3Q18 Regulation G Financial Reconciliations

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP TO NON-GAAP

SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)(1)(2)

(in thousands, except percentages)

	Three Months Ended		Nine Months Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Research Models and Services				
Revenue	$ 126,811	$ 122,020	$ 391,195	$ 373,183
Operating income	32,121	30,665	104,893	101,949
Operating income as a % of revenue	25.3 %	25.1 %	26.8 %	27.3 %
Add back:				
Amortization related to acquisitions	385	433	1,202	1,238
Severance	65	—	808	—
Government billing adjustment and related expenses	—	—	—	150
Site consolidation costs, impairments and other items	238	—	822	—
Total non-GAAP adjustments to operating income	$ 688	$ 433	$ 2,832	$ 1,388
Operating income, excluding non-GAAP adjustments	$ 32,809	$ 31,098	$ 107,725	$ 103,337
Non-GAAP operating income as a % of revenue	25.9 %	25.5 %	27.5 %	27.7 %
Depreciation and amortization	$ 4,811	$ 5,272	$ 14,565	$ 15,309
Capital expenditures	$ 8,166	$ 6,762	$ 18,105	$ 13,769
Discovery and Safety Assessment				
Revenue	$ 352,257	$ 246,946	$ 958,665	$ 726,796
Operating income	62,909	46,324	160,391	135,994
Operating income as a % of revenue	17.9 %	18.8 %	16.7 %	18.7 %
Add back:				
Amortization related to acquisitions	16,204	7,602	39,796	22,107
Severance	30	84	973	356
Acquisition related adjustments (3)	269	776	1,466	2,303
Site consolidation costs, impairments and other items	26	276	(117)	835
Total non-GAAP adjustments to operating income	$ 16,529	$ 8,738	$ 42,118	$ 25,601
Operating income, excluding non-GAAP adjustments	$ 79,438	$ 55,062	$ 202,509	$ 161,595
Non-GAAP operating income as a % of revenue	22.6 %	22.3 %	21.1 %	22.2 %
Depreciation and amortization	$ 31,433	$ 20,333	$ 83,262	$ 58,667
Capital expenditures	$ 10,800	$ 10,127	$ 34,496	$ 25,552
Manufacturing Support				
Revenue	$ 106,227	$ 95,266	$ 314,706	$ 279,145
Operating income	33,266	31,920	95,904	87,563
Operating income as a % of revenue	31.3 %	33.5 %	30.5 %	31.4 %
Add back:				
Amortization related to acquisitions	2,217	2,322	6,816	7,568
Severance	—	552	870	1,620
Acquisition related adjustments (3)	(15)	—	—	26
Site consolidation costs, impairments and other items	—	—	159	—
Total non-GAAP adjustments to operating income	$ 2,202	$ 2,874	$ 7,845	$ 9,214
Operating income, excluding non-GAAP adjustments	$ 35,468	$ 34,794	$ 103,749	$ 96,777
Non-GAAP operating income as a % of revenue	33.4 %	36.5 %	33.0 %	34.7 %
Depreciation and amortization	$ 5,709	$ 5,572	$ 17,313	$ 17,321
Capital expenditures	$ 2,709	$ 2,879	$ 12,731	$ 7,111

CONTINUED ON NEXT SLIDE

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP TO NON-GAAP

SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)(1)(2)

(in thousands, except percentages)

	Three Months Ended		Nine Months Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
CONTINUED FROM PREVIOUS SLIDE				
Unallocated Corporate Overhead	$ (43,934)	$ (34,847)	$ (132,287)	$ (100,052)
Add back:				
Severance and executive transition costs	4,619	—	5,278	—
Acquisition related adjustments (3)	1,801	1,326	15,698	2,539
Total non-GAAP adjustments to operating expense	$ 6,420	$ 1,326	$ 20,976	$ 2,539
Unallocated corporate overhead, excluding non-GAAP adjustments	$ (37,514)	$ (33,521)	$ (111,311)	$ (97,513)
Total				
Revenue	$ 585,295	$ 464,232	$ 1,664,566	$ 1,379,124
Operating income	$ 84,362	$ 74,062	$ 228,901	$ 225,454
Operating income as a % of revenue	14.4 %	16.0 %	13.8 %	16.3 %
Add back:				
Amortization related to acquisitions	18,806	10,357	47,814	30,913
Severance and executive transition costs	4,714	636	7,929	1,976
Acquisition related adjustments (3)	2,055	2,102	17,164	4,868
Government billing adjustment and related expenses	—	—	—	150
Site consolidation costs, impairments and other items	264	276	864	835
Total non-GAAP adjustments to operating income	$ 25,839	$ 13,371	$ 73,771	$ 38,742
Operating income, excluding non-GAAP adjustments	$ 110,201	$ 87,433	$ 302,672	$ 264,196
Non-GAAP operating income as a % of revenue	18.8 %	18.8 %	18.2 %	19.2 %
Depreciation and amortization	$ 43,592	$ 33,465	$ 120,198	$ 97,675
Capital expenditures	$ 22,439	$ 22,011	$ 71,378	$ 53,928

(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) Effective in the first quarter of 2018, the Company adopted new accounting standard ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." Prior-year income statement amounts were recast to reflect the retrospective adoption of the new pension accounting standard.

(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.

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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 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net income attributable to common shareholders	$ 60,368	$ 52,474	$ 166,708	$ 153,204
Less: Income (loss) from discontinued operations, net of income	—	(39)	1,506	(114)
Net income from continuing operations attributable to common shareholders	60,368	52,513	165,202	153,318
Add back:				
Non-GAAP adjustments to operating income	25,839	13,371	73,771	38,742
Write-off of deferred financing costs and fees related to debt	—	—	5,060	—
Gain on divestiture of CDMO business	—	—	—	(10,577)
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)	18,005
Tax effect of the remaining non-GAAP adjustments	(7,047)	(3,003)	(18,039)	(11,702)
Net income from continuing operations attributable to common shareholders, excluding non-GAAP adjustments	$ 75,360	$ 62,881	$ 222,194	$ 187,786
Weighted average shares outstanding - Basic	48,310	47,451	48,098	47,530
Effect of dilutive securities:				
Stock options, restricted stock units, performance share units and restricted stock	1,016	939	1,020	910
Weighted average shares outstanding - Diluted	49,326	48,390	49,118	48,440
Earnings per share from continuing operations attributable to common shareholders				
Basic	$ 1.25	$ 1.11	$ 3.43	$ 3.23
Diluted	$ 1.22	$ 1.09	$ 3.36	$ 3.17
Basic, excluding non-GAAP adjustments	$ 1.56	$ 1.33	$ 4.62	$ 3.95
Diluted, excluding non-GAAP adjustments	$ 1.53	$ 1.30	$ 4.52	$ 3.88

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(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.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP REVENUE GROWTH

TO NON-GAAP REVENUE GROWTH, ORGANIC (UNAUDITED) (1)

For the three months ended September 29, 2018	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	26.1 %	3.9 %	42.6 %	11.5 %
Decrease due to foreign exchange	0.6 %	0.6 %	0.5 %	1.1 %
Contribution from acquisitions (2)	(16.0)%	—%	(30.0)%	(0.1)%
Non-GAAP revenue growth, organic (4)	**10.7 %**	**4.5 %**	**13.1 %**	**12.5 %**

For the nine months ended September 29, 2018	Total CRL	RMS Segment	DSA Segment	MS Segment
Revenue growth, reported	20.7 %	4.8 %	31.9 %	12.7 %
Increase due to foreign exchange	(2.2)%	(2.6)%	(1.8)%	(2.7)%
Contribution from acquisitions (2)	(10.8)%	—%	(20.5)%	—%
Impact of CDMO divestiture (3)	0.1 %	—%	—%	0.7 %
Non-GAAP revenue growth, organic (4)	**7.8 %**	**2.2 %**	**9.6 %**	**10.7 %**

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(2) The contribution from acquisitions reflects only completed acquisitions. Manufacturing Support includes an immaterial acquisition of an Australian Microbial Solutions business.

(3) The CDMO business, which was acquired as part of WIL Research on April 4, 2016, was divested on February 10, 2017. This adjustment represents the revenue from the CDMO business.

(4) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, the divestiture of the CDMO business, 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 29, 2018E

2018 GUIDANCE (from continuing operations)	REVISED	PRIOR
Revenue growth, reported	21% - 22%	19% - 21%
Less: Contribution from acquisitions (1)	(11% - 12%)	(10% - 11%)
Less: Favorable impact of foreign exchange	(~1.5%)	(~2%)
Revenue growth, organic (2)	8.0% - 8.5%	7% - 8%
GAAP EPS estimate	$4.44 - $4.54	$4.30 - $4.45
Amortization of intangible assets (3)	$0.98	$1.00 - $1.10
Charges related to global efficiency initiatives (4)	$0.11	$0.05
Acquisition-related adjustments (5)	$0.42	$0.44
Tax impact of U.S. tax reform and CDMO divestiture	($0.08)	--
Non-GAAP EPS estimate	$5.87 - $5.97	$5.85 - $6.00

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, the divestiture of the CDMO business, and foreign currency translation. Divestiture of the CDMO business did not have a material impact on the revenue growth rate in 2018.

(3) Amortization of intangible assets includes an estimate of approximately $0.40 for the impact of the MPI Research acquisition based on the preliminary purchase price allocation.

(4) These charges, which primarily include severance, executive transition costs, 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, and the write-off of deferred financing costs and fees related to debt financing.

(6) 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.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF NORMALIZED EARNINGS PER SHARE GROWTH EXCLUDING VENTURE CAPITAL INVESTMENTS (UNAUDITED)(1)

(in thousands, except per share data)

	Three Months Ended			Twelve Months Ended		
	September 29, 2018	September 30, 2017	% Change	December 29, 2018 GUIDANCE	December 30, 2017	% Change
GAAP Earnings per share	$1.22	$1.09	**11.9 %**	$4.44-$4.54	$2.54	**74.8% -78.7%**
Less: Venture capital (VC) investment (gains)/losses	(0.08)	(0.07)		(0.24)	(0.29)	
GAAP Earnings per share, excluding VC investments	$1.14	$1.02	**11.8 %**	$4.20-$4.30	$2.25	**86.7% -91.1%**
Non-GAAP Earnings per share	$1.53	$1.30	**17.7 %**	$5.87-$5.97	$5.27	**11.4% -13.3%**
Less: VC investment (gains)/losses	(0.08)	(0.07)		(0.24)	(0.29)	
Non-GAAP Earnings per share, excluding VC investments	$1.45	$1.23	**17.9 %**	$5.63-$5.73	$4.98	**13.1% -15.1%**

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

	Three Months Ended		Nine Months Ended		Fiscal Year Ended
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017	December 29, 2018E
Net cash provided by operating activities	$ 117,244	$ 59,485	$ 301,167	$ 193,838	$410,000-$420,000
Addback: Tax impact of CDMO divestiture (2)	--	--	--	6,500	--
Less: Capital expenditures	(22,439)	(22,011)	(71,378)	(53,928)	(~120,000)
Free cash flow	$ 94,805	$ 37,474	$ 229,789	$ 146,410	$290,000-$300,000

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(2) Free cash flow has been adjusted to exclude the cash tax impact related to the divestiture of the CDMO business, which is recorded in Cash Flows relating to Operating Activities, because divestitures are outside of our normal operations, the corresponding cash proceeds from the divestiture are reflected in Cash Flows relating to Investing Activities, and the impact of the CDMO divestiture is large, which can adversely affect the comparability of our results on a period-to-period basis.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP TAX RATE TO NON-GAAP TAX RATE (UNAUDITED)[(1)(2)]

(in thousands)

	Three Months Ended		Six Months Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Income from continuing operations before income taxes & noncontrolling interest	$ 73,305	$ 72,939	$ 206,633	$ 227,902
Add back:				
Amortization of intangible assets and inventory step-up related to acquisitions	18,806	10,357	47,814	30,913
Severance and executive transition costs	4,714	636	7,929	1,976
Acquisition related adjustments (3)	2,055	2,102	17,164	4,868
Government billing adjustment and related expenses	-	-	-	150
Site consolidation costs, impairments and other items	264	276	864	835
Write-off of deferred financing costs and fees related to debt refinancing	-	-	5,060	-
Gain on CDMO divestiture	-	-	-	(10,577)
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	$ 99,144	$ 86,310	$ 285,464	$ 256,067
Provision for income taxes (GAAP)	$ 12,403	$ 19,945	$ 39,613	$ 73,272
Tax effect from CDMO divestiture	$ 1,000	-	$ 1,000	(18,005)
Tax effect of U.S. Tax Reform	$ 2,800	-	$ 2,800	-
Tax effect of the remaining non-GAAP adjustments	7,047	3,003	18,039	11,702
Provision for income taxes (Non-GAAP)	$ 23,250	$ 22,948	$ 61,452	$ 66,969
Total rate (GAAP)	16.9%	27.3%	19.2%	32.2%
Total rate, excluding specified charges (Non-GAAP)	23.5%	26.6%	21.5%	26.2%

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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 29, 2018	December 30, 2017	December 31, 2016	December 26, 2015	December 27, 2014	December 28, 2013	December 29, 2012
DEBT (2):							
Total Debt & Capital Leases	$ 1,684,383	$ 1,145,104	$ 1,235,009	$ 863,031	$ 777,863	$ 663,789	$ 666,520
Plus: Other adjustments per credit agreement	$ 3,400	$ 298	$ 3,621	$ 1,370	$ 2,828	$ 9,787	$ 9,680
Total Indebtedness per credit agreement	$ 1,687,783	$ 1,145,402	$ 1,238,630	$ 864,401	$ 780,691	$ 673,576	$ 676,200
Less: Cash and cash equivalents	(138,866)	(163,794)	(117,626)	(117,947)	(160,023)	(155,927)	(109,685)
Net Debt	$ 1,548,917	$ 981,608	$ 1,121,004	$ 746,454	$ 620,668	$ 517,649	$ 566,515

	September 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	$ 136,859	$ 123,355	$ 154,765	$ 149,313	$ 126,698	$ 102,828	$ 97,295
Adjustments:							
Less: Aggregate non-cash amount of nonrecurring gains	—	—	(685)	(9,878)	(2,048)	—	—
Plus: Interest expense	54,755	29,777	27,709	15,072	11,950	20,969	33,342
Plus: Provision for income taxes	138,242	171,369	66,835	43,391	46,685	32,142	24,894
Plus: Depreciation and amortization	153,683	131,159	126,658	94,881	96,445	96,636	81,275
Plus: Non-cash nonrecurring losses	18,275	17,716	6,792	10,427	1,615	4,202	12,283
Plus: Non-cash stock-based compensation	47,009	44,003	43,642	40,122	31,035	24,542	21,855
Plus: Permitted acquisition-related costs	18,984	6,687	22,653	13,451	6,285	1,752	3,676
Plus: Pro forma EBITDA adjustments for permitted acquisitions	34,522	690	18,573	9,199	10,787	—	253
Adjusted EBITDA (per the calculation defined in compliance certificates)	$ 602,329	$ 524,756	$ 466,942	$ 365,978	$ 329,452	$ 283,071	$ 274,873

	September 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)	2.8x	2.2x	2.7x	2.4x	2.4x	2.4x	2.5x
Net leverage ratio (net debt divided by adjusted EBITDA)	2.6x	1.9x	2.4x	2.0x	1.9x	1.8x	2.1x

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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 MPI. 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 TO NON-GAAP

SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)[(1)(2)]

(in thousands, except percentages)

		Three Months Ended June 30, 2018
Unallocated Corporate Overhead	$	(48,273)
Add back:		
Severance and executive transition costs		659
Acquisition related adjustments [(3)]		11,033
Total non-GAAP adjustments to operating expense	$	11,692
Unallocated corporate overhead, excluding non-GAAP adjustments	$	(36,581)

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

	Three Months Ended June 30, 2018
GAAP Interest Expense, net	$ 18,461
Exclude:	
Write-off of deferred financing costs and fees related to debt refinancing	(1,799)
Non-GAAP Interest Expense, net	$ 16,662

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

RECONCILIATION OF GAAP TAX RATE TO NON-GAAP TAX RATE (UNAUDITED)(1)(2)

(in thousands)

	Three Months Ended June 30, 2018
Income from continuing operations before income taxes & noncontrolling interest	$ 70,288
Add back:	
Amortization of intangible assets and inventory step-up related to acquisitions	18,740
Severance and executive transition costs	2,076
Acquisition related adjustments (3)	11,815
Site consolidation costs, impairments and other items	69
Write-off of deferred financing costs and fees related to debt refinancing	1,799
Income before income taxes & noncontrolling interest, excluding specified charges (Non-GAAP)	$ 104,787
Provision for income taxes (GAAP)	$ 17,438
Tax effect of the remaining non-GAAP adjustments	7,341
Provision for income taxes (Non-GAAP)	$ 24,779
Total rate (GAAP)	24.8%
Total rate, excluding specified charges (Non-GAAP)	23.6%

(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) Effective in the first quarter of 2018, the Company adopted new accounting standard ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." Prior-year income statement amounts were recast to reflect the retrospective adoption of the new pension accounting standard.

(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.

CRL

LISTED

NYSE