

Investor Relations

Charles River provides essential products and services to help pharmaceutical and biotechnology companies, government agencies and leading academic institutions around the globe accelerate their research and drug development efforts. Our dedicated employees are focused on providing clients with exactly what they need to improve and expedite the discovery, early-stage development and safe manufacture of new therapies for the patients who need them.

News Release

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Charles River Laboratories Announces Fourth-Quarter and Full-Year 2022 Results and Provides 2023 Guidance

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- Fourth-Quarter Revenue of \$1.10 Billion and Full-Year Revenue of \$3.98 Billion –
- Fourth-Quarter GAAP Earnings per Share of \$3.65 and Non-GAAP Earnings per Share of \$2.98 –
- Full-Year GAAP Earnings per Share of \$9.48 and Non-GAAP Earnings per Share of \$11.12 –
- Provides 2023 Guidance –

WILMINGTON, Mass.--(BUSINESS WIRE)--Feb. 22, 2023-- Charles River Laboratories International, Inc. (NYSE: CRL) today reported its results for the fourth-quarter and full-year 2022 and provided guidance for 2023. For the quarter, revenue was \$1.10 billion, an increase of 21.5% from \$905.1 million in the fourth quarter of 2021.

The addition of a 53rd week at the end of 2022, which is periodically required to align to a December 31st calendar year end, contributed approximately 5.8% to reported fourth-quarter revenue growth. The acquisition of Explora BioLabs in April 2022 contributed 1.8% to consolidated fourth-quarter revenue growth, and the divestitures of the Research Models and Services operations in Japan (RMS Japan) and the CDMO site in Sweden (CDMO Sweden) in October 2021, and the Avian Vaccine business in December 2022, reduced reported revenue growth by 0.5%. The impact of foreign currency translation reduced reported revenue growth by 4.4%. Excluding the effect of these items, organic revenue growth was 18.8%, driven by contributions from all three business segments, primarily the Discovery and Safety Assessment (DSA) business segment.

On a GAAP basis, fourth-quarter net income attributable to common shareholders was \$187.4 million, an increase of 36.2% from \$137.6 million for the same period in 2021. Fourth-quarter diluted earnings per share on a GAAP basis were \$3.65, an increase of 36.7% from \$2.67 for the fourth quarter of 2021. The increases in GAAP net income and earnings per share were primarily driven by a gain on the sale of the Avian Vaccine business.

On a non-GAAP basis, net income was \$152.9 million for the fourth quarter of 2022, an increase of 19.0% from \$128.4 million for the same period in 2021. Fourth-quarter diluted earnings per share on a non-GAAP basis were \$2.98, an increase of 19.7% from \$2.49 per share for the fourth quarter of 2021. The increases in non-GAAP net income and earnings per share were primarily driven by higher revenue and operating income.

James C. Foster, Chairman, President and Chief Executive Officer, said, “We are pleased with the outstanding finish to the year. We exceeded our expectations due primarily to another robust performance in the DSA segment, and quarterly revenue exceeded \$1 billion for the first time. We believe our 2022 performance demonstrates the strength of our business –

including our leading market position, unique non-clinical focus, and the resilience of our large, diversified client base – as we meet the sustained pace of client demand despite the macroeconomic environment.”

“At Charles River, we are committed to conducting ethical, regulatory-compliant business practices, to being good corporate citizens, and to the humane treatment of the research models under our care. 2023 presents challenges with respect to NHP supply that we will proactively manage; however, our business fundamentals remain solid and we will continue to benefit from the sustainable, long-term growth trends that are inherent in our business. We are focused on continuing to execute our strategy, drive growth and generate greater efficiency, and enhance our position as the scientific partner of choice to accelerate biomedical research and therapeutic innovation,” Mr. Foster concluded.

Fourth-Quarter Segment Results

Research Models and Services (RMS)

Revenue for the RMS segment was \$196.1 million in the fourth quarter of 2022, an increase of 18.4% from \$165.6 million in the fourth quarter of 2021. The Explora BioLabs acquisition and the addition of the 53rd week contributed 10.1% and 4.5%, respectively, to RMS revenue growth in the quarter. The impact of foreign currency translation reduced revenue by 5.2%, and the impact of the RMS Japan divestiture reduced revenue by 1.8%. Organic revenue growth of 10.8% was primarily driven by robust demand for research model services, particularly the Insourcing Solutions (IS) business, as well as higher revenue for small research models in North America and China.

In the fourth quarter of 2022, the RMS segment’s GAAP operating margin decreased to 18.9% from 24.3% in the fourth quarter of 2021, and on a non-GAAP basis, the operating margin decreased to 22.7% from 26.9%. The GAAP and non-GAAP operating margin decreases were driven primarily by the addition of the 53rd week, lower revenue in the Cell Solutions business, and a modest COVID-related impact in China.

Discovery and Safety Assessment (DSA)

Revenue for the DSA segment was \$691.7 million in the fourth quarter of 2022, an increase of 29.5% from \$534.1 million in the fourth quarter of 2021. The addition of the 53rd week contributed 6.9% to reported DSA revenue growth, and the impact of foreign currency translation reduced revenue by 3.9%. Organic revenue growth of 26.5% was driven principally by broad-based growth in the Safety Assessment business, resulting from higher study volume and meaningful price increases, both on a year-over-year and sequential basis. The Discovery Services revenue growth rate also increased on both a year-over-year and sequential basis.

In the fourth quarter of 2022, the DSA segment's GAAP operating margin increased to 22.7% from 17.8% in the fourth quarter of 2021, and on a non-GAAP basis, the operating margin increased to 26.3% from 23.1%. The GAAP and non-GAAP operating margin increases were driven primarily by higher revenue in the Safety Assessment business.

Manufacturing Solutions (Manufacturing)

Revenue for the Manufacturing segment was \$212.1 million in the fourth quarter of 2022, an increase of 3.3% from \$205.3 million in the fourth quarter of 2021. The addition of the 53rd week contributed 4.0% to reported Manufacturing revenue growth. The impact of foreign currency translation reduced revenue by 4.8%, and the impact of the CDMO Sweden and Avian Vaccine divestitures reduced revenue by 1.2%. Organic revenue growth of 5.3% was driven primarily by robust demand in the Biologics Testing Solutions and Microbial Solutions businesses, partially offset by a revenue decline in the CDMO business.

In the fourth quarter of 2022, the Manufacturing segment's GAAP operating margin decreased to 12.6% from 44.6% in the fourth quarter of 2021, and on a non-GAAP basis, the operating margin decreased to 25.3% from 35.7% in the fourth quarter of 2021. The GAAP and non-GAAP operating margins primarily declined as a result of lower revenue in the CDMO businesses. The GAAP operating margin also decreased due to an acquisition-related adjustment in the fourth quarter of 2021 associated with a contingent consideration arrangement.

Full-Year Results

For 2022, revenue increased by 12.3% to \$3.98 billion from \$3.54 billion in 2021. Organic revenue growth was 13.4%.

On a GAAP basis, net income attributable to common shareholders was \$486.2 million in 2022, an increase of 24.4% from \$391.0 million in 2021. Diluted earnings per share on a GAAP basis in 2022 were \$9.48, an increase of 24.7% from \$7.60 in 2021.

On a non-GAAP basis, net income was \$570.6 million in 2022, an increase of 7.6% from \$530.5 million in 2021. Diluted earnings per share on a non-GAAP basis in 2022 were \$11.12, an increase of 7.8% from \$10.32 in 2021.

Research Models and Services (RMS)

For 2022, RMS revenue was \$739.2 million, an increase of 7.1% from \$690.4 million in 2021. Organic revenue growth increased 9.0%.

On a GAAP basis, the RMS segment operating margin decreased to 21.7% in 2022 from 24.2% in 2021. On a non-GAAP basis, the operating margin decreased to 25.2% in 2022 from 27.3% in 2021.

Discovery and Safety Assessment (DSA)

For 2022, DSA revenue was \$2.45 billion, an increase of 16.1% from \$2.11 billion in 2021. Organic revenue growth was 17.5%.

On a GAAP basis, the DSA segment operating margin increased to 21.8% in 2022 from 19.3% in 2021. On a non-GAAP basis, the operating margin increased to 25.3% in 2022 from 23.7% in 2021.

Manufacturing Solutions (Manufacturing)

For 2022, Manufacturing revenue was \$789.6 million, an increase of 6.3% from \$742.5 million in 2021. Organic revenue growth was 5.3%.

On a GAAP basis, the Manufacturing segment operating margin decreased to 21.2% in 2022 from 33.2% in 2021. On a non-GAAP basis, the operating margin decreased to 28.8% in 2022 from 34.2% in 2021.

U.S. Department of Justice Investigation into Non-Human Primate Supply Chain

On February 17th, the Company received a subpoena from the U.S. Department of Justice relating to an investigation into the Cambodian non-human primate (NHP) supply chain. The Company has been informed that this investigation relates specifically to several shipments of NHPs received by Charles River from its Cambodian supplier. Charles River intends to fully cooperate with the U.S. government as part of their investigation. Due to ongoing investigations and the heightened focus on the Cambodian NHP supply chain in recent months, Charles River has voluntarily suspended NHP shipments from Cambodia at this time.

2023 Guidance

The Company is providing financial guidance for 2023. The 2023 revenue growth outlook reflects the impact of NHP supply constraints, which is expected to reduce our consolidated revenue growth forecast by approximately 200 to 400 basis points this year. This will pressure the DSA segment's revenue growth rate in 2023, while the Company expects higher growth in the Manufacturing segment as the actions to improve the performance of its CDMO business gain traction.

Earnings per share in 2023 will be affected by the impact of NHP supply constraints. In addition, a higher tax rate, increased interest expense, and the impact of the divestiture of the Avian Vaccine business will reduce earnings per share by approximately \$2.30 to \$2.50 on a GAAP basis (including the gain on the sale of the Avian Vaccine business) and by approximately \$1.20 to \$1.40 on a non-GAAP basis in 2023. This will be partially offset by foreign exchange, which is projected to benefit reported revenue growth by up to 50 basis points and earnings per share by up to \$0.25 in 2023 due to the recent weakening of the U.S. dollar.

The Company's 2023 guidance for revenue growth and earnings per share is as follows:

2023 GUIDANCE

Revenue growth, reported	1.5% – 4.5%
Impact of divestitures/(acquisitions), net	~1.5%
Impact of 53 rd week in 2022	~1.5%
Unfavorable/(favorable) impact of foreign exchange	0.0% - (0.5)%
Revenue growth, organic (1)	4.5% – 7.5%
GAAP EPS estimate (2)	\$7.40 – \$8.60
Acquisition-related amortization	~\$2.00
Acquisition and integration-related adjustments (3)	~\$0.10
Other items (4)	~\$0.20
Non-GAAP EPS estimate	\$9.70 – \$10.90

Footnotes to Guidance Table:

(1) Organic revenue growth is defined as reported revenue growth adjusted for completed acquisitions and divestitures, the 53rd week in 2022, and foreign currency translation.

(2) GAAP earnings per share does not include third-party legal costs and other costs related to investigations by the U.S. Department of Justice into the Cambodian NHP supply chain because these costs are impractical to estimate at this time. Certain costs related to this investigation are expected to be excluded from non-GAAP results.

(3) These adjustments are related to the evaluation and integration of acquisitions and divestitures, and primarily include transaction, advisory, certain third-party integration costs, and certain costs associated with acquisition-related efficiency initiatives.

(4) These items primarily relate to charges associated with U.S. and international tax legislation that necessitated changes to the Company's international financing structure;

certain third-party legal costs related to (a) environmental litigation related to the Microbial Solutions business and (b) investigations by the U.S. government into the NHP supply chain applicable to our Safety Assessment business; and severance and other costs related to the Company's efficiency initiatives.

Webcast

Charles River has scheduled a live webcast on Wednesday, February 22nd, at 8:30 a.m. ET to discuss matters relating to this press release. To participate, please go to ir.criver.com and select the webcast link. You can also find the associated slide presentation and reconciliations of GAAP financial measures to non-GAAP financial measures on the website.

Non-GAAP Reconciliations

The Company reports non-GAAP results in this press release, which exclude often-one-time charges and other items that are outside of normal operations. A reconciliation of GAAP to non-GAAP results is provided in the schedules at the end of this press release.

Use of Non-GAAP Financial Measures

This press release contains non-GAAP financial measures, such as non-GAAP earnings per diluted share, non-GAAP operating income, non-GAAP operating margin, and non-GAAP net income. Non-GAAP financial measures exclude, but are not limited to, the amortization of intangible assets, and other charges and adjustments related to our acquisitions and divestitures, including the gain on our sale of our Avian Vaccine business; expenses associated with evaluating and integrating acquisitions and divestitures, including advisory fees and certain other transaction-related costs, as well as fair value adjustments associated with contingent consideration; charges, gains, and losses attributable to businesses or properties we plan to close, consolidate, or divest; severance and other costs associated with our efficiency initiatives; the write-off of deferred financing costs and fees related to debt financing; investment gains or losses associated with our venture capital and other strategic equity investments; certain legal costs in our Microbial Solutions business related to environmental litigation and in our Safety Assessment business related to U.S. government investigations into the NHP supply chain; and adjustments related to the recognition of

deferred tax assets expected to be utilized as a result of changes to the our international financing structure and the revaluation of deferred tax liabilities as a result of foreign tax legislation. This press release also refers to our revenue on both a GAAP and non-GAAP basis: “organic revenue growth,” which we define as reported revenue growth adjusted for foreign currency translation, acquisitions, divestitures, and the impact of the 53rd week in 2022. We exclude these items from the non-GAAP financial measures because they are outside our normal operations. There are limitations in using non-GAAP financial measures, as they are not presented in accordance with generally accepted accounting principles, and may be different than non-GAAP financial measures used by other companies. In particular, we believe that the inclusion of supplementary non-GAAP financial measures in this press release helps investors to gain a meaningful understanding of our core operating results and future prospects without the effect of these often-one-time charges, and is consistent with how management measures and forecasts the Company's performance, especially when comparing such results to prior periods or forecasts. We believe that the financial impact of our acquisitions and divestitures (and in certain cases, the evaluation of such acquisitions and divestitures, whether or not ultimately consummated) is often large relative to our overall financial performance, which can adversely affect the comparability of our results on a period-to-period basis. In addition, certain activities and their underlying associated costs, such as business acquisitions, generally occur periodically but on an unpredictable basis. We calculate non-GAAP integration costs to include third-party integration costs incurred post-acquisition. Presenting revenue on an organic basis allows investors to measure our revenue growth exclusive of acquisitions, divestitures, the 53rd week in 2022, and foreign currency exchange fluctuations more clearly. Non-GAAP results also allow investors to compare the Company's operations against the financial results of other companies in the industry who similarly provide non-GAAP results. The non-GAAP financial measures included in this press release are not meant to be considered superior to or a substitute for results of operations presented 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. Reconciliations of the non-GAAP financial measures used in this press release to the most directly comparable GAAP financial measures are set forth in this press release, and can also be found on the Company's website at ir.criver.com.

Caution Concerning Forward-Looking Statements

This press release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as “anticipate,” “believe,” “expect,” “intend,” “will,” “would,” “may,” “estimate,” “plan,” “outlook,” and “project,” and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These statements also include statements regarding Charles River’s expectations regarding the availability of Cambodia-sourced NHPs; the impact of the investigations by the U.S. Department of Justice into the Cambodia NHP supply chain, including but not limited to Charles River’s ability to cooperate fully with the U.S. government; Charles River’s ability to effectively manage any Cambodia NHP supply impact; the projected future financial performance of Charles River and our specific businesses, including our expectations with respect to the impact of NHP supply constraints; earnings per share; client demand, particularly the future demand for drug discovery and development products and services, including our expectations for future revenue trends; our expectations with respect to pricing of our products and services; our expectations with respect to future tax rates and the impact of such tax rates on our business; our expectations with respect to the impact of acquisitions and divestitures completed in 2021 and 2022 on the Company, our service offerings, client perception, strategic relationships, revenue, revenue growth rates, revenue growth drivers, and earnings; the development and performance of our services and products, including our investments in our portfolio; market and industry conditions including the outsourcing of services and spending trends by our clients; and Charles River’s future performance as delineated in our forward-looking guidance, and particularly our expectations with respect to revenue, the impact of foreign exchange, interest rates, enhanced efficiency initiatives, and the assumptions surrounding the impact of the COVID-19 pandemic that form the basis for our annual guidance. 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: NHP supply constraints and the investigations by the U.S. Department of Justice, including the impact on our projected future financial performance, the timing of the resumption of Cambodia NHP imports, our ability to manage supply impact, and anticipated study delays in our Safety Assessment business attributable to NHP supply constraints; 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; changes and uncertainties in the global economy and financial markets; the ability to successfully integrate businesses we acquire; 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; 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; disruptions in the global economy caused by the ongoing conflict between the Russian federation and Ukraine; 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 22, 2023, 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 press release except as required by law.

About Charles River

Charles River provides essential products and services to help pharmaceutical and biotechnology companies, government agencies and leading academic institutions around the globe accelerate their research and drug development efforts. Our dedicated employees are focused on providing clients with exactly what they need to improve and expedite the discovery, early-stage development and safe manufacture of new therapies for the patients who need them. To learn more about our unique portfolio and breadth of services, visit www.criver.com.

SCHEDULE 1
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(in thousands, except for per share data)

	Three Months Ended		Twelve Months Ended	
	December 31, 2022	December 25, 2021	December 31, 2022	December 25, 2021
	\$ 900,698	\$709,819	\$3,216,904	\$2,755,579
Service revenue				
	199,145	195,231	759,156	784,581
Product revenue				
	1,099,843	905,050	3,976,060	3,540,160
Total revenue				
Costs and expenses:				
Cost of services provided (excluding amortization of intangible assets)	603,125	468,091	2,143,318	1,837,487
Cost of products sold (excluding amortization of intangible assets)	97,834	89,847	370,091	368,035
	199,640	144,112	665,098	619,919
Selling, general and administrative				
	35,434	30,193	146,578	124,857
Amortization of intangible assets				
	163,810	172,807	650,975	589,862
Operating income				
Other income (expense):				
	343	309	780	652
Interest income				
	(34,779)	(11,546)	(59,291)	(73,910)
Interest expense				
	115,547	2,072	30,523	(35,894)
Other income (expense), net				
	244,921	163,642	622,987	480,710
Income before income taxes				
	55,815	23,815	130,379	81,873
Provision for income taxes				

	<u>189,106</u>	<u>139,827</u>	<u>492,608</u>	<u>398,837</u>
Net income				
	1,696	2,249	6,382	7,855
Less: Net income attributable to noncontrolling interests				
	<u>\$ 187,410</u>	<u>\$137,578</u>	<u>\$ 486,226</u>	<u>\$ 390,982</u>
Net income attributable to common shareholders				
Earnings per common share				
Net income attributable to common shareholders:				
	\$ 3.68	\$ 2.73	\$ 9.57	\$ 7.77
Basic				
	\$ 3.65	\$ 2.67	\$ 9.48	\$ 7.60
Diluted				
Weighted-average number of common shares outstanding;				
	50,906	50,471	50,812	50,293
Basic				
	51,377	51,555	51,301	51,425
Diluted				

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

SCHEDULE 2
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except per share amounts)

	<u>December 31, 2022</u>	<u>December 25, 2021</u>
Assets		
Current assets:		
	\$ 233,912	\$ 241,214
Cash and cash equivalents		
	752,390	642,881
Trade receivables and contract assets, net of allowances for credit losses of \$11,278 and \$7,180, respectively		
	255,809	199,146
Inventories		

	89,341	93,543
Prepaid assets		
	107,580	97,311
Other current assets		
	<u>1,439,032</u>	<u>1,274,095</u>
Total current assets		
	1,465,655	1,291,068
Property, plant and equipment, net		
	311,602	201,352
Venture capital and strategic equity investments		
	391,762	292,941
Operating lease right-of-use assets, net		
	2,849,903	2,711,881
Goodwill		
	955,275	1,061,192
Intangible assets, net		
	41,262	40,226
Deferred tax assets		
	148,279	151,537
Other assets		
	<u>\$7,602,770</u>	<u>\$7,024,292</u>
Total assets		
	<u><u> </u></u>	<u><u> </u></u>
Liabilities, Redeemable Noncontrolling Interests and Equity		
Current liabilities:		
	205,915	198,130
Accounts payable		
	197,078	246,119
Accrued compensation		
	264,259	219,703
Deferred revenue		
	219,758	228,797
Accrued liabilities		
	204,575	140,436
Other current liabilities		
	<u> </u>	<u> </u>

	1,091,585	1,033,185
Total current liabilities		
	2,707,531	2,663,564
Long-term debt, net and finance leases		
	389,745	252,972
Operating lease right-of-use liabilities		
	215,582	239,720
Deferred tax liabilities		
	174,822	242,859
Other long-term liabilities		
	4,579,265	4,432,300
Total liabilities		
	42,427	53,010
Redeemable noncontrolling interest		
Equity:		
Preferred stock, \$0.01 par value; 20,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 120,000 shares authorized; 50,944 shares issued and outstanding as of December 31, 2022 and 50,480 shares issued and outstanding as of December 25, 2021	509	505
	1,804,940	1,718,304
Additional paid-in capital		
	1,432,901	980,751
Retained earnings		
	—	—
Treasury stock, at cost, zero shares as of December 31, 2022 and December 25, 2021		
	(262,057)	(164,740)
Accumulated other comprehensive loss		
	2,976,293	2,534,820
Total equity attributable to common shareholders		
	4,785	4,162
Noncontrolling interests (nonredeemable)		
	2,981,078	2,538,982
Total equity		

	\$7,602,770	\$7,024,292
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Total liabilities, redeemable noncontrolling interests and equity

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

SCHEDULE 3
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Twelve Months Ended	
	December 31, 2022	December 25, 2021
Cash flows relating to operating activities		
	\$ 492,608	\$ 398,837
Net income		
Adjustments to reconcile net income to net cash provided by operating activities:		
	303,870	265,540
Depreciation and amortization		
	73,617	71,474
Stock-based compensation		
	4,118	29,964
Loss on debt extinguishment and amortization of other financing costs		
	(35,884)	(24,006)
Deferred income taxes		
	26,775	30,420
Loss (gain) on venture capital and strategic equity investments, net		
	6,706	1,657
Provision for credit losses		
	(123,405)	(25,026)
Gain on divestitures, net		
	(3,753)	(34,303)
Changes in fair value of contingent consideration arrangements		
	27,542	3,300
Other, net		
Changes in assets and liabilities:		
	(150,570)	(26,633)
Trade receivables and contract assets, net		

	(78,523)	(25,159)
Inventories		
	(2,652)	44,901
Accounts payable		
	(42,164)	44,304
Accrued compensation		
	57,658	(13,402)
Deferred revenue		
	30,457	16,925
Customer contract deposits		
	33,240	2,006
Other assets and liabilities, net		
	<u>619,640</u>	<u>760,799</u>
Net cash provided by operating activities		
Cash flows relating to investing activities		
	(283,392)	(1,293,095)
Acquisition of businesses and assets, net of cash acquired		
	(324,733)	(228,772)
Capital expenditures		
	(158,274)	(45,555)
Purchases of investments and contributions to venture capital investments		
	4,549	6,532
Proceeds from sale of investments		
	163,275	122,694
Proceeds from divestitures, net		
	(9,347)	264
Other, net		
	<u>(607,922)</u>	<u>(1,437,932)</u>
Net cash used in investing activities		
Cash flows relating to financing activities		
	2,952,430	6,951,113
Proceeds from long-term debt and revolving credit facility		
	25,110	45,652
Proceeds from exercises of stock options		

	(2,932,636)	(6,242,877)
Payments on long-term debt, revolving credit facility, and finance lease obligations	(38,651)	(40,707)
Purchase of treasury stock	—	(38,255)
Payment of debt extinguishment and financing costs	(10,356)	(2,328)
Payments of contingent consideration	(30,533)	—
Purchases of additional equity interests, net	(7,761)	—
Other, net	(42,397)	672,598
Net cash (used in) provided by financing activities	25,579	17,730
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(5,100)	13,195
Net change in cash, cash equivalents, and restricted cash	246,314	233,119
Cash, cash equivalents, and restricted cash, beginning of period	\$ 241,214	\$ 246,314
Cash, cash equivalents, and restricted cash, end of period		
Supplemental cash flow information:		
	\$ 233,912	\$ 241,214
Cash and cash equivalents	6,192	4,023
Restricted cash included in Other current assets	1,110	1,077
Restricted cash included in Other assets		
Cash, cash equivalents, and restricted cash, end of period	\$ 241,214	\$ 246,314
	\$ 75,909	\$ 75,441
Cash paid for income taxes		

\$ 100,754 \$ 70,775

Cash paid for interest

Non-cash investing and financing activities:

Purchases of Property, plant and equipment included in Accounts payable and \$ 88,612 \$ 72,043

Accrued liabilities

\$ 8,179 \$ 1,567

Assets acquired under finance leases

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

SCHEDULE 4

RECONCILIATION OF GAAP TO NON-GAAP

SELECTED BUSINESS SEGMENT INFORMATION (UNAUDITED)⁽¹⁾

(in thousands, except percentages)

	Three Months Ended		Twelve Months Ended	
	December 31, 2022	December 25, 2021	December 31, 2022	December 25, 2021
Research Models and Services				
	\$ 196,109	\$ 165,575	\$ 739,175	\$ 690,437
Revenue				
	37,111	40,188	160,410	166,814
Operating income				
	18.9 %	24.3 %	21.7 %	24.2 %
Operating income as a % of revenue				
Add back:				
	5,587	4,075	20,364	20,104
Amortization related to acquisitions				
	—	—	1,017	7
Severance				
	1,740	359	4,220	1,576
Acquisition related adjustments ⁽²⁾				
	\$ 7,327	\$ 4,434	\$ 25,601	\$ 21,687
Total non-GAAP adjustments to operating income				
	\$ 44,438	\$ 44,622	\$ 186,011	\$ 188,501
Operating income, excluding non-GAAP adjustments				

Non-GAAP operating income as a % of revenue	22.7 %	26.9 %	25.2 %	27.3 %
	\$ 13,449	\$ 9,673	\$ 49,274	\$ 39,123
Depreciation and amortization				
	\$ 10,897	\$ 31,667	\$ 44,136	\$ 61,188
Capital expenditures				
Discovery and Safety Assessment				
	\$ 691,677	\$ 534,136	\$ 2,447,316	\$ 2,107,231
Revenue				
	156,967	94,967	532,889	406,978
Operating income				
	22.7 %	17.8 %	21.8 %	19.3 %
Operating income as a % of revenue				
Add back:				
	19,901	19,933	83,154	84,740
Amortization related to acquisitions				
	—	(144)	433	1,016
Severance				
	3,934	8,016	(1,975)	4,374
Acquisition related adjustments ⁽²⁾				
	848	844	3,849	2,098
Site consolidation costs, impairments and other items ⁽³⁾				
	\$ 24,683	\$ 28,649	\$ 85,461	\$ 92,228
Total non-GAAP adjustments to operating income				
	\$ 181,650	\$ 123,616	\$ 618,350	\$ 499,206
Operating income, excluding non-GAAP adjustments				
	26.3 %	23.1 %	25.3 %	23.7 %
Non-GAAP operating income as a % of revenue				
	\$ 44,137	\$ 44,986	\$ 179,465	\$ 177,254
Depreciation and amortization				
	\$ 55,655	\$ 40,694	\$ 189,563	\$ 101,477
Capital expenditures				

Manufacturing Solutions

	\$ 212,057	\$ 205,339	\$ 789,569	\$ 742,492
Revenue				
	26,734	91,673	167,084	246,390
Operating income				
	12.6 %	44.6 %	21.2 %	33.2 %
Operating income as a % of revenue				
Add back:				
	10,030	5,390	43,416	23,304
Amortization related to acquisitions				
	958	1,278	1,577	3,622
Severance				
	10,004	(25,281)	5,813	(20,437)
Acquisition related adjustments ⁽²⁾				
	5,875	217	9,556	1,331
Site consolidation costs, impairments and other items ⁽³⁾				
	<u>\$ 26,867</u>	<u>\$(18,396)</u>	<u>\$ 60,362</u>	<u>\$ 7,820</u>
Total non-GAAP adjustments to operating income				
	<u>\$ 53,601</u>	<u>\$ 73,277</u>	<u>\$ 227,446</u>	<u>\$ 254,210</u>
Operating income, excluding non-GAAP adjustments				
	25.3 %	35.7 %	28.8 %	34.2 %
Non-GAAP operating income as a % of revenue				
	\$ 19,463	\$ 11,721	\$ 72,950	\$ 46,195
Depreciation and amortization				
	\$ 21,688	\$ 24,869	\$ 87,084	\$ 58,877
Capital expenditures				
	\$ (57,002)	\$(54,021)	\$ (209,408)	\$ (230,320)

Unallocated Corporate Overhead

Add back:				
	—	224	1,061	73
Severance				
	2,149	1,343	10,508	30,354
Acquisition related adjustments ⁽²⁾				

	—	39	—	39
Other items ⁽³⁾				
Total non-GAAP adjustments to operating expense	\$ 2,149	\$ 1,606	\$ 11,569	\$ 30,466
Unallocated corporate overhead, excluding non-GAAP adjustments	\$ (54,853)	\$(52,415)	\$(197,839)	\$(199,854)
Total	\$1,099,843	\$905,050	\$3,976,060	\$3,540,160
Revenue	163,810	172,807	650,975	589,862
Operating income	14.9 %	19.1 %	16.4 %	16.7 %
Operating income as a % of revenue				
Add back:	35,518	29,398	146,934	128,148
Amortization related to acquisitions	958	1,358	4,088	4,718
Severance	17,827	(15,563)	18,566	15,867
Acquisition related adjustments ⁽²⁾	6,723	1,100	13,405	3,468
Site consolidation costs, impairments and other items ⁽³⁾				
Total non-GAAP adjustments to operating income	\$ 61,026	\$ 16,293	\$ 182,993	\$ 152,201
Operating income, excluding non-GAAP adjustments	\$ 224,836	\$189,100	\$ 833,968	\$ 742,063
Non-GAAP operating income as a % of revenue	20.4 %	20.9 %	21.0 %	21.0 %
	\$ 77,545	\$ 67,241	\$ 303,870	\$ 265,540
Depreciation and amortization	\$ 89,024	\$ 98,775	\$ 324,733	\$ 228,772
Capital expenditures				

- (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, fair value adjustments associated with contingent consideration arrangements, and an adjustment related to certain indirect tax liabilities.
- (3) Other items include certain third-party legal costs related to (a) an environmental litigation related to the Microbial business and (b) investigations by the U.S. government into the NHP supply chain applicable to our Safety Assessment business.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

SCHEDULE 5

RECONCILIATION OF GAAP EARNINGS TO NON-GAAP EARNINGS (UNAUDITED)⁽¹⁾

(in thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	December 31, 2022	December 25, 2021	December 31, 2022	December 25, 2021
Net income attributable to common shareholders	\$ 187,410	\$ 137,578	\$ 486,226	\$ 390,982
Add back:				
Non-GAAP adjustments to operating income (Refer to previous schedule)	61,026	16,293	182,993	152,201
Write-off of deferred financing costs and fees related to debt financing	—	—	—	26,089
Venture capital and strategic equity investment losses, net	6,707	13,142	26,775	30,419
	(123,524)	(22,656)	(123,524)	(22,656)
Gain on divestitures ⁽²⁾	1,080	—	5,285	(2,942)
Other ⁽³⁾				
Tax effect of non-GAAP adjustments:				
Non-cash tax provision related to international financing structure ⁽⁴⁾	1,024	1,028	4,648	4,809

	(382)	—	(382)	10,036
Enacted tax law changes				
Tax effect of the remaining non-GAAP adjustments	19,529	(16,936)	(11,399)	(58,404)
Net income attributable to common shareholders, excluding non-GAAP adjustments	<u>\$ 152,870</u>	<u>\$ 128,449</u>	<u>\$ 570,622</u>	<u>\$ 530,534</u>
Weighted average shares outstanding - Basic	50,906	50,471	50,812	50,293
Effect of dilutive securities:				
Stock options, restricted stock units and performance share units	471	1,084	489	1,132
Weighted average shares outstanding - Diluted	<u>51,377</u>	<u>51,555</u>	<u>51,301</u>	<u>51,425</u>
Earnings per share attributable to common shareholders:				
Basic	\$ 3.68	\$ 2.73	\$ 9.57	\$ 7.77
Diluted	\$ 3.65	\$ 2.67	\$ 9.48	\$ 7.60
Basic, excluding non-GAAP adjustments	\$ 3.00	\$ 2.55	\$ 11.23	\$ 10.55
Diluted, excluding non-GAAP adjustments	\$ 2.98	\$ 2.49	\$ 11.12	\$ 10.32

(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) Adjustments included in 2022 relate to the gain on sale of our Avian business. Adjustments included in 2021 relate to the preliminary gain on sale of our RMS Japan business as well as a gain on an immaterial divestiture.

- (3) Adjustments included in 2022 primarily relate to a purchase price adjustment in connection with the 2021 divestiture of RMS Japan, a loss on the termination of a Canadian pension plan, and the reversal of an indemnification asset related to a prior acquisition. Adjustment included in 2021 relates to the finalization of an annuity purchase related to the termination of our U.S. pension plan.
- (4) 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.

SCHEDULE 6
RECONCILIATION OF GAAP REVENUE GROWTH
TO NON-GAAP REVENUE GROWTH, ORGANIC (UNAUDITED) ⁽¹⁾

Three Months Ended December 31, 2022	Total CRL	RMS Segment	DSA Segment	MS Segment
	21.5%	18.4 %	29.5%	3.3%
Revenue growth, reported	4.4%	5.2 %	3.9%	4.8%
Decrease due to foreign exchange	(1.8)%	(10.1)%	—%	—%
Contribution from acquisitions ⁽²⁾	0.5%	1.8%	—%	1.2%
Impact of divestitures ⁽³⁾	(5.8)%	(4.5)%	(6.9)%	(4.0)%
Effect of 53 rd week in fiscal year 2022	18.8%	10.8%	26.5%	5.3%
Non-GAAP revenue growth, organic ⁽⁴⁾				
Twelve Months Ended December 31, 2022	Total CRL	RMS Segment	DSA Segment	MS Segment
	12.3%	7.1%	16.1%	6.3%
Revenue growth, reported	3.5%	3.3%	3.3%	4.4%
Decrease due to foreign exchange				

	(2.6)%	(6.5)%	(0.1)%	(5.9)%
Contribution from acquisitions ⁽²⁾				
	1.7%	6.2%	—%	1.6%
Impact of divestitures ⁽³⁾				
	(1.5)%	(1.1)%	(1.8)%	(1.1)%
Effect of 53 rd week in fiscal year 2022				
	13.4%	9.0%	17.5%	5.3%
Non-GAAP revenue growth, organic ⁽⁴⁾				

(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) The contribution from acquisitions reflects only completed acquisitions.

(3) The Company sold our Avian business on December 20, 2022. The Company sold both our RMS Japan operations and our gene therapy CDMO site in Sweden on October 12, 2021. These adjustments represent the revenue from these businesses for all applicable periods in 2022 and 2021.

(4) Organic revenue growth is defined as reported revenue growth adjusted for acquisitions, divestitures, the 53rd week, and foreign exchange.

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Source: Charles River Laboratories International, Inc.

Stock Quote

CRL (common)

Price	\$226.33
Change (%)	+3.41 (0.00%)
Volume	428,005
Exchange	NYSE
Data as of 03/02/23 4:10 pm EST	
Data Provided by Refinitiv.	
Minimum 15 minutes delayed.	

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