charles river

Meeting with Management

Financial Overview

Flavia Pease

Corporate Executive Vice President & Chief Financial Officer

September 21, 2023

2Q23 Performance and 2023 Guidance

($ in millions, except per share data)	2Q23	2Q22	%Δ	Organic CC %Δ
RMS	$209.9	$186.4	12.6%	13.9%
DSA	$663.5	$591.9	12.1%	11.7%
Manufacturing	$186.5	$194.8	(4.2)%	6.6%
Revenue	$1,059.9	$973.1	8.9%	11.2%
GAAP OM%	15.6%	19.3%	(370) bps	
Non-GAAP OM%	20.4%	21.8%	(140) bps	
GAAP EPS	$1.89	$2.13	(11.3)%	
Non-GAAP EPS	$2.69	$2.77	(2.9)%	

2023 Guidance

Reported Revenue Growth

2.5% - 4.5%

Organic Revenue Growth

5.5% - 7.5%

Non-GAAP Operating Margin

Flat to slightly lower vs. 21.0% in 2022

GAAP EPS

$7.60 - $8.20

Non-GAAP EPS

$10.30 - $10.90

Free Cash Flow

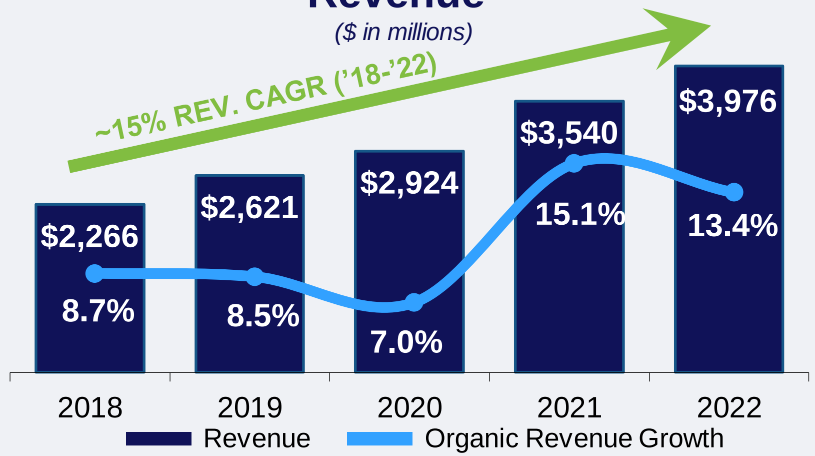
$330M - $380M

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

Strong Financial Results

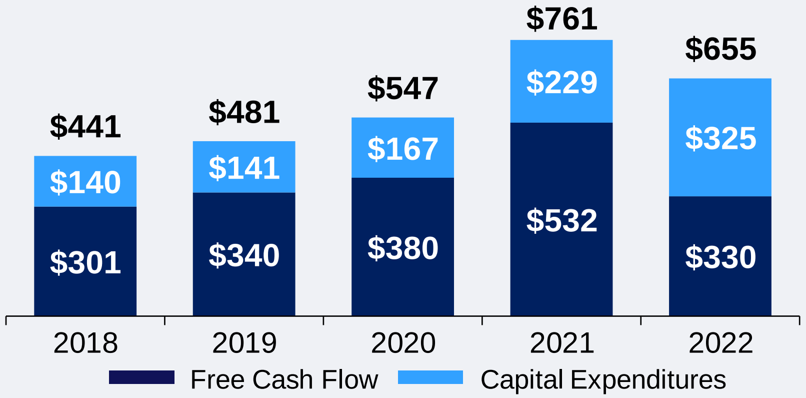
Revenue*

($ in millions)



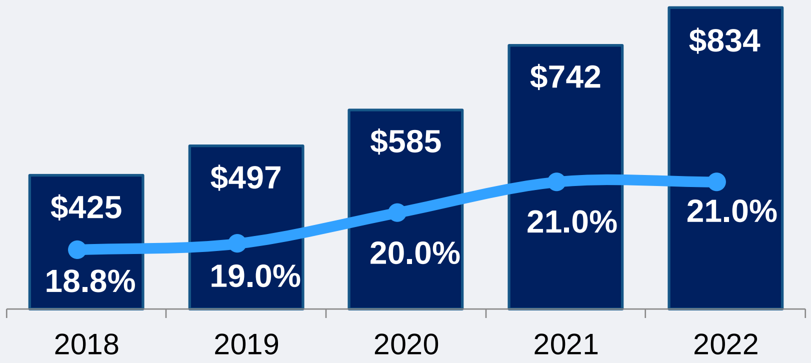
Operating & Free Cash Flow

($ in millions)

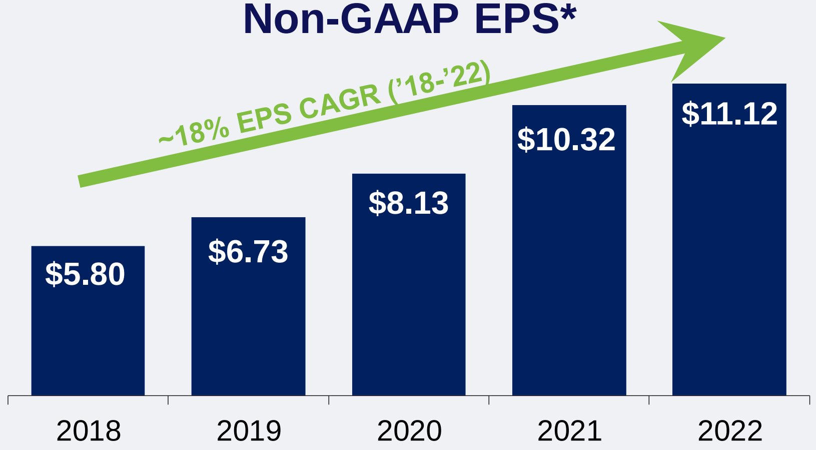


Non-GAAP Operating Income $/Margin %*

($ in millions, except margin amounts)



Non-GAAP EPS*



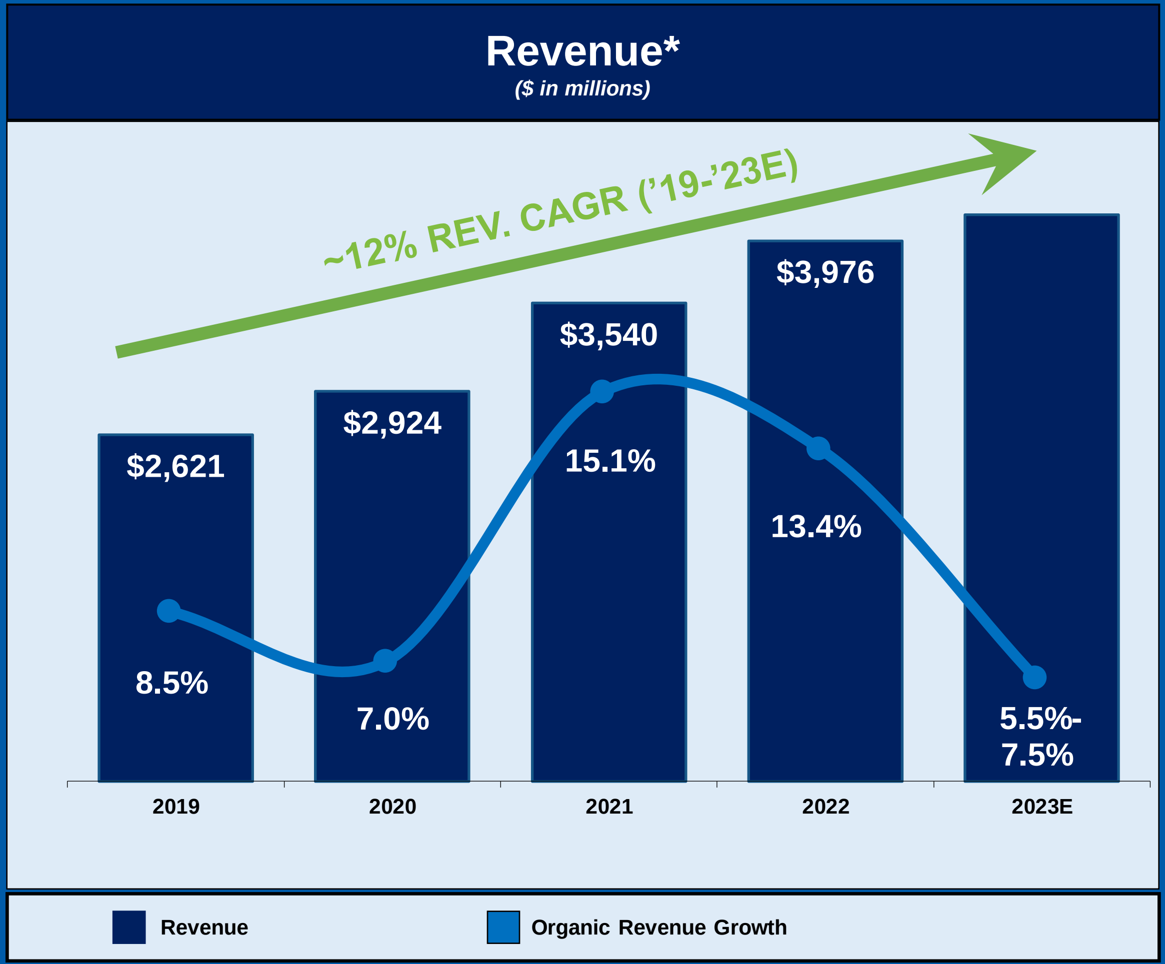
See ir.criver.com for reconciliations of GAAP to non-GAAP results.

** **Reported Revenue Growth (GAAP):** 2019: 15.7%; 2020: 11.5%; 2021: 21.1%; 2022: 12.3%; 2023E: 2.5%-4.5%; **GAAP Operating Income $/Margin %:** 2019: $351M / 13.4%; 2020: $433M / 14.8%; 2021: $590M / 16.7%; 2022: $651M / 16.4%; 2023E: Flat vs. 16.4% in 2022; **GAAP EPS:** 2019: $5.07; 2020: $7.20; 2021: $7.60; 2021: $9.48; 2023E: $7.60-$8.20.*

Strategic Plan Targets

Revenue target of 6%-8% organic revenue growth for 2023-2026E CAGR

- Expect continued, robust revenue growth based on essential nature of our non-clinical solutions and our leading position in high-growth sectors
- Moderated growth targets from 2021 Investor Day target to principally reflect:
  - Normalization of demand trends this year that are assumed to persist into 2024, including in the DSA segment
    - 2024 organic revenue growth expected to be modestly below our longer-term target
  - Reduced long-term outlook for Manufacturing segment
    - Lower COVID vaccine testing revenue (after 2021) and current demand environment for Biologics Testing
    - Slower, post-acquisition growth ramp for CDMO than anticipated in 2021



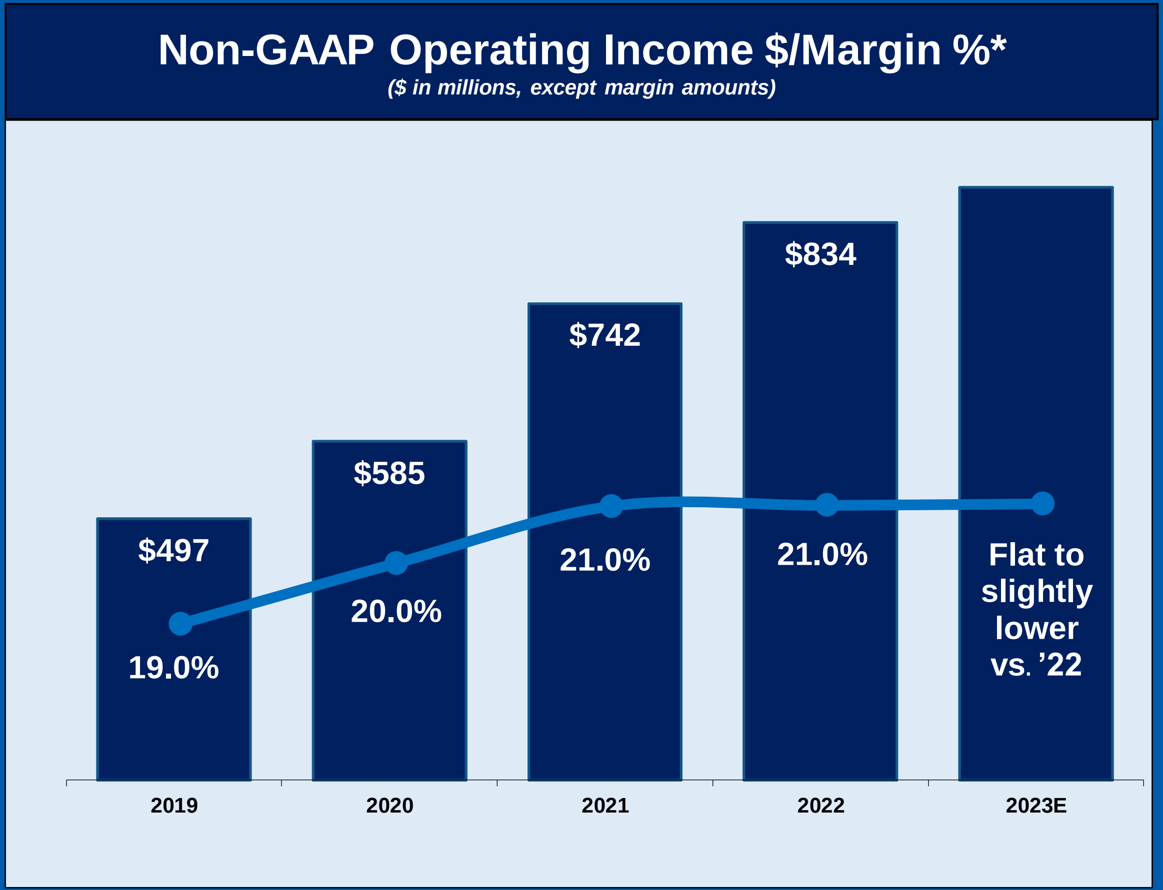
See ir.criver.com for reconciliations of GAAP to non-GAAP results.

Reported Revenue Growth (GAAP): 2019: 15.7%; 2020: 11.5%; 2021: 21.1%; 2022: 12.3%; 2023E: 2.5%-4.5%

Strategic Plan Targets

Targeting non-GAAP operating margin improvement of ~150 bps cumulatively through FY 2026

- Average[1] of ~50 bps of operating margin expansion per year beyond 2023 ([1]not linear)
  - Benefits of digital investments over the last several years and continued focus on driving operating efficiency will drive operating leverage across the Company
  - All segments expected to contribute to margin improvement



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

**** GAAP Operating Income $/Margin %: 2019: $351M / 13.4%; 2020: $433M / 14.8%; 2021: $590M / 16.7%; 2022: $651M / 16.4%; 2023E: Flat vs. 16.4% in 2022***

Operating Margin Improvement, con't.

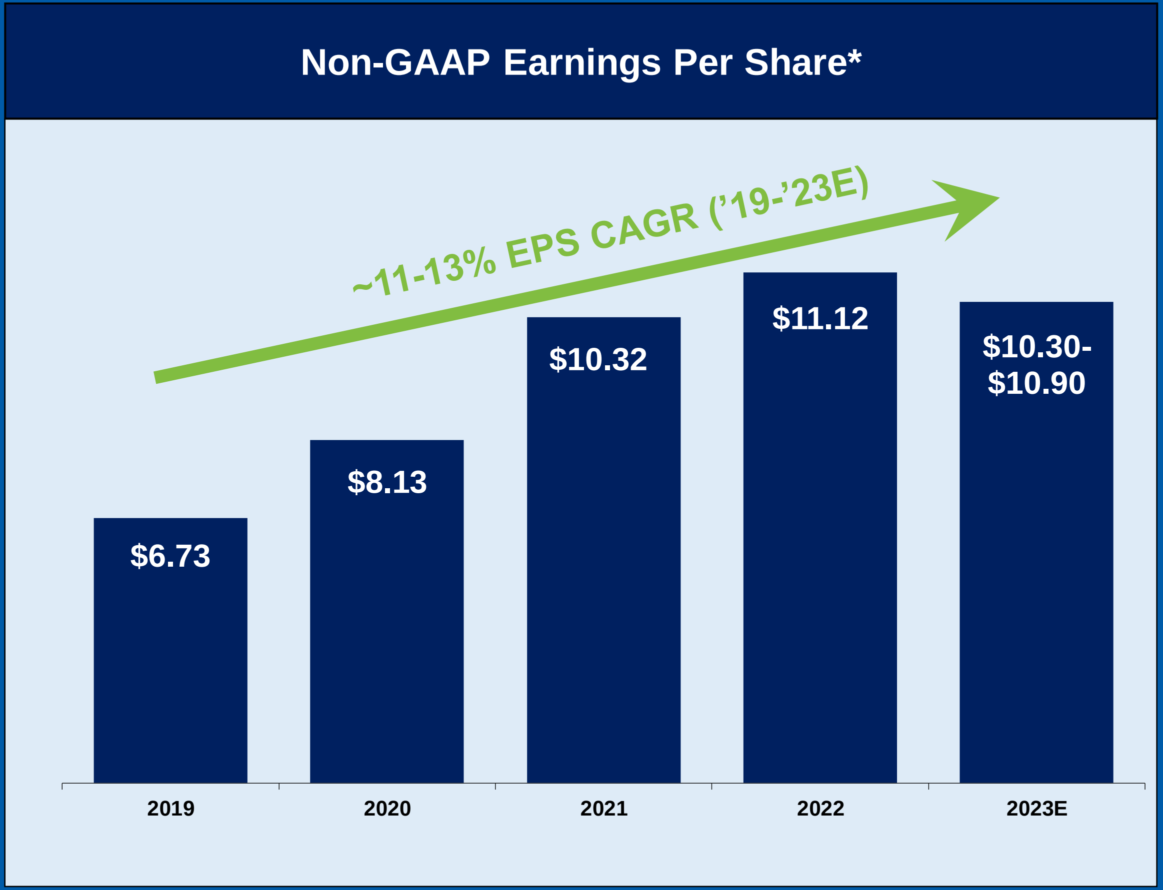
Targeting non-GAAP operating margin improvement of ~150 bps cumulatively through FY 2026

- Driving efficiency and aligning our operations with the pace of demand are hallmarks of Charles River
  - Enables us to generate meaningful margin improvement as revenue growth normalizes from unprecedented 2021-22 levels
- Manufacturing segment expected to be the largest contributor to operating margin improvement
  - Operating leverage in Biologics Testing business as revenue growth rebounds from 2023 levels
  - Increased volume and scale of CDMO business will generate more balanced economies of scale
- RMS operating margin will benefit from efforts to drive further efficiency and better utilization at new CRADL™ and RMS China sites opened in 2022 and 2023
  - Also intend to review profitability of certain Insourcing Solutions contracts
- DSA operating margin improvement will be driven by initiatives to better leverage key resources, including staff, infrastructure, and digital solutions
  - Examples include: Room scheduling optimization, digital initiatives including Apollo™ and digital pathology, and enhanced automation
  - In addition, some moderation of NHP price increases has been factored into our longer-term targets

Strategic Plan Targets

Non-GAAP EPS growth will exceed revenue growth

- Expect non-GAAP EPS growth to average in the >10% range from 2023-2026E CAGR
  - Driven by operating margin expansion and leverage of below-the-line costs
- Interest expense and tax rate are expected to be less of a headwind than in 2021-2023 period
  - Forecasting mid-20% tax rate based on current global tax legislation
- Expect unallocated corporate costs to remain ~5% of total revenue
  - Digital and global functional efficiency initiatives will drive cost savings and offset continued investments in these areas



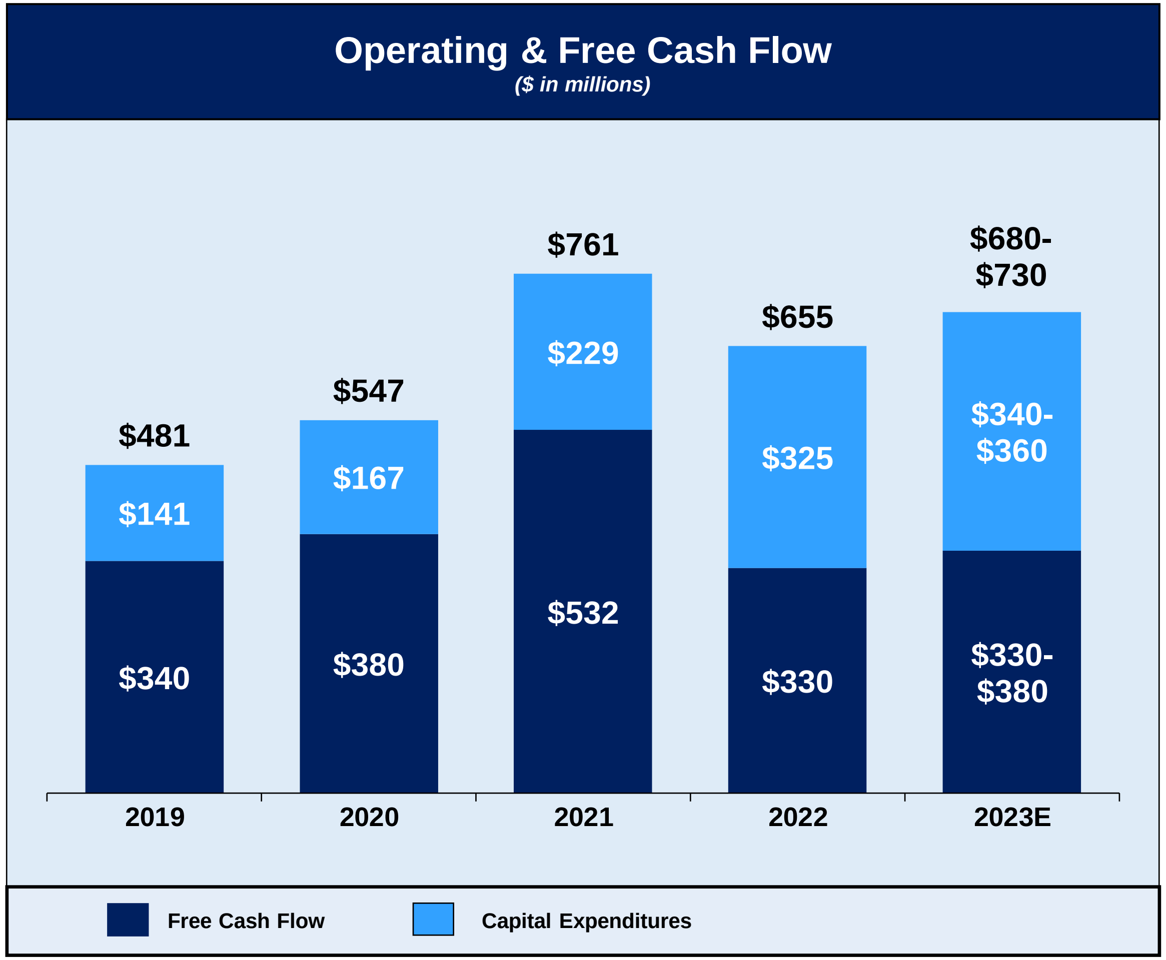
See ir.criver.com for reconciliations of GAAP to non-GAAP results.

** GAAP EPS: 2019: $5.07; 2020: $7.20; 2021: $7.60; 2021: $9.48; 2023E: $7.60-$8.20*

Robust Cash Flow Generation

Cash flow generation is a hallmark of CRL

- Operating cash flow expected to increase at a 9-11% CAGR from 2019-2023E
- Free cash flow generation has been pressured by capital investments to scale platform to accommodate significant increase in demand
  - 15% reported revenue CAGR from 2019-2022
  - Capex averaging 8.0-8.5% of revenue in 2022 & 2023E
- Capital requirements are expected to moderate from 2024-2026
  - Expected to average 7-8% of revenue
- Committed to aligning capital investments with current and future demand expectations
  - Intend to modestly expand capacity and invest in growth initiatives to continue to support robust, future growth opportunities



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

Capital Structure

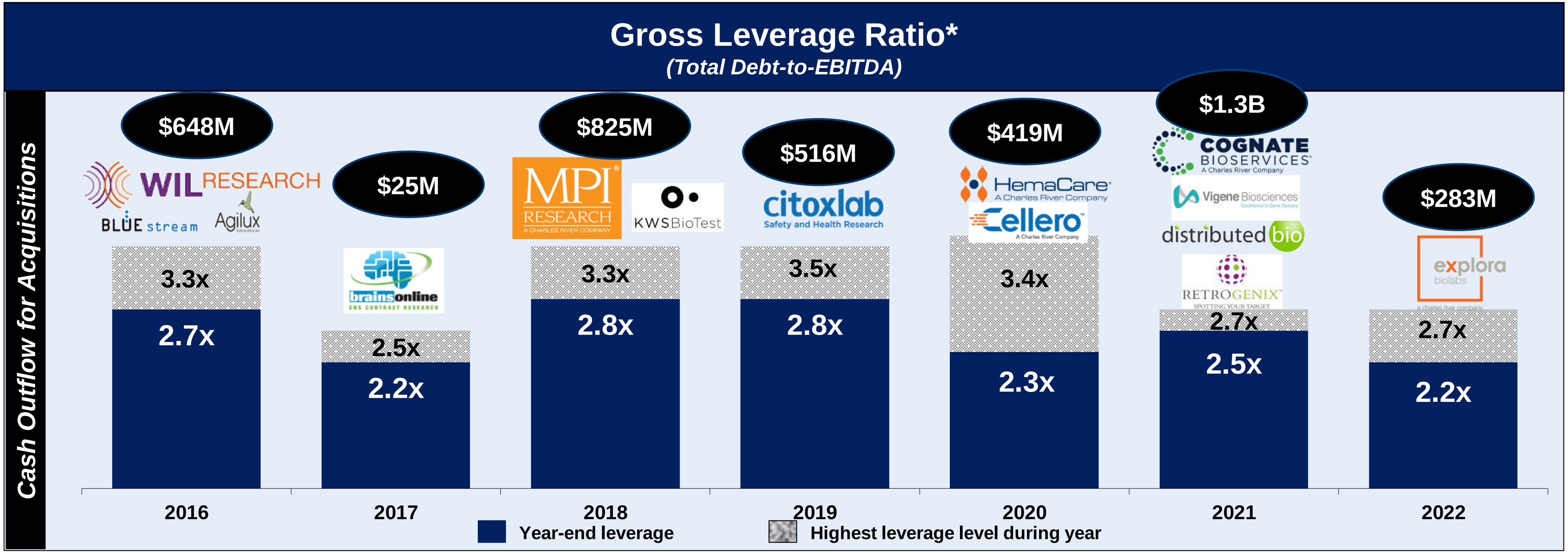
Continue to optimize debt structure

- Advantageous capital structure with $1.5B in fixed-rate bonds with average rate of 4% and maturities starting in 2028
- Interest rate swap for $500M of USD Revolver through November 2024 locked in a higher portion of debt at a fixed rate in the near term
  - Fixed/Floating ~75%/25%
- Sufficient borrowing capacity to support strategic initiatives, including M&A strategy
- In the near term, intend to continue to focus on debt repayment
  - Beneficial in current macroeconomic environment with rising interest rates
  - Also allows us to retain “dry powder” for strategic M&A over the longer term

CRL Capitalization *($ in millions)*	**7/1/2023**
4.25% Senior Notes due 2028	$500
3.75% Senior Notes due 2029	$500
4.00% Senior Notes due 2031	$500
Revolving credit facility (April 2026)	$668
Fixed portion of USD revolver (Nov 2024)	$500
Finance leases & other	$14
Total debt *(short & long-term)*	**$2,682**
Additional borrowing capacity	~$1,810

Track Record of Debt Repayment and Deleveraging

- Near-term capital priorities focused on **debt repayment**
  - Continue to view **strategic M&A** as our top, long-term capital priority
  - Do not intend to repurchase shares at this time, but regularly evaluate internally and with SPCAC committee of our Board
- Gross leverage ratio historically **below 3.5x**
  - Below 3x in recent years
  - Confident in our ability to quickly repay debt



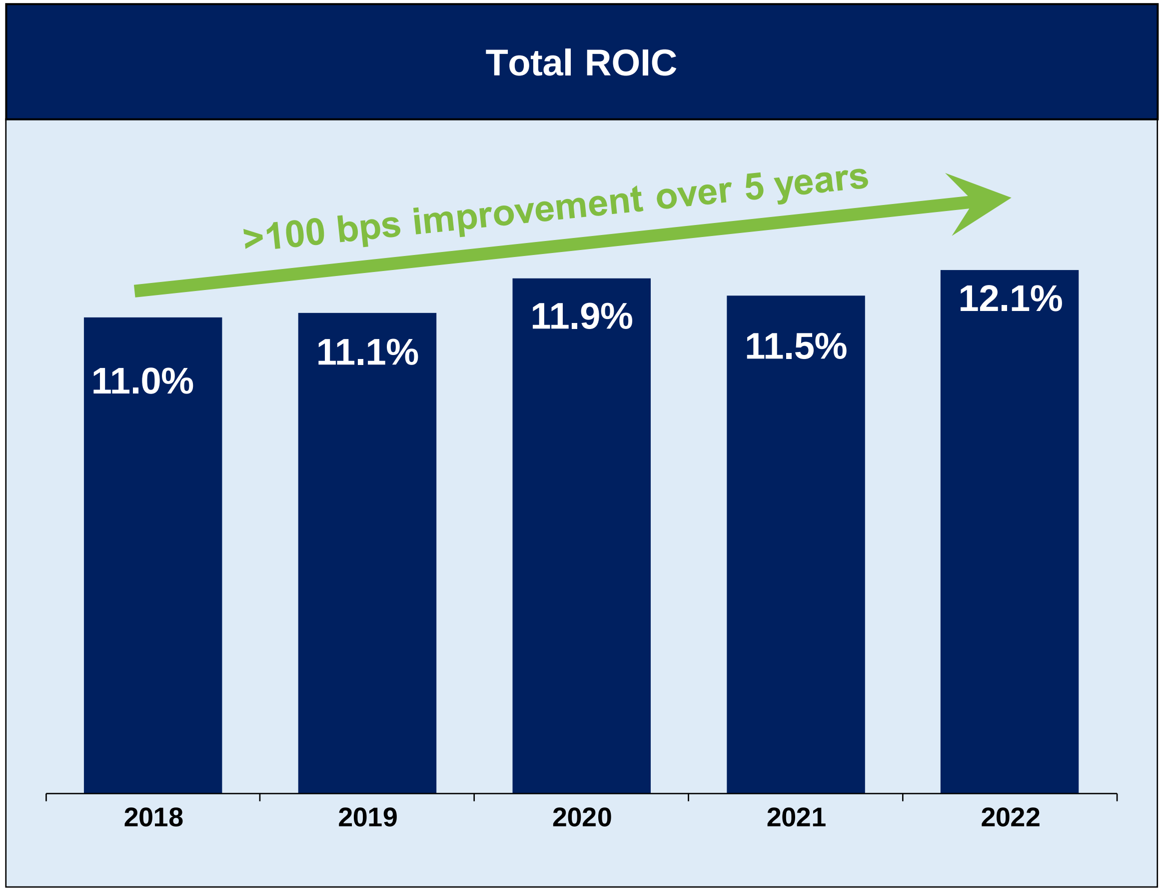
See ir.criver.com for reconciliations of GAAP to non-GAAP results.

* Leverage ratio calculated pursuant to the covenants of our credit agreement. Solid blue bars represent year-end leverage ratio. Shaded areas represent highest leverage ratio for the year, including pro forma leverage ratio immediately following an acquisition.

Disciplined Capital Deployment Strategy

Strategic M&A remains top priority of our long-term growth strategy

- Measure all M&A against investment criteria of:
  - Target healthy businesses that we expect to be neutral to accretive on a non-GAAP basis in Year 1
  - ROIC meets or exceeds cost of capital between Years 3 to 5
- Our ROIC target reflects current M&A environment
  - Focus on higher-growth, emerging sectors to enhance our scientific expertise in advanced drug modalities
  - Intend to achieve ROIC target earlier than Year 5 for M&A opportunities in lower-growth, established sectors
- Goal of our long-term capital deployment strategy is to continue to generate shareholder value and enhance returns



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

charles river

CRL
LISTED
NYSE