# 1Q 2021 Results

May 4, 2021

## Charles River Laboratories



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# Safe Harbor Statement

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Forward-looking statements are based on Charles River’s current expectations and beliefs, and involve a number of risks and uncertainties that are difficult to predict and that could cause actual results to differ materially from those stated or implied by the forward-looking statements. Those risks and uncertainties include, but are not limited to: the COVID-19 pandemic, its duration, its impact on our business, results of operations, financial condition, liquidity, business practices, operations, suppliers, third party service providers, clients, employees, industry, ability to meet future performance obligations, ability to efficiently implement advisable safety precautions, and internal controls over financial reporting; the COVID-19 pandemic’s impact on client demand, the global economy and financial markets; the ability to successfully integrate businesses we acquire (including Cognate BioServices and risks and uncertainties associated with Cognate BioServices products and services, which are in areas that the Company did not previously operate); the timing and magnitude of our share repurchases; negative trends in research and development spending, negative trends in the level of outsourced services, or other cost reduction actions by our clients; the ability to convert backlog to revenue; special interest groups; contaminations; industry trends; new displacement technologies; USDA and FDA regulations; changes in law; the impact of Brexit; continued availability of products and supplies; loss of key personnel; interest rate and foreign currency exchange rate fluctuations; changes in tax regulation and laws; changes in generally accepted accounting principles; and any changes in business, political, or economic conditions due to the threat of future terrorist activity in the U.S. and other parts of the world, and related U.S. military action overseas. A further description of these risks, uncertainties, and other matters can be found in the Risk Factors detailed in Charles River's Annual Report on Form 10-K as filed on February 17, 2021, as well as other filings we make with the Securities and Exchange Commission. Because forward-looking statements involve risks and uncertainties, actual results and events may differ materially from results and events currently expected by Charles River, and Charles River assumes no obligation and expressly disclaims any duty to update information contained in this presentation except as required by law.

# Regulation G

This presentation includes discussion of non-GAAP financial measures. We believe that the inclusion of these non-GAAP financial measures provides 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, consistent with the manner in which management measures and forecasts the Company’s performance. The non-GAAP financial measures included in this presentation 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 and regulations. In accordance with Regulation G, you can find the comparable GAAP measures and reconciliations to those GAAP measures on our website at ir.criver.com.

# Estimates of COVID-19 Impact in 2020

The Company has provided its estimates for the impact from the COVID-19 pandemic in 2020, including on the Company's revenue. These estimates were determined using methodologies and assumptions that vary depending on the specific reporting segment and situation. For the Research Models and Services segment, estimates were primarily based on comparisons to daily historical research model sales volumes prior to the COVID-19 pandemic and the subsequent reduction in research model order activity associated with our clients' COVID-19 pandemic-related site closures and/or their reduced on-site activity, as well as our discussions with clients, particularly of our research model services and HemaCare businesses, with regard to revenue expectations and operational impacts from the COVID-19 pandemic. For the Discovery and Safety Assessment segment, estimates were based on multiple factors including, but not limited to, discussions with clients with regard to the cause of delays to discovery projects and safety assessment studies, location-specific actions to ensure employee safety in our facilities, the impact of remote versus in-person activities and services, and supply chain delays and other resource constraints. For the Manufacturing Support segment, estimates were based on multiple factors including, but not limited to, analysis of the sales impact due to the COVID-19 pandemic, assessments of idle instruments and the related revenue streams due to the inability to access clients' sites, as well as discussions with clients with regard to their revenue expectations and operations. The estimated revenue loss related to COVID-19 was also expected to be partially offset by incremental work on clients' COVID-19 programs. Because these estimates and assumptions involve risks and uncertainties, actual events and results may differ materially from these estimates and assumptions, and Charles River assumes no obligation and expressly disclaims any duty to update them.

# Robust 1Q21 Performance

- Robust 1Q21 financial performance – 13% organic revenue growth and 170 bps of non-GAAP operating margin improvement YOY – demonstrates:
  - Strength of the biopharmaceutical market environment
  - Power of our unique portfolio
  - Both of which we believe are as strong as they have ever been
- Clients are increasingly choosing to partner with CRL for:
  - Flexible and efficient outsourcing solutions
  - Scientific depth and breadth of our portfolio
  - Unwavering focus on seamlessly serving their diverse needs
- Clients are opting to work with a smaller number of CROs who offer broad scientific capabilities
  - Enables them to drive greater efficiency and accelerate speed of their research, non-clinical development, and manufacturing programs
- Complexity of scientific research is also increasing clients' reliance on a high-science outsourcing partner like CRL

# Strategically Differentiating from the Competition

- To further differentiate CRL from competition, strategically expanding portfolio in areas that deliver greatest value to clients and offer significant growth potential
- Already in 2021, have enhanced scientific capabilities for advanced drug modalities through acquisitions of:
  - Distributed Bio
  - Cognate BioServices
  - Retrogenix
- Distributed Bio and Retrogenix strengthened Discovery portfolio
- Cognate (completed on March 29th) provides excellent growth opportunity by enabling us to offer CDMO services in high-growth, high-science, cell and gene therapy sector
- Very pleased to welcome the talented staff of each organization
- Believe that by continuing to invest in our portfolio and people, we are maintaining and enhancing our position as the leading, non-clinical CRO

# Strong Trends Support Outlook for 2021

- Believe strength of our portfolio and robust industry fundamentals are leading to unprecedented client demand across most of our businesses
- In 1Q21, experienced continuation of robust demand from the end of 2020, including, new, record booking and proposal levels in Safety Assessment business
- Organic revenue growth above 10% for the second consecutive quarter, even after normalizing for last year's COVID-19 impact
- Overall, believe robust 1Q21 performance and solid business trends support our improved outlook for the year

# 1Q21 Revenue

| ($ in millions) | 1Q21 | 1Q20 | YOY Δ |
|---|---|---|---|
| Revenue, reported | $824.6 | $707.1 | 16.6% |
| (Increase)/decrease due to FX | | | (2.9)% |
| Contribution from acquisitions | | | (0.7)% |
| Revenue growth, organic | | | 13.0% |

- Quarterly revenue surpassed $800M for first time
- Organic revenue growth driven by double-digit growth across all three business segments
- YOY comparison to last year's COVID-related revenue impact contributed ~140 bps to the 1Q21 revenue growth rate
  - Primarily affected the RMS segment
- Broad-based growth across all client segments, with biotech leading the way as they continued to benefit from robust funding



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# 1Q21 Operating Margin

| | 1Q21 | 1Q20 | YOY Δ |
|---|---|---|---|
| GAAP OM% | 15.0% | 13.3% | 170 bps |
| Non-GAAP OM% | 20.7% | 19.0% | 170 bps |

- Improvement driven by RMS and DSA
- Reflected operating leverage from robust revenue growth and continued efforts to drive efficiency
- Expect the same factors will drive non-GAAP operating margin improvement in 2021
  - Believe operating margin will approach 21%, above our target



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# 1Q21 EPS

| | 1Q21 | 1Q20 | YOY Δ |
|---|---|---|---|
| GAAP EPS | $1.20 | $1.02 | 17.6% |
| Non-GAAP EPS | $2.53 | $1.84 | 37.5% |

- Outstanding earnings growth principally reflected:
  - Double-digit revenue growth
  - Meaningful operating margin improvement



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# Increasing 2021 Guidance

- Based on 1Q21 performance and positive outlook for remainder of the year, meaningfully increasing revenue growth and non-GAAP EPS for 2021
- Normalized for last year's COVID impact, would still expect low-double-digit organic revenue growth
- Non-GAAP EPS represents 20%-23% growth YOY, an increase of $0.75 at midpoint from prior outlook

# Increasing 2021 Guidance Including Cognate

| | CURRENT | PRIOR |
|---|---|---|
| Revenue growth, reported | 19%-21% | 16%-18% |
| Contribution from acquisitions | (4.5%)-(5.0%) | (4.5%)-(5.0%) |
| Decrease/(Increase) due to FX | (~2.5%) | (2.0%)-(2.5%) |
| Revenue growth, organic | 12%-14% | 9%-11% |
| GAAP EPS | $5.95-$6.20 | -- |
| Acquisition-related amortization | $2.15-$2.40 | -- |
| Acquisition-related adjustments | $0.75-$0.80 | -- |
| Other items | ~$0.55 | -- |
| Venture capital investment losses/(gains) | $0.25 | -- |
| Non-GAAP EPS | $9.75-$10.00 | $9.00-$9.25 |



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# DSA Results – Revenue

| ($ in millions) | 1Q21 | 1Q20 | YOY Δ |
|---|---|---|---|
| Revenue, reported | $501.2 | $438.7 | 14.2% |
| (Increase)/decrease due to FX | | | (2.3)% |
| Contribution from acquisitions | | | (0.3)% |
| Revenue growth, organic | | | 11.6% |

- Revenue growth driven by broad-based demand for both Discovery and Safety Assessment (SA) services



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# DSA Results - Safety Assessment (SA)

- Performance reflected robust demand from biotech and biopharma clients and price increases
- Bookings and proposal volume reach record highs in 1Q21, with strength across all regions and major service areas
- Bookings increased substantially more than target
- Clients are expanding preclinical pipelines and intensifying focus on complex biologics
  - Provides us with greater visibility
- Believe they are securing space with CRL further in advance to ensure no delays to research
- Believe these trends position SA extremely well; support low-double-digit organic revenue growth for DSA segment
  - Higher than prior outlook
- Pleased with extensive depth and breadth of SA portfolio and remain intently focused on continuing to enhance value we provide to clients

# DSA Results – Discovery Services

- Discovery Services had another exceptional quarter, led by broad-based demand for oncology, early discovery, and CNS services
- Efforts to broaden and strengthen discovery capabilities and enhance scientific expertise are enabling us to expand support for clients' discovery research
- Clients increasingly view CRL as a premier scientific partner who can support efforts to identify new drug targets and discover novel therapeutics
- Intend to continue to build Discovery portfolio so clients can outsource complex discovery projects to us, including advanced modalities
- Distributed Bio and Retrogenix enhanced our large molecule discovery capabilities
  - Retrogenix, through proprietary cell microarray technology, offers target receptor identification and off-target screening services
    - Will enhance clients' early discovery efforts and enable them to explore potential preclinical safety liabilities
- Combination of Distributed Bio and Retrogenix further strengthens our integrated, end-to-end solution for therapeutic antibody and cell and gene therapy discovery and development
- Continuing to add cutting-edge technologies through strategic partnership strategy, most recently with Valence Discovery, a new artificial intelligence (AI) drug discovery partner

# DSA Results – Operating Margin

| | 1Q21 | 1Q20 | YOY Δ |
|---|---|---|---|
| DSA GAAP OM% | 18.1% | 16.5% | 160 bps |
| DSA Non-GAAP OM% | 23.8% | 22.0% | 180 bps |

- Leverage from robust DSA revenue growth was primary driver of margin improvement
- Expect this trend to continue to propel DSA non-GAAP operating margin into the mid-20% range for 2021



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# RMS Results – Revenue

| ($ in millions) | 1Q21 | 1Q20 | YOY Δ |
|---|---|---|---|
| Revenue, reported | $176.9 | $146.0 | 21.2% |
| (Increase)/decrease due to FX | | | (4.2)% |
| Contribution from acquisitions | | | (2.2)% |
| Revenue growth, organic | | | 14.8% |

- Robust demand for research models in China was primary driver of 1Q21 revenue growth
- Higher revenue for research model services, including GEMS and CRADL, also contributed to revenue growth
- ~620 bps of growth was attributable to the comparison to last year's COVID-related revenue impact from client site closures and associated disruptions



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# RMS Results – Research Models

- Demand trends for research models largely consistent with trends prior to pandemic
- Growth in China widely outpacing mature markets
  - Research models business in China had an exceptional 1Q21, even normalizing for last year's COVID-19 impact
  - Driven by resurgence of demand across all client segments
- Biomedical research in China has returned to pre-COVID levels, and in some areas, even greater levels
- In U.S. and Europe, client order activity has also rebounded

# RMS Results – RM Services

- RM Services also continued to perform well
- GEMS benefited from renewed outsourcing demand as clients seek greater flexibility and efficiency afforded them when we manage their proprietary colonies, as we did for many clients during the pandemic
- Also continuing to generate substantial interest for CRADL (Charles River Accelerator Development Labs), as both small and large biopharma clients seek turnkey research capacity
  - Allows them to invest in people and research rather than infrastructure
- To accommodate demand, actively expanding existing capacity in Boston/Cambridge and South San Francisco (SSF) biohubs
- Utilizing CRADL also provides clients with collaborative opportunities to seamlessly access other CRL services, from Discovery to GEMS, further enhancing the speed and efficiency of their research programs

# RMS Results – HemaCare & Cellero

- Cell supply revenue growth remained below targeted level in 1Q21, due to some limitations on donor access
  - Believe revenue will increase during 2021 as donor availability continues to improve
- Continuing to work diligently to expand donor base in the U.S. and add more comprehensive capabilities at all sites to accommodate robust demand in broader cell therapy market
- Believe Cognate acquisition is particularly timely because it creates new business opportunities for HemaCare and Cellero in cell and gene therapy development
- Expanded capabilities are establishing CRL as a trusted partner who can move clients' programs forward using the same cellular products through each step of research and early-stage development phases and into CGMP production

# RMS Results – Operating Margin

| | 1Q21 | 1Q20 | YOY Δ |
|---|---|---|---|
| RMS GAAP OM% | 25.4% | 18.7% | 670 bps |
| RMS Non-GAAP OM% | 28.7% | 23.0% | 570 bps |

- Significant margin improvement is due to:
  - Comparison to 23% non-GAAP operating margin in 1Q20 which was depressed by onset of COVID-related disruptions and resulting impact on research model order activity
  - 1Q21 performance reflects operating leverage on robust revenue growth, particularly for research models in China



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# Manufacturing Results – Revenue

| ($ in millions) | 1Q21 | 1Q20 | YOY Δ |
|---|---|---|---|
| Revenue, reported | $146.5 | $122.4 | 19.7% |
| (Increase)/decrease due to FX | | | (4.1)% |
| Revenue growth, organic | | | 15.6% |

- Revenue increase driven by double-digit growth in both Biologics Testing Solutions (Biologics) and Microbial Solutions



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# Manufacturing – Operating Margin

| | 1Q21 | 1Q20 | YOY Δ |
|---|---|---|---|
| Manufacturing GAAP OM% | 33.8% | 33.6% | 20 bps |
| Manufacturing Non-GAAP OM% | 35.5% | 35.6% | (10) bps |

- Stable operating margin YOY is consistent with historical Q1 trends
- Non-GAAP operating margin outlook in line with revised expectations for 2021 of mid-30% when factoring in Cognate acquisition



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# Manufacturing Results – Microbial Solutions

- Microbial Solutions growth rate rebounded >10% in 1Q21, reflecting strong demand for Endosafe® endotoxin testing systems, cartridges, and core reagents in all geographic regions
- Continue to work through delayed instrument installations that resulted from COVID-19 restrictions
  - Gaining access to more client sites
- Pleased with strength of underlying demand for endotoxin testing platform
  - Performs FDA-mandated, lot release testing for clients' critical quality-control testing needs
- Clients prefer our comprehensive and efficient microbial testing solutions because of quality, speed, and accuracy of testing platform

# Mfg Results – Biologics Testing Solutions

- Biologics reported another exceptional quarter of strong, double-digit revenue growth
  - Principally driven by robust market demand for testing cell and gene therapies and COVID-19 therapeutics
- Believe cell and gene therapies will continue to drive significant growth for years to come
- Demand for COVID-19 vaccine testing is intensifying as therapies move on to commercial production phase, even as some early-stage testing activity subsides
- Given strength of demand, continuing to build our extensive portfolio of services to support the safe manufacture of biologics and ensure available capacity to accommodate client demand

# Cognate Acquisition

- Believe Cognate will be highly complementary to Biologics business and portfolio as a whole
- Cognate establishes CRL as a premier scientific partner for cell and gene therapy development, testing, and manufacturing
- Broader services will provide clients with integrated solution from basic research through CGMP production, enabling them to outsource CGMP cell therapy production and required analytical testing to one scientific partner
  - Reduces bottlenecks and inefficiencies of utilizing multiple outsource providers
- Because CRL already provides extensive non-clinical services for cell and gene therapies, integration process is particularly focused on unlocking new business opportunities across our portfolio

# Broadening Portfolio & Scientific Expertise

- Acquisition of Cognate is part of ongoing strategy to broaden our unique portfolio and scientific expertise in order to support new paradigms and therapeutic areas of research
- Biopharma clients seek to drive greater efficiency and leverage scientific benefits by working with fewer, trusted partners who have broad, integrated capabilities
- Transformed our business over the last decade to accommodate client needs through M&A, strategic partnerships, internal investment, and promoting a culture of continuous improvement in everything we do
- Built the leading safety assessment franchise in the world and established integrated, end-to-end discovery offering for both small and large molecules
- Given emerging importance of complex biologics and cell and gene therapies, adding CDMO capabilities is a logical extension for the portfolio

# Importance of Growth Strategy

- Will continue to move our growth strategy forward
- Disciplined M&A and strategic partnerships remain vital components, as we endeavor to further enhance scientific expertise, global reach, and innovative technologies we can offer clients across all three business segments
- Investing in scientific capabilities, as well as internally in necessary staff and resources, will help ensure that we can meet clients' needs and support robust growth in our markets
- Biotech funding has never been stronger, clients are investing more in research and development, and it is incumbent on CRL to be the scientific partner who can help move client programs forward from concept, to non-clinical development, to safe manufacture of life-saving therapeutics



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# 1Q21 Results

| ($ in millions) | 1Q21 | 1Q20 | YOY Δ | Organic Δ |
|---|---|---|---|---|
| Revenue | $824.6 | $707.1 | 16.6% | 13.0% |
| GAAP OM% | 15.0% | 13.3% | 170 bps | |
| Non-GAAP OM% | 20.7% | 19.0% | 170 bps | |
| GAAP EPS | $1.20 | $1.02 | 17.6% | |
| Non-GAAP EPS | $2.53 | $1.84 | 37.5% | |

- Delivered strong revenue growth, well above the 10% level on an organic basis
- Encouraging operating margin performance reflects our efforts to:
  - Build a more scalable and efficient infrastructure
  - Leverage the robust growth in our end markets



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# Increased 2021 Guidance Including Cognate

| | |
|---|---|
| Revenue growth, reported | 19%-21% |
| Revenue growth, organic | 12%-14% |
| GAAP EPS | $5.95-$6.20 |
| Non-GAAP EPS | $9.75-$10.00 |

- Increased 2021 guidance reflects the enhanced growth profile, including the strong 1Q21 performance and the addition of Cognate and other acquisitions
- Given the robust top-line performance, we expect to drive meaningful operating margin improvement this year
  - 2021 non-GAAP margin approaching 21%
- Increased non-GAAP EPS guidance represents YOY growth above 20%

# Revised 2021 Segment Revenue Outlook

| | 2021 Reported Revenue Growth | 2021 Organic Revenue Growth |
|---|---|---|
| RMS | Low-20% range | High teens |
| DSA | Mid-teens | Low-double digits |
| Manufacturing | High-30% range | Mid-teens |
| Consolidated CRL | 19%-21% | 12%-14% |

- Outlook for 2021 continues to reflect the strong business environment and the differentiated capabilities we provide to support our clients' needs
  - RMS segment reflects COVID-19 recovery, exceptional growth in China, and expectation that cell supply revenue growth improves during the year
  - DSA segment reflects strong 1Q21 performance and intensified early-stage research activity
  - MFG segment reflects both Biologics and Microbial contributions



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# Revised 2021 Segment Operating Margin Outlook

- RMS segment will continue to be a primary contributor to CRL's overall margin improvement in 2021
  - RMS non-GAAP operating margin meaningfully above 25% this year
- DSA non-GAAP operating margin is expected to increase over the prior year, into the mid-20% range
- Factoring in Cognate's margin, MFG non-GAAP operating margin is expected to be in the mid-30% range, or moderately below its 2020 level

# Unallocated Corporate Expenses

| ($ in millions) | 1Q21 | 4Q20 | 1Q20 |
|---|---|---|---|
| GAAP | $61.6 | $45.7 | $46.5 |
| Non-GAAP | $51.2 | $41.4 | $39.8 |

- Non-GAAP unallocated corporate costs were slightly higher than our expectations
  - 6.2% of total revenue in 1Q21, compared to 5.6% of total revenue in 1Q20
- 1Q21 increase was primarily the result of:
  - Continued investments to support the growth of our businesses
  - Higher performance-based compensation costs, due in part to the 1Q21 operating outperformance
- Despite higher 1Q21 expenses, continue to expect non-GAAP unallocated corporate costs to be in the mid-5% range as percent of revenue for 2021
- GAAP unallocated corporate costs expected to be ~6% of total revenue in 2021



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# Tax Rate

| | 1Q21 | 4Q20 | 1Q20 |
|---|---|---|---|
| GAAP | 3.6% | 16.4% | 8.3% |
| Non-GAAP | 14.5% | 17.8% | 14.3% |

- 1Q21 non-GAAP tax rate was 20 bps higher YOY and consistent with our outlook in February
  - Prior outlook (February): Mid-teens tax rate due to the gaiting of the excess tax benefit from stock-based compensation
- Continue to expect full-year 2021 tax rate will be in the low-20% range (GAAP and non-GAAP)
  - Unchanged from our outlook provided in February



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# Net Interest Expense

| ($ in millions) | 1Q21 | 4Q20 | 1Q20 |
|---|---|---|---|
| GAAP interest expense, net | $29.7 | $33.1 | $14.8 |
| Non-GAAP interest expense, net | $3.7 | $33.1 | $14.8 |
| Adjustments for foreign exchange forward contract and related interest expense(1) | $13.4 | ($16.1) | $4.2 |
| Adjusted net interest expense | $17.1 | $17.0 | $19.0 |

- Total adjusted net interest expense for 1Q21 was essentially flat sequentially and a decrease of nearly $2M YOY
  - Lower average debt levels resulted in interest rate savings based on leverage ratio
- At the end of 1Q21, total outstanding debt was $2.2B, representing a gross leverage ratio of 2.3x and a net leverage ratio of 1.9x

(1) 1Q21 amounts reported in total adjusted interest expense include $14.0M gain on forward contract partially offset by $0.1M of additional interest expense.



**See ir.criver.com for reconciliations of GAAP to Non-GAAP results.**

# Capital Structure

- In March, issued $1B senior notes to further optimize capital structure and take advantage of attractive interest rate environment
- Proceeds of the bond offering were used to:
  - Redeem a previously issued, higher-rate $500M bond
  - Pay down the existing term loan and a portion of the revolving credit facility
  - Finance a portion of the Cognate acquisition
- In April, amended existing credit agreement to establish a new revolver with borrowing capacity of up to $3B
- Refinancing activities reduced average interest rate on debt by ~50 bps to 2.65%

# Capital Structure (con't.)

- On a pro forma basis, including Cognate and Retrogenix, gross leverage ratio was just under 3x and total outstanding debt was ~$3B
- For 2021, total adjusted net interest expense expected in the range of $83-$86M
  - Higher debt balances due primarily to Cognate, partially offset by the lower average interest rate from refinancing activities
- For 2021, GAAP interest expense expected to be in a range of $96-$99M

| CRL Capitalization ($ in MM) | 4/24/2021 |
|---|---|
| 4.25% Senior notes due 2028 | $500 |
| 3.75% Senior notes due 2029 | $500 |
| 4.00% Senior notes due 2031 | $500 |
| Revolving credit facility | $1,452 |
| Finance leases & other | $11 |
| **Total debt *(short & long-term)*** | **$2,963** |
| Additional borrowing capacity | $1,522 |



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# Cash Flow

| ($ in millions) | 1Q21 | 1Q20 | 2021 Outlook |
|---|---|---|---|
| Free cash flow (FCF) | $142.2 | $42.9 | ~$435 |
| Capital expenditures | $28.0 | $25.7 | ~$220 |
| Depreciation | $32.7 | $29.4 | $145-$150 |
| Amortization | $28.8 | $27.9 | $145-$160 |

- Significant increase in FCF from last year was due to the strong 1Q21 operating performance, along with continued focus on working capital management
- Increasing capex guidance for 2021 by $40M to ~$220M, reflecting investments in Cognate to support this high-growth business
  - Expect capex to remain below 7% of total revenue this year, which is consistent with 2019 Investor Day target
- Updating 2021 FCF guidance to ~$435M, the upper end of prior guidance range
  - Increase due to strong 1Q21 performance, even after incorporating Cognate transaction costs and capital needs



See ir.criver.com for reconciliations of GAAP to Non-GAAP results.

# 2021 Revised Guidance Summary (Including Cognate)

| | GAAP | Non-GAAP |
|---|---|---|
| Revenue growth | 19%-21% reported | 12%-14% organic(1) |
| Operating margin | Comparable to 2020 level | Approaching 21% |
| Unallocated corporate | ~6%<br>as a % of revenue | Mid-5% range<br>as a % of revenue |
| Net interest expense (total) | $96M-$99M | $83M-$86M |
| Tax rate | Low-20% range | Low-20% range |
| EPS | $5.95-$6.20 | $9.75-$10.00 |
| Cash flow | Operating cash flow<br>~$655M | Free cash flow<br>~$435M |
| Capital expenditures | ~$220M | ~$220M |

(1) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions and foreign currency translation

**See ir.criver.com for reconciliations of GAAP to Non-GAAP results.**



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# 2Q21 Outlook (Including Cognate)

| | 2Q21 Outlook |
|---|---|
| Reported revenue growth YOY | At or near 30% including Cognate |
| Organic revenue growth YOY | At or near 20% |
| Non-GAAP EPS growth YOY | More than 50% vs. 2Q20 |

- 2Q21 updated outlook reflects a continuation of strong demand environment
- 2Q21 revenue growth reflects the YOY comparison to last year's COVID-related revenue impact, which will contribute ~700 bps in 2Q21
- As a result of COVID-19 impact on 2Q20, expect 2Q21 non-GAAP operating margin and EPS to increase significantly vs. the prior year



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# Concluding Remarks

- Very pleased with our strong 1Q21 performance, which included robust revenue, earnings and free cash flow growth
- Remain confident about our prospects for the year, and our ability to consistently grow the top-line, bottom-line, and cash flow generation
  - Reflected in the substantial improvement in our 2021 outlook
- Hosting a virtual Investor Day on Thursday, May 27th via ir.criver.com
  - Plan to update our longer-term financial targets, which we believe will reflect the strong demand environment



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# 1Q21 Regulation G Financial Reconciliations



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**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 | $ 5,802 | $ 6,157 |
| 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 | $ 28,477 | $ 24,379 |
| 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 | $ 2,590 | $ 2,505 |
| 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 |

**CONTINUED ON NEXT SLIDE**

**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** |
| **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 | $ 10,409 | $ 6,696 |
| 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 | $ 47,278 | $ 39,737 |
| 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 |
| 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) | $ 153,908 | $ 149,824 | $ 107,231 |
| 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) | $ 22,345 | $ 26,696 | $ 15,353 |
| 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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(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.

(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 | $ 17,061 | $ 17,016 | $ 18,964 | $83,000-$86,000 |

[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] 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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **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.



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**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 | $ 142,199 | $ 42,869 | ~$435,000 |

[(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.

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