)	2,065
Total non-GAAP adjustments to operating expense	<u>\$ 4,395</u>	<u>\$ 4,681</u>	<u>\$ 13,746</u>	<u>\$ 29,277</u>
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (41,352)	\$ (41,929)	\$ (163,684)	\$ (157,807)
Total				
Revenue	\$ 790,990	\$ 691,138	\$ 2,923,933	\$ 2,621,226
Operating income	128,927	108,789	432,729	351,151
Operating income as a % of revenue	16.3 %	15.7 %	14.8 %	13.4 %
Add back:				
Amortization related to acquisitions	28,097	24,956	118,618	90,867
Severance and executive transition costs	1,051	7,270	7,586	11,458
Acquisition related adjustments ⁽²⁾⁽³⁾	5,724	5,316	19,623	39,439
Site consolidation costs, impairments and other items ⁽⁴⁾	877	1,340	6,457	4,283
Total non-GAAP adjustments to operating income	<u>\$ 35,749</u>	<u>\$ 38,882</u>	<u>\$ 152,284</u>	<u>\$ 146,047</u>
Operating income, excluding non-GAAP adjustments	\$ 164,676	\$ 147,671	\$ 585,013	\$ 497,198
Non-GAAP operating income as a % of revenue	20.8 %	21.4 %	20.0 %	19.0 %
Depreciation and amortization	\$ 60,876	\$ 51,833	\$ 234,924	\$ 198,095
Capital expenditures	\$ 87,854	\$ 63,839	\$ 166,560	\$ 140,514

- (1) Charles River management believes that supplementary non-GAAP financial measures provide useful information to allow investors to gain a meaningful understanding of our core operating results and future prospects, without the effect of often-one-time charges and other items which are outside our normal operations, consistent with the manner in which management measures and forecasts the Company's performance. The supplementary non-GAAP financial measures included are not meant to be considered superior to, or a substitute for results of operations prepared in accordance with U.S. GAAP. The Company intends to continue to assess the potential value of reporting non-GAAP results consistent with applicable rules, regulations and guidance.
- (2) This amount represents a \$2.2 million charge recorded during fiscal 2019 in connection with the modification of the option to purchase the remaining 8% equity interest in Vital River.
- (3) These adjustments are related to the evaluation and integration of acquisitions, which primarily include transaction, third-party integration, and certain compensation costs, and fair value adjustments associated with contingent consideration.
- (4) This amount relates to third-party costs, net of insurance reimbursements, associated with the remediation of the unauthorized access into the Company's information systems which was detected in March 2019.

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

	Three Months Ended		Twelve Months Ended	
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Net income attributable to common shareholders	\$ 143,191	\$ 80,348	\$ 364,304	\$ 252,019
Add back:				
Non-GAAP adjustments to operating income (Refer to previous schedule)	35,749	38,882	152,284	146,047
Write-off of deferred financing costs and fees related to debt financing	-	1,605	-	1,605
Venture capital and strategic equity investment (gains) losses, net	(68,635)	(14,983)	(100,861)	(20,707)
Loss due to U.S. Pension termination	10,283	-	10,283	-
Tax effect of non-GAAP adjustments:				
Non-cash tax provision (benefit) related to international financing structure ⁽²⁾	1,454	581	4,444	(19,787)
Tax effect of the remaining non-GAAP adjustments	87	(6,368)	(18,953)	(24,811)
Net income attributable to common shareholders, excluding non-GAAP adjustments	<u>\$ 122,129</u>	<u>\$ 100,065</u>	<u>\$ 411,501</u>	<u>\$ 334,366</u>
Weighted average shares outstanding - Basic	49,754	48,875	49,550	48,730
Effect of dilutive securities:				
Stock options, restricted stock units and performance share units	1,274	992	1,061	963
Weighted average shares outstanding - Diluted	<u>51,028</u>	<u>49,867</u>	<u>50,611</u>	<u>49,693</u>
Earnings per share attributable to common shareholders:				
Basic	\$ 2.88	\$ 1.64	\$ 7.35	\$ 5.17
Diluted	\$ 2.81	\$ 1.61	\$ 7.20	\$ 5.07
Basic, excluding non-GAAP adjustments	\$ 2.45	\$ 2.05	\$ 8.30	\$ 6.86
Diluted, excluding non-GAAP adjustments	\$ 2.39	\$ 2.01	\$ 8.13	\$ 6.73

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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⁾

For the three months ended December 26, 2020	<u>Total CRL</u>	<u>RMS Segment</u>	<u>DSA Segment</u>	<u>MS Segment</u>
Revenue growth, reported	14.4 %	19.3 %	12.7 %	15.5 %
Decrease (increase) due to foreign exchange	(2.0)%	(2.9)%	(1.4)%	(3.1)%
Contribution from acquisitions ⁽²⁾	(2.1)%	(11.2)%	- %	- %
Non-GAAP revenue growth, organic ⁽³⁾	<u>10.3 %</u>	<u>5.2 %</u>	<u>11.3 %</u>	<u>12.4 %</u>
For the twelve months ended December 26, 2020	<u>Total CRL</u>	<u>RMS Segment</u>	<u>DSA Segment</u>	<u>MS Segment</u>
Revenue growth, reported	11.5 %	6.3 %	13.5 %	10.8 %
Decrease (increase) due to foreign exchange	(0.4)%	(0.6)%	(0.4)%	(0.4)%
Contribution from acquisitions ⁽²⁾	(4.1)%	(9.0)%	(3.7)%	- %
Non-GAAP revenue growth, organic ⁽³⁾	<u>7.0 %</u>	<u>(3.3)%</u>	<u>9.4 %</u>	<u>10.4 %</u>

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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 EXCLUDING COGNATE	
Revenue growth, reported	12% – 14%
Less: Contribution from acquisitions (1)	(0.5%) – (1.0%)
Unfavorable/(favorable) impact of foreign exchange	(2.0%) – (2.5%)
Revenue growth, organic (2)	9% – 11%
GAAP EPS estimate (3)	\$7.10 – \$7.35
Acquisition-related amortization	\$1.65 – \$1.70
Acquisition-related adjustments (4)	\$0.10 – \$0.15
Other items (5)	~\$0.10
Non-GAAP EPS estimate	\$9.00 – \$9.25
Free cash flow (6)	\$415 – \$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) GAAP EPS guidance does not include an estimate for future gains or losses from venture capital and other strategic investments. Potential gains or losses are expected in 2021, but the Company does not forecast the future performance of these investments. Any future gains or losses would be excluded from non-GAAP results.

(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 \$0.10 associated with U.S. and international tax legislation that necessitated changes to the Company's international financing structure.

(6) Reconciliation of the current 2021 free cash flow guidance is as follows: Cash flow from operating activities of \$595-\$615 million, less capital expenditures of approximately \$180 million, equates to free cash flow of \$415-\$435 million.

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

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>		<u>Fiscal Year Ended</u>
	<u>December 26, 2020</u>	<u>December 28, 2019</u>	<u>December 26, 2020</u>	<u>December 28, 2019</u>	<u>December 25, 2021E</u>
GAAP Interest expense, net	\$ 33,084	\$ 23,678	\$ 85,599	\$ 59,360	\$66,000-\$68,000
Exclude:					
Write-off of deferred financing costs and fees related to debt financing	-	(1,605)	-	(1,605)	-
Non-GAAP Interest expense, net	33,084	22,073	85,599	57,755	66,000-68,000
Adjustments for foreign exchange forward contract and related interest expense, net ⁽²⁾	(16,068)	(5,292)	(11,855)	9,611	-
Adjusted Interest expense, net	<u>\$ 17,016</u>	<u>\$ 16,781</u>	<u>\$ 73,744</u>	<u>\$ 67,366</u>	<u>\$66,000-\$68,000</u>

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⁽²⁾ Amounts reported in total adjusted interest expense, net include 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; a \$9.3 million loss on forward contracts and \$1.4 million of additional interest expense for the twelve months ended December 26, 2020; a \$3.0 million loss on a forward contract and \$1.6 million of additional interest expense for the three months ended December 28, 2019; and an \$18.7 million gain on forward contracts and \$7.4 million of additional interest expense for the twelve months ended December 28, 2019.

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

	December 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	\$ 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	\$ 2,328	\$ 712	\$ 3,033	\$ 298	\$ 3,621	\$ 1,370	\$ 2,828	\$ 9,787	\$ 9,680
Total Indebtedness per credit agreement	\$ 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	(228,424)	(238,014)	(195,442)	(163,794)	(117,626)	(117,947)	(160,023)	(155,927)	(109,685)
Net Debt	\$ 1,753,688	\$ 1,650,910	\$ 1,475,605	\$ 981,608	\$ 1,121,004	\$ 746,454	\$ 620,668	\$ 517,649	\$ 566,515
ADJUSTED EBITDA (2):									
Net income attributable to common shareholders	\$ 364,304	\$ 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	(1,361)	(310)	—	—	(685)	(9,878)	(2,048)	—	—
Plus: Interest expense	76,825	79,586	65,258	29,777	27,709	15,072	11,950	20,969	33,342
Plus: Provision for income taxes	81,808	50,023	54,996	171,369	66,835	43,391	46,685	32,142	24,894
Plus: Depreciation and amortization	234,924	198,095	161,779	131,159	126,658	94,881	96,445	96,636	81,275
Plus: Non-cash nonrecurring losses	16,810	427	559	17,716	6,792	10,427	1,615	4,202	12,283
Plus: Non-cash stock-based compensation	56,341	57,271	47,346	44,003	43,642	40,122	31,035	24,542	21,855
Plus: Permitted acquisition-related costs	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	8	12,320	15,648	690	18,573	9,199	10,787	—	253
Adjusted EBITDA (per the calculation defined in compliance certificates)	\$ 848,408	\$ 684,259	\$ 591,140	\$ 524,756	\$ 466,942	\$ 365,978	\$ 329,452	\$ 283,071	\$ 274,873
LEVERAGE RATIO:									
Gross leverage ratio per credit agreement (total debt divided by adjusted EBITDA)	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)	2.1x	2.4x	2.5x	1.9x	2.4x	2.0x	1.9x	1.8x	2.1x
INTEREST COVERAGE RATIO:									
Capital Expenditures	166,560								
Cash Interest Expense	77,145								
Interest Coverage ratio per the credit agreement (Adjusted EBITDA minus Capital Expenditures divided by cash interest expense)	8.84x								

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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		Twelve Months Ended	
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Income from operations before income taxes & noncontrolling interests	\$ 172,427	\$ 105,565	\$ 447,114	\$ 304,084
Add back:				
Amortization related to acquisitions	28,097	24,956	118,618	90,867
Severance and executive transition costs	1,051	7,270	7,586	11,458
Acquisition related adjustments ⁽²⁾⁽³⁾	5,724	5,316	19,623	39,439
Site consolidation costs, impairments and other items ⁽⁴⁾	877	1,340	6,457	4,283
Write-off of deferred financing costs and fees related to debt refinancing	-	1,605	-	1,605
Venture capital and strategic equity investment (gains) losses, net	(68,635)	(14,983)	(100,861)	(20,707)
Loss due to U.S. Pension termination	10,283	-	10,283	-
Income before income taxes & noncontrolling interests, excluding specified charges (Non-GAAP)	<u>\$ 149,824</u>	<u>\$ 131,069</u>	<u>\$ 508,820</u>	<u>\$ 431,029</u>
Provision for income taxes (GAAP)	\$ 28,237	\$ 25,053	\$ 81,808	\$ 50,023
Non-cash tax (benefit) provision related to international financing structure ⁽⁵⁾	(1,454)	(581)	(4,444)	19,787
Tax effect of the remaining non-GAAP adjustments	(87)	6,368	18,953	24,811
Provision for income taxes (Non-GAAP)	<u>\$ 26,696</u>	<u>\$ 30,840</u>	<u>\$ 96,317</u>	<u>\$ 94,621</u>
Total rate (GAAP)	16.4 %	23.7 %	18.3 %	16.5 %
Total rate, excluding specified charges (Non-GAAP)	17.8 %	23.5 %	18.9 %	22.0 %

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- (2) This amount includes a \$2.2 million charge recorded in the twelve months ended December 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 includes 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		Twelve Months Ended		Fiscal Year Ended
	December 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019	December 25, 2021E
Net cash provided by operating activities	\$ 138,379	\$ 180,677	\$ 546,575	\$ 480,936	\$595,000-\$615,000
Less: Capital expenditures	(87,854)	(63,839)	(166,560)	(140,514)	(~180,000)
Free cash flow	\$ 50,525	\$ 116,838	\$ 380,015	\$ 340,422	\$415,000-\$435,000

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