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DELTA REPORT

10-Q

CRL - CHARLES RIVER LABORATORIE

10-Q - JUNE 29, 2024 COMPARED TO 10-Q - MARCH 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 592

█ **CHANGES** 187

█ **DELETIONS** 167

█ **ADDITIONS** 238

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED **March 30, 2024** **June 29, 2024**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

Commission File No. 001-15943



CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

06-1397316

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

251 Ballardvale Street
Wilmington, Massachusetts 01887
(Address of Principal Executive Offices) (Zip Code)

(Registrant's telephone number, including area code): **(781) 222-6000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker symbol(s)	Name of each exchange on which registered
Common stock, \$0.01 par value	CRL	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by a check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of **April 27, 2024** **July 27, 2024**, there were **51,511,687** **51,630,726** shares of the Registrant's common stock outstanding.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 30, JUNE 29, 2024

TABLE OF CONTENTS

Item	Page	Item	Page
PART I - FINANCIAL INFORMATION			
1			
Condensed Consolidated Statements of Income (Unaudited) for the three months ended March 30, 2024 and April 1, 2023			
Condensed Consolidated Statements of Income (Unaudited) for the three months ended March 30, 2024 and April 1, 2023			
Condensed Consolidated Statements of Income (Unaudited) for the three months ended March 30, 2024 and April 1, 2023	3		
Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the three months ended March 30, 2024 and April 1, 2023	4		
Condensed Consolidated Balance Sheets (Unaudited) as of March 30, 2024 and December 30, 2023	5		
Condensed Consolidated Statements of Cash Flows (Unaudited) for the three months ended March 30, 2024 and April 1, 2023	6		
Condensed Consolidated Statements of Changes in Equity and Redeemable Noncontrolling Interests (Unaudited) for the three months ended March 30, 2024 and April 1, 2023	7		
Condensed Consolidated Statements of Income (Unaudited) for the three and six months ended June 29, 2024 and July 1, 2023			
Condensed Consolidated Statements of Income (Unaudited) for the three and six months ended June 29, 2024 and July 1, 2023			
Condensed Consolidated Statements of Income (Unaudited) for the three and six months ended June 29, 2024 and July 1, 2023	3		
Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the three and six months ended June 29, 2024 and July 1, 2023	4		
Condensed Consolidated Balance Sheets (Unaudited) as of June 29, 2024 and December 30, 2023	5		
Condensed Consolidated Statements of Cash Flows (Unaudited) for the six months ended June 29, 2024 and July 1, 2023	6		
Condensed Consolidated Statements of Changes in Equity and Redeemable Noncontrolling Interests (Unaudited) for the three and six months ended June 29, 2024 and July 1, 2023	7		

Notes to Unaudited Condensed Consolidated Financial Statements		Notes to Unaudited Condensed Consolidated Financial Statements		Notes to Unaudited Condensed Consolidated Financial Statements	
2	2 Management's Discussion and Analysis of Financial Condition and Results of Operations	2	24	8	Management's Discussion and Analysis of Financial Condition and Results of Operations 27
	Overview	Overview		24	Overview 27
	Results of Operations	Results of Operations		25	Results of Operations 29
	Liquidity and Capital Resources	Liquidity and Capital Resources		29	Liquidity and Capital Resources 35
	Critical Accounting Policies and Estimates	Critical Accounting Policies and Estimates		31	Critical Accounting Policies and Estimates 38
	Recent Accounting Pronouncements	Recent Accounting Pronouncements		32	Recent Accounting Pronouncements 38
3	3 Quantitative and Qualitative Disclosure About Market Risk 32	3	Quantitative and Qualitative Disclosure About Market Risk 38		
4	4 Controls and Procedures 32	4	Controls and Procedures 38		
PART II - OTHER INFORMATION					
1	1 Legal Proceedings 33	1	Legal Proceedings 39		
1A	1A Risk Factors 33	1A	Risk Factors 40		
2	2 Unregistered Sales of Equity Securities and Use of Proceeds 34	2	Unregistered Sales of Equity Securities and Use of Proceeds 40		
5	5 Other Information 34	5	Other Information 40		
6	6 Exhibits 35	6	Exhibits 41		
Signatures					
Signatures					
Signatures					
	36		42		

Special Note on Factors Affecting Future Results

This Quarterly Report on Form 10-Q contains forward-looking statements regarding future events and the future results of Charles River Laboratories International, Inc. that are based on our current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expect," "anticipate," "target," "goal," "project," "intend," "plan," "believe," "seek," "estimate," "will," "likely," "may," "designed," "would," "future," "can," "could," and other similar expressions which are predictions of, indicate future events and trends or which do not relate to historical matters, are intended to identify such forward-looking statements. These statements are based on our current expectations and beliefs and involve a number of risks, uncertainties and assumptions that are difficult to predict.

For example, we may use forward-looking statements when addressing topics such as: our expectations regarding the availability of non-human primates and our ability to diversify our non-human primate (NHP) supply chain; the outcome of (1) the U.S. government investigations and inquiries related to the NHP supply chain (including shipments of non-human primates from Cambodia received by the Company, (2) the putative securities class action lawsuit filed against us and certain current/former officers on May 19, 2023, and (3) the derivative lawsuit filed against members of the Board of Directors and certain current/former officers on November 8, 2023, and (4) the derivative lawsuit filed against certain current/former members of the Board of Directors and certain current/former officers on August 2, 2024; the timing and impact of the development and implementation of enhanced procedures to reasonably ensure that non-human primates we source are purpose-bred; changes and uncertainties in the global economy and financial markets, including any changes in business, political, or economic conditions due to the November 16, 2022 announcement by the U.S. Department of Justice through the U.S. Attorney's Office for the Southern District of Florida that a Cambodian non-human primate supplier and two Cambodian officials had been criminally charged in connection with illegally importing non-human primates into the United States; client demand, particularly future demand for drug discovery and development products and services, including the outsourcing of these services; our expectations with respect to our ability to meet financial targets; our expectations regarding stock repurchases, including the number of shares to be repurchased, expected timing and duration, the amount of capital that may be expended and the treatment of repurchased shares; our ability to successfully execute our business strategy; our ability to timely build infrastructure to satisfy capacity needs and support business growth, our ability to fund our operations for the foreseeable future, the impact of unauthorized access into our information systems, including the timing and effectiveness of any enhanced security and monitoring present spending trends and other cost reduction activities by our clients; future actions by our management; the outcome of contingencies; changes in our business strategy, business practices and methods of generating revenue; the development and performance of our services and products; market and industry conditions, including competitive and pricing trends and the impact of those conditions, including on our allowances for credit losses; our strategic relationships with leading pharmaceutical and biotechnology companies, venture capital investments, and opportunities for future similar arrangements; our cost structure; our expectations regarding our acquisitions and divestitures, including their impact and projected timing; our expectations with respect to revenue growth and operating synergies (including the impact of specific actions intended to cause related improvements, particularly with respect to our CDMO business); the nature, timing and impact of specific actions intended to improve overall operating efficiencies and profitability (and our ability to accommodate future demand with our infrastructure), including actions to optimize our global footprint, and gains and losses attributable to businesses we plan to close, consolidate, divest or repurpose and the impact of operations and cost structure alignment efforts restructuring actions (including as estimated on an annualized basis); our expectations with respect to our study cancellation rates and the impact of such

cancellations; our expectations with respect to tax benefits; changes in our expectations regarding future stock option, restricted stock, performance share units and other equity grants to employees and directors; expectations with respect to foreign currency exchange; assessing (or changing our assessment of) our tax positions for financial statement purposes; our liquidity; and the impact of litigation, including our ability to successfully defend litigation against us. In addition, these statements include the impact of economic and market conditions on us and our clients, the effects of our cost-saving actions and the steps to optimize returns to shareholders on an effective and timely basis; and our ability to withstand the current market conditions.

Forward-looking statements are predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document, or in the case of statements incorporated by reference, on the date of the document incorporated by reference. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in our Annual Report on Form 10-K for the year ended December 30, 2023, under the sections entitled "Our Strategy," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in this Quarterly Report on Form 10-Q, under the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors," in our press releases, and other financial filings with the Securities and Exchange Commission. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or risks. New information, future events, or risks may cause the forward-looking events we discuss in this report not to occur.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(in thousands, except per share amounts)

	Three Months Ended	Three Months Ended		Six Months Ended	
	March 30, 2024	April 1, 2023	June 29, 2024	July 1, 2023	June 29, 2024
Service revenue					
Product revenue					
Total revenue					
Costs and expenses:					
Cost of services provided (excluding amortization of intangible assets)					
Cost of services provided (excluding amortization of intangible assets)					
Cost of services provided (excluding amortization of intangible assets)					
Cost of products sold (excluding amortization of intangible assets)					
Selling, general and administrative					
Amortization of intangible assets					
Operating income					
Other income (expense):					
Interest income					
Interest income					
Interest income					
Interest expense					
Other income (expense), net					
Income before income taxes					
Provision for income taxes					
Net income					
Less: Net income attributable to noncontrolling interests					
Net income available to Charles River Laboratories International, Inc.					
Calculation of net income per share attributable to common shareholders of Charles River Laboratories International, Inc.					
Calculation of net income per share attributable to common shareholders of Charles River Laboratories International, Inc.					
Calculation of net income per share attributable to common shareholders of Charles River Laboratories International, Inc.					
Net income available to Charles River Laboratories International, Inc.					
Net income available to Charles River Laboratories International, Inc.					
Net income available to Charles River Laboratories International, Inc.					
Less: Adjustment of redeemable noncontrolling interest					
Less: Incremental dividends attributable to noncontrolling interest holders					

Net income available to Charles River Laboratories International, Inc. common shareholders

Earnings per common share

Earnings per common share

Earnings per common share

Net income attributable to common shareholders:

Net income attributable to common shareholders:

Net income attributable to common shareholders:

Basic

Basic

Basic

Diluted

Weighted-average number of common shares outstanding:

Weighted-average number of common shares outstanding:

Weighted-average number of common shares outstanding:

Basic

Basic

Basic

Diluted

See Notes to Unaudited Condensed Consolidated Financial Statements.

See Notes to Unaudited Condensed Consolidated Financial Statements.

See Notes to Unaudited Condensed Consolidated Financial Statements.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(in thousands)

	Three Months Ended	Three Months Ended	Six Months Ended
	Three Months Ended	Three Months Ended	Three Months Ended
	March 30, 2024	April 1, 2023	July 1, 2023
Net income	June 29, 2024	July 1, 2023	June 29, 2024
Other comprehensive income (loss):			July 1, 2023
Foreign currency translation adjustment			
Foreign currency translation adjustment			
Foreign currency translation adjustment			
Amortization of net loss, settlement losses, and prior service benefit included in total cost for pension and other post-retirement benefit plans			
Unrealized gains (losses) on hedging instruments			
Other comprehensive income (loss), before income taxes			
Less: Income tax benefit related to items of other comprehensive income			
Less: Income tax expense (benefit) related to items of other comprehensive income			
Comprehensive income, net of income taxes			
Less: Comprehensive income (loss) related to noncontrolling interests, net of income taxes			
Comprehensive income attributable to Charles River Laboratories International, Inc., net of income taxes			
See Notes to Unaudited Condensed Consolidated Financial Statements.			
See Notes to Unaudited Condensed Consolidated Financial Statements.			
See Notes to Unaudited Condensed Consolidated Financial Statements.			

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except per share amounts)

	March 30, 2024
	June 29, 2024
Assets	
Assets	
Assets	
Current assets:	
Current assets:	
Current assets:	
Cash and cash equivalents	
Cash and cash equivalents	
Cash and cash equivalents	
Trade receivables and contract assets, net of allowances for credit losses of \$25,407 and \$25,722, respectively	
Trade receivables and contract assets, net of allowances for credit losses of \$25,407 and \$25,722, respectively	
Trade receivables and contract assets, net of allowances for credit losses of \$25,407 and \$25,722, respectively	
Trade receivables and contract assets, net of allowances for credit losses of \$24,951 and \$25,722, respectively	
Trade receivables and contract assets, net of allowances for credit losses of \$24,951 and \$25,722, respectively	
Trade receivables and contract assets, net of allowances for credit losses of \$24,951 and \$25,722, respectively	
Inventories	
Inventories	
Inventories	
Prepaid assets	
Prepaid assets	
Prepaid assets	
Other current assets	
Other current assets	
Other current assets	
Total current assets	
Total current assets	
Total current assets	
Property, plant and equipment, net	
Property, plant and equipment, net	
Property, plant and equipment, net	
Venture capital and strategic equity investments	
Venture capital and strategic equity investments	
Venture capital and strategic equity investments	
Operating lease right-of-use assets, net	
Operating lease right-of-use assets, net	
Operating lease right-of-use assets, net	
Goodwill	
Goodwill	
Goodwill	

Intangible assets, net
Intangible assets, net
Intangible assets, net
Deferred tax assets
Deferred tax assets
Deferred tax assets
Other assets
Other assets
Other assets
Total assets
Total assets
Total assets
Liabilities, Redeemable Noncontrolling Interests and Equity
Liabilities, Redeemable Noncontrolling Interests and Equity
Liabilities, Redeemable Noncontrolling Interests and Equity
Current liabilities:
Current liabilities:
Current liabilities:
Accounts payable
Accounts payable
Accounts payable
Accrued compensation
Accrued compensation
Accrued compensation
Deferred revenue
Deferred revenue
Deferred revenue
Accrued liabilities
Accrued liabilities
Accrued liabilities
Other current liabilities
Other current liabilities
Other current liabilities
Total current liabilities
Total current liabilities
Total current liabilities
Long-term debt, net and finance leases
Long-term debt, net and finance leases
Long-term debt, net and finance leases
Operating lease right-of-use liabilities
Operating lease right-of-use liabilities
Operating lease right-of-use liabilities
Deferred tax liabilities
Deferred tax liabilities
Deferred tax liabilities
Other long-term liabilities
Other long-term liabilities
Other long-term liabilities
Total liabilities
Total liabilities
Total liabilities

Commitments and contingencies (Notes 2, 11, 13, and 15)
Commitments and contingencies (Notes 2, 11, 13, and 15)
Commitments and contingencies (Notes 2, 11, 13, and 15)
Redeemable noncontrolling interest
Redeemable noncontrolling interest
Redeemable noncontrolling interest
Equity:
Equity:
Equity:
Preferred stock, \$0.01 par value; 20,000 shares authorized; no shares issued and outstanding
Preferred stock, \$0.01 par value; 20,000 shares authorized; no shares issued and outstanding
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; 51,552 shares issued and 51,510 shares outstanding as of March 30, 2024, and 51,338 shares issued and outstanding as of December 30, 2023
Common stock, \$0.01 par value; 120,000 shares authorized; 51,552 shares issued and 51,510 shares outstanding as of March 30, 2024, and 51,338 shares issued and outstanding as of December 30, 2023
Common stock, \$0.01 par value; 120,000 shares authorized; 51,552 shares issued and 51,510 shares outstanding as of March 30, 2024, and 51,338 shares issued and outstanding as of December 30, 2023
Common stock, \$0.01 par value; 120,000 shares authorized; 51,696 shares issued and 51,613 shares outstanding as of June 29, 2024, and 51,338 shares issued and outstanding as of December 30, 2023
Common stock, \$0.01 par value; 120,000 shares authorized; 51,696 shares issued and 51,613 shares outstanding as of June 29, 2024, and 51,338 shares issued and outstanding as of December 30, 2023
Common stock, \$0.01 par value; 120,000 shares authorized; 51,696 shares issued and 51,613 shares outstanding as of June 29, 2024, and 51,338 shares issued and outstanding as of December 30, 2023
Additional paid-in capital
Additional paid-in capital
Additional paid-in capital
Retained earnings
Retained earnings
Retained earnings
Treasury stock, at cost, 42 and zero shares, as of March 30, 2024 and December 30, 2023, respectively
Treasury stock, at cost, 42 and zero shares, as of March 30, 2024 and December 30, 2023, respectively
Treasury stock, at cost, 42 and zero shares, as of March 30, 2024 and December 30, 2023, respectively
Treasury stock, at cost, 83 and zero shares, as of June 29, 2024 and December 30, 2023, respectively
Treasury stock, at cost, 83 and zero shares, as of June 29, 2024 and December 30, 2023, respectively
Treasury stock, at cost, 83 and zero shares, as of June 29, 2024 and December 30, 2023, respectively
Accumulated other comprehensive loss
Accumulated other comprehensive loss
Accumulated other comprehensive loss
Total Charles River Laboratories International, Inc. equity
Total Charles River Laboratories International, Inc. equity
Total Charles River Laboratories International, Inc. equity
Nonredeemable noncontrolling interests
Nonredeemable noncontrolling interests
Nonredeemable noncontrolling interests
Total equity
Total equity
Total equity
Total liabilities, noncontrolling interests and equity
Total liabilities, noncontrolling interests and equity
Total liabilities, noncontrolling interests and equity

See Notes to Unaudited Condensed Consolidated Financial Statements.

See Notes to Unaudited Condensed Consolidated Financial Statements.

See Notes to Unaudited Condensed Consolidated Financial Statements.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Three Months Ended		Six Months Ended		June 29, 2024	July 1, 2023
	March 30, 2024	April 1, 2023				
Cash flows relating to operating activities	Cash flows relating to operating activities		Cash flows relating to operating activities			
Net income						
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:		Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization						
Stock-based compensation						
Deferred income taxes						
Deferred income taxes						
Deferred income taxes						
Long-lived asset impairment charges						
(Gain) loss on venture capital and strategic equity investments, net						
(Gain) loss on venture capital & strategic equity investments, net						
Provision for credit losses						
Loss on divestitures, net						
Other, net						
Other, net						
Other, net						
Changes in assets and liabilities:	Changes in assets and liabilities:		Changes in assets and liabilities:			
Trade receivables and contract assets, net						
Inventories						
Accounts payable						
Accrued compensation						
Deferred revenue						
Customer contract deposits						
Other assets and liabilities, net						
Net cash provided by operating activities						
Cash flows relating to investing activities	Cash flows relating to investing activities		Cash flows relating to investing activities			
Acquisition of businesses and assets, net of cash acquired						
Capital expenditures						
Purchases of investments and contributions to venture capital investments						
Proceeds from sale of investments						
Other, net						
Other, net						
Other, net						
Net cash used in investing activities						
Cash flows relating to financing activities	Cash flows relating to financing activities		Cash flows relating to financing activities			
Proceeds from long-term debt and revolving credit facility						
Proceeds from exercises of stock options						
Payments on long-term debt, revolving credit facility, and finance lease obligations						

Purchase of treasury stock
Payments of contingent consideration
Purchases of additional equity interests, net
Other, net
Other, net
Net cash provided by financing activities
Net cash used in financing activities
Effect of exchange rate changes on cash, cash equivalents, and restricted cash
Net change in cash, cash equivalents, and restricted cash
Cash, cash equivalents, and restricted cash, beginning of period
Cash, cash equivalents, and restricted cash, end of period

See Notes to Unaudited Condensed Consolidated Financial Statements.

See Notes to Unaudited Condensed Consolidated Financial Statements.

See Notes to Unaudited Condensed Consolidated Financial Statements.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS (UNAUDITED)

(in thousands)

	Redeemable Noncontrolling Interests	Redeemable Noncontrolling Interests	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Charles River Laboratories, Inc. Equity	Noncontrolling Interest	Total Equity	Redeemable Noncontrol Interest
December 30, 2023											
Net income											
Other comprehensive (loss), net of tax											
Adjustment of redeemable noncontrolling interests to redemption value											
Dividends to noncontrolling interests											
Issuance of stock under employee compensation plans											
Purchase of treasury shares											
Stock-based compensation											
March 30, 2024											

	Redeemable Noncontrolling Interests	Accumulated						Total Charles River Laboratories, Inc. Equity	Noncontrolling Interest	Total Equity
		Additional Common Stock	Paid-In Capital	Retained Earnings	Other Comprehensive Income (Loss)	Treasury Stock				
Redeemable Noncontrolling Interests										
December 31, 2022										
December 31, 2022										
December 31, 2022										
Net income										
Other comprehensive income, net of tax										
Other comprehensive income (loss), net of tax										
Adjustment of redeemable noncontrolling interest to redemption value										
Dividends to noncontrolling interests										
Purchase of remaining equity interest of other redeemable noncontrolling interest										
Adjustment of purchase price of Noveprim redeemable noncontrolling interest										
Issuance of stock under employee compensation plans										
Purchase of treasury shares										
Stock-based compensation										
April 1, 2023										
June 29, 2024										

See Notes to Unaudited Condensed Consolidated Financial Statements.

See Notes to Unaudited Condensed Consolidated Financial Statements.

See Notes to Unaudited Condensed Consolidated Financial Statements.

Redeemable Noncontrolling Interests	Common Stock				Accumulated Other Comprehensive Income (Loss)		Treasury Stock		Total Charles River Laboratories, Inc. Equity		Noncontrolling Interest		Total Equity
	Shares		Amount	In Capital	Retained Earnings		Shares	Amount					
	\$	42,427	50,944	\$ 509	\$ 1,804,940	\$ 1,432,901	\$ (262,057)	—	\$ —	\$ 2,976,293	\$ 4,785	\$ 2,981,078	
December 31, 2022	\$	42,427	50,944	\$ 509	\$ 1,804,940	\$ 1,432,901	\$ (262,057)	—	\$ —	\$ 2,976,293	\$ 4,785	\$ 2,981,078	
Net income		322	—	—	—	103,131	—	—	—	103,131	501	103,632	
Other comprehensive income, net of tax		186	—	—	—	—	22,933	—	—	22,933	—	22,933	
Issuance of stock under employee compensation plans		—	316	3	11,789	—	—	—	—	11,792	—	11,792	
Purchase of treasury shares		—	—	—	—	—	—	78	(19,012)	(19,012)	—	(19,012)	
Stock-based compensation		—	—	—	13,460	—	—	—	—	13,460	—	13,460	
April 1, 2023		42,935	51,260	512	1,830,189	1,536,032	(239,124)	78	(19,012)	3,108,597	5,286	3,113,883	
Net income		1,857	—	—	—	97,020	—	—	—	97,020	566	97,586	
Other comprehensive income, net of tax		(2,345)	—	—	—	—	30,855	—	—	30,855	—	30,855	
Issuance of stock under employee compensation plans		—	110	1	3,926	—	—	—	—	3,927	—	3,927	
Purchase of treasury shares		—	—	—	—	—	—	26	(4,966)	(4,966)	—	(4,966)	
Stock-based compensation		—	—	—	16,270	—	—	—	—	16,270	—	16,270	
July 1, 2023	\$	42,447	51,370	\$ 513	\$ 1,850,385	\$ 1,633,052	\$ (208,269)	104	\$ (23,978)	\$ 3,251,703	\$ 5,852	\$ 3,257,555	

See Notes to Unaudited Condensed Consolidated Financial Statements.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements are unaudited and have been prepared by Charles River Laboratories International, Inc. (the Company) in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The year-end condensed consolidated balance sheet data was derived from the Company's audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for fiscal year 2023 as filed with the SEC on February 14, 2024. Certain reclassifications of prior year amounts have been made to conform to the current year presentation. The unaudited condensed consolidated financial statements, in the opinion of management, reflect all normal and recurring adjustments necessary for a fair statement of the Company's financial position and results of operations.

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in accordance with U.S. GAAP requires that the Company make estimates and judgments that may affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, judgments, and methodologies. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Changes in estimates are reflected in reported results in the period in which they become known.

Newly Issued Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, "Improvements to Reportable Segment Disclosures (Topic 280)". ASU 2023-07 modifies reportable segment disclosure requirements, primarily through enhanced disclosures about segment expenses categorized as significant or regularly provided to the Chief Operating Decision Maker (CODM). In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, and contain other disclosure requirements. The purpose of the amendments is to enable investors to better understand an entity's overall performance and assess potential future cash flows. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and the amendments in this update are required to be applied on a retrospective basis. The Company is currently evaluating the impact this new standard will have on the related disclosures in the annual consolidated financial statements, but does not believe there will be a material impact.

In December 2023, the FASB issued ASU 2023-09, "Improvements to Income Tax Disclosures (Topic 740)". ASU 2023-09 requires enhanced disclosures on income taxes paid, adds disaggregation of continuing operations before income taxes between foreign and domestic earnings and defines specific categories for the reconciliation of jurisdictional tax rate to effective tax rate. This ASU is effective for fiscal years beginning after December 15, 2024, and can be applied on a prospective basis. The Company is currently evaluating the impact this new standard will have on the related disclosures on the consolidated financial statements.

Summary of Significant Accounting Policies

The Company's significant accounting policies are described in Note 1, "Description of Business and Summary of Significant Accounting Policies" in the Company's Annual Report on Form 10-K for fiscal year 2023 as filed with the SEC on February 14, 2024.

Consolidation

The Company's unaudited condensed consolidated financial statements reflect its financial statements and those of its subsidiaries in which the Company holds a controlling financial interest. For consolidated entities in which the Company owns or is exposed to less than 100% of the economics, the Company records net income (loss) attributable to noncontrolling interests in its unaudited condensed consolidated statements of income equal to the percentage of the economic or ownership interest retained in such entities by the respective noncontrolling parties. Redeemable noncontrolling interests, where the noncontrolling interest holders have the ability to require the Company to purchase the remaining interests, are classified in the mezzanine section of the unaudited condensed consolidated balance sheets, which is presented above the equity section and below liabilities. Intercompany balances and transactions are eliminated in consolidation.

The Company's fiscal year is typically based on 52-weeks, with each quarter composed of 13 weeks ending on the last Saturday on, or closest to, March 31, June 30, September 30, and December 31. A 53rd week in the fourth quarter of the fiscal year is occasionally necessary to align with a December 31 calendar year-end.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC. NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Segment Reporting

The Company reports its results in three reportable segments: Research Models and Services (RMS), Discovery and Safety Assessment (DSA), and Manufacturing Solutions (Manufacturing).

The Company's RMS reportable segment includes the Research Models, Research Model Services, and Cell Solutions businesses. Research Models includes the commercial production and sale of small research models, as well as the supply of large research models. Research Model Services includes: Insourcing Solutions (IS), which provides colony management of clients' research operations (including recruitment, training, staffing, and management services) within the clients' facilities and utilizing the Charles River Accelerator and Development Lab (CRADL™) offering, which provides vivarium space to clients, Genetically Engineered Models and Services (GEMS), which performs contract breeding and other services associated with genetically engineered models, and Research Animal Diagnostic Services (RADS), which provides health monitoring and diagnostics services related to research models; and Cell Solutions, which supplies controlled, consistent, customized primary cells and blood components derived from normal and mobilized peripheral blood and bone marrow.

The Company's DSA reportable segment includes two businesses: Discovery Services and Safety Assessment. The Company provides regulated and non-regulated DSA services to support the research, development, and regulatory-required safety testing of potential new drugs, including therapeutic discovery and optimization plus *in vitro* and *in vivo* studies, laboratory support services, and strategic non-clinical consulting and program management to support product development.

The Company's Manufacturing reportable segment includes Microbial Solutions, which provides *in vitro* (non-animal) lot-release testing products, microbial detection products, and species identification services and Biologics Solutions (Biologics), which performs specialized testing of biologics (Biologics Testing Solutions) as well as contract development and manufacturing products and services (CDMO).

2. ACQUISITIONS AND DIVESTITURES

Fiscal 2023 Acquisition

Noveprim Group

On November 30, 2023, the Company completed the acquisition of an additional 41% equity interest of Noveprim Group (Noveprim), a leading supplier of non-human primates (NHPs) located in Mauritius, resulting in a 90% controlling interest. The Company had previously acquired a 49% equity interest in 2022 for \$90.0 million plus additional contingent payments up to \$5.0 million based on future performance. The total consideration allocable to the Noveprim acquisition is \$374.8 million \$392.4 million, which includes \$144.6 million additional cash paid for the 41% equity interest, elimination of historical activity and intercompany balances of \$198.8 million \$209.5 million which includes a remeasurement gain on the 49% equity investment of \$103.2 million \$113.0 million, contingent consideration of \$33.3 million, deferred purchase price of \$12.0 million payable from 2024 through 2027, offset by estimated post-closing adjustments for working capital of \$7.0 million. The purchase price reflected a preliminary agreement with seller on working capital and debt, which was adjusted from \$13.8 million to \$7.0 million during the quarter ended June 29, 2024. As a result of measurement period adjustments to the purchase price, goodwill and remeasurement gains on the previous 49% equity investment for the quarter ended June 29, 2024, were increased by \$17.6 million and \$9.8 million, respectively. The contingent consideration fair value is estimated using a Monte Carlo Simulation model and the maximum contingent contractual payments are up to \$55.0 million based on future performance and milestone achievements in fiscal years 2023 through 2025. The Company has the call option right to purchase the remaining 10% equity interest up until one month after the sixth anniversary of closing the 41% equity interest. On the first anniversary of the expiration of the call option, a 12-month put option will be triggered giving the seller the right to require the Company to acquire the remaining shares of the seller. The redemption price for the call/put is fixed and ranges from \$47.0 million to \$54.0 million depending on when exercised. The noncontrolling interest is classified as a redeemable noncontrolling interest in the mezzanine section of the unaudited condensed consolidated balance sheet. The acquisition was funded through a combination of available cash and proceeds from the Company's Credit Facility. This business is reported as part of the Company's DSA reportable segment for NHPs vertically integrated into the DSA supply chain and the RMS reportable segment for those NHPs sold to third party customers. The Company incurred transaction and integration costs in connection with the acquisition of \$0.2 million \$0.7 million and \$0.8 million \$1.4 million for the three months ended March 30, 2024 June 29, 2024 and April 1, 2023 July 1, 2023, respectively, which was primarily included in Selling, general and administrative expenses within the unaudited condensed consolidated statements of income. The Company incurred transaction and integration costs in connection with the acquisition of \$0.9 million and \$2.2 million for six months ended June 29, 2024 and July 1, 2023, respectively, which was primarily included in Selling, general and administrative expenses within the unaudited condensed consolidated statements of income.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC. NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SAMDI Tech, Inc.

On January 27, 2023, the Company acquired SAMDI Tech, Inc., (SAMDI), a leading provider of high-quality, label-free high-throughput screening (HTS) solutions for drug discovery research. The acquisition of SAMDI will provide clients with seamless access to the premier, label-free HTS MS platform and create a comprehensive, library of drug discovery solutions. The purchase price of SAMDI was \$62.8 million, net of \$0.4 million in cash, inclusive of a 20% strategic equity interest previously owned by the Company of \$12.6 million. The acquisition was funded through a combination of available cash and proceeds from the Company's Credit Facility. This business is reported as part of the Company's DSA reportable segment. No significant transaction and integration costs were incurred with the acquisition for the three and six months ended June 29, 2024. The Company did not incur

material incurred transaction and integration costs in connection with the acquisition of \$0.3 million for the three and six months ended March 30, 2024 July 1, 2023, respectively, which was primarily included in Selling, general and April 1, 2023.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

administrative expenses within the unaudited condensed consolidated statements of income.

Purchase price information

The purchase price allocation was as follows:

	Noveprim Group ⁽¹⁾	Noveprim Group ⁽¹⁾	SAMDI Tech, Inc.	Noveprim Group ⁽¹⁾	SAMDI Tech, Inc.
	November 30, 2023	November 30, 2023	January 27, 2023	November 30, 2023	January 27, 2023
					(in thousands)
Trade receivables					
Inventories					
Other current assets (excluding cash)					
Property, plant and equipment					
Operating lease right-of-use asset, net					
Goodwill ⁽²⁾					
Definite-lived intangible assets					
Other long-term assets ⁽³⁾					
Deferred revenue					
Other current liabilities					
Operating lease right-of-use liabilities (Long-term)					
Deferred tax liabilities					
Other long-term liabilities					
Redeemable noncontrolling interest ⁽⁴⁾					
Total purchase price allocation					
(1) Purchase price allocation is preliminary and subject to change as additional information becomes available concerning the fair value and tax basis of the assets acquired and liabilities assumed, including certain contracts, obligations, and finalization of any working capital adjustments. Any additional adjustments to the purchase price allocation will be made as soon as practicable but no later than one year from the date of acquisition.					
(2) Purchase price allocation is preliminary and subject to change as additional information becomes available concerning the fair value and tax basis of the assets acquired and liabilities assumed, including certain contracts, obligations, and finalization of any working capital adjustments. Any additional adjustments to the purchase price allocation will be made as soon as practicable but no later than one year from the date of acquisition.					
(3) Purchase price allocation is preliminary and subject to change as additional information becomes available concerning the fair value and tax basis of the assets acquired and liabilities assumed, including certain contracts, obligations, and finalization of any working capital adjustments. Any additional adjustments to the purchase price allocation will be made as soon as practicable but no later than one year from the date of acquisition.					
(4) The goodwill resulting from these transactions is primarily attributable to the potential growth of the Company's segments from new customers introduced to the acquired businesses or synergies to be realized from acquiring an internal supplier servicing the DSA business and the assembled workforce of the acquirees, thus is not deductible for tax purposes.					
(5) Other long-term assets acquired from the Noveprim acquisition include \$167.8 million of biological assets, which will be amortized over an estimated eight-year useful life.		(5) Other long-term assets acquired from the Noveprim acquisition include \$167.8 million of biological assets, which will be amortized over an estimated eight-year useful life.			
(6) Refer to Note 12. Equity and Noncontrolling Interests for further a description of the 10% noncontrolling interest fair value.					

The definite-lived intangible assets acquired were as follows:

	Noveprim Group	SAMDI Tech, Inc.
	(in thousands)	
Definite-Lived Intangible Assets		
Client relationships	\$ —	23,400
Other intangible assets	9,500	9,670
Total definite-lived intangible assets	\$ 9,500	\$ 33,070

Weighted Average Amortization Life	(in years)	
Client relationships	—	15
Other intangible assets	7	7
Total definite-lived intangible assets	7	12

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

The following table disaggregates the Company's revenue by major business line and timing of transfer of products or services:

	Three Months Ended	Three Months Ended	Three Months Ended	Six Months Ended
	Three Months Ended	Three Months Ended	March 30, 2024	April 1, 2023
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
(in thousands)				
Timing of Revenue Recognition:				
RMS				
RMS				
RMS				
Services and products transferred over time				
Services and products transferred over time				
Services and products transferred over time				
Services and products transferred at a point in time				
Total RMS revenue				
DSA				
Services and products transferred over time				
Services and products transferred over time				
Services and products transferred over time				
Services and products transferred at a point in time				
Total DSA revenue				
Manufacturing				
Services and products transferred over time				
Services and products transferred over time				
Services and products transferred over time				
Services and products transferred at a point in time				
Total Manufacturing revenue				
Total revenue				

Contract Balances from Contracts with Customers

The following table provides information about client receivables, contract assets, and contract liabilities from contracts with customers:

	March 30, 2024	December 30, 2023
	June 29, 2024	December 30, 2023
(in thousands)		
Assets from contracts with customers		
Client receivables		
Client receivables		
Client receivables		
Unbilled revenue		
Total		
Less: Allowance for credit losses		

Trade receivables and contract assets, net

Liabilities from contracts with customers

Liabilities from contracts with customers

Liabilities from contracts with customers

Current deferred revenue

Current deferred revenue

Current deferred revenue

Long-term deferred revenue (included in Other long-term liabilities)

Customer contract deposits (included in Other current liabilities)

Approximately 70% 85% of unbilled revenue as of December 30, 2023, which was \$228 million, was billed during the three six months ended March 30, 2024 June 29, 2024. Approximately 70% 85% of unbilled revenue as of December 31, 2022, which was \$204 million, was billed during the three six months ended April 1, 2023 July 1, 2023.

Approximately 60% 70% of contract liabilities as of December 30, 2023, which was \$273 million, were recognized as revenue during the three six months ended March 30, 2024 June 29, 2024. Approximately 65% 75% of contract liabilities as of December 31, 2022, which was \$290 million, were recognized as revenue during the three six months ended April 1, 2023 July 1, 2023.

When the Company does not have the unconditional right to advanced billings, both advanced client payments and unpaid advanced client billings are excluded from deferred revenue, with the advanced billings also being excluded from client

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

receivables. The Company excluded approximately \$52 million \$46 million and \$41 million of unpaid advanced client billings from both client receivables and deferred revenue in the accompanying unaudited condensed consolidated balance sheets as of March 30, 2024 June 29, 2024 and December 30, 2023, respectively.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Allowance for Credit Losses

The following is a summary of the activity of the Company's allowance for credit losses:

	Three Months Ended	
	March 30, 2024	April 1, 2023
	(in thousands)	
Beginning balance	\$ 25,722	\$ 11,278
Additions	934	5,731
Deductions	(1,249)	(315)
Ending balance	\$ 25,407	\$ 16,694

	Six Months Ended	
	June 29, 2024	July 1, 2023
	(in thousands)	
Beginning balance	\$ 25,722	\$ 11,278
Provisions	4,719	9,849
Reductions	(5,490)	(3,087)
Ending balance	\$ 24,951	\$ 18,040

Net provisions provision expenses were \$0.8 million \$4.1 million and \$3.2 million \$9.2 million during the three six months ended March 30, 2024 June 29, 2024 and April 1, 2023 July 1, 2023, respectively and include recoveries of balances previously written off, which are excluded from the table above.

Transaction Price Allocated to Future Performance Obligations

The Company discloses the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied as of March 30, 2024 June 29, 2024. Excluded from the disclosure is the value of unsatisfied performance obligations for contracts with an original expected length of one year or less, contracts for which revenue is recognized at the amount to which the Company has the right to invoice for services performed, and service revenue recognized in accordance with ASC 842, "Leases". The aggregate amount of transaction price allocated to the remaining performance obligations for all open customer contracts as of March 30, 2024 June 29, 2024 was \$920.5 million \$856.6 million. The Company will recognize revenues for these performance obligations as they are satisfied, approximately 50% of which is expected to occur within the next twelve months and the remainder recognized thereafter during the remaining contract term.

Other Performance Obligations

As part of the Company's service offerings, the Company has identified performance obligations related to leasing Company owned assets. In certain arrangements, customers obtain substantially all of the economic benefits of the identified assets, which may include manufacturing suites and related equipment, and have the right to direct the assets' use over the term of the contract. The associated revenue is recognized on a straight-line basis over the term of the lease, which is generally less than one year.

Three	Three	Three	Three	Service	Service
Months	Months	Months	Months	Lease	Lease
Ended	Ended	Ended	Ended	revenue	revenue
Three	Three	Three	Three	\$ 16,716	\$ 23,891
Months	Months	Months	Months	\$ 37,690	\$ 47,981
Ended	Ended	Ended	Ended	Service	Service
March 30,	March 30,	March 30,	March 30,	revenue	revenue
2024	2024	2024	2024	\$ 20,974	\$ 24,090
March 30,	March 30,	March 30,	March 30,	Service revenue	Service revenue
2024	2024	2024	2024		
June 29,	June 29,	June 29,	June 29,		
2024	2024	2024	2024		
June 29,	June 29,	June 29,	June 29,		
2024	2024	2024	2024		
June 29,	June 29,	June 29,	June 29,		
2024	2024	2024	2024		
(in thousands)					
(in thousands)					
		Affected Line Item in the Unaudited Condensed Consolidated Statements		Affected Line Item in the Unaudited Condensed Consolidated Statements	
		of Income		of Income	
(in thousands)					

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates in three reportable segments, RMS, DSA and Manufacturing. Asset information on a reportable segment basis is not disclosed as this information is not separately identified and internally reported to the Company's Chief Operating Decision Maker (CODM). The following table presents the results of operations by reportable segment:

	Three Months Ended March 30, 2024	Three Months Ended April 1, 2023	Three Months Ended July 1, 2023	Three Months Ended June 29, 2024	Three Months Ended July 1, 2023
	Three Months Ended March 30, 2024		Three Months Ended April 1, 2023		Six Months Ended July 1, 2023
RMS					
Revenue					
Revenue					
Revenue					
Cost of revenue (excluding amortization of intangible assets)					
Selling, general and administrative					
Amortization of intangible assets					

Operating income
DSA
DSA
DSA
Revenue
Revenue
Revenue
Cost of revenue (excluding amortization of intangible assets)
Selling, general and administrative
Amortization of intangible assets
Operating income
Manufacturing
Manufacturing
Manufacturing
Revenue
Revenue
Revenue
Cost of revenue (excluding amortization of intangible assets)
Selling, general and administrative
Amortization of intangible assets
Operating income
Unallocated Corporate
Unallocated Corporate
Unallocated Corporate
Selling, general and administrative
Selling, general and administrative
Selling, general and administrative
Operating income (1)
Consolidated
Consolidated
Consolidated
Revenue
Revenue
Revenue
Cost of revenue (excluding amortization of intangible assets)
Selling, general and administrative
Amortization of intangible assets
Operating income

(1) Operating income for unallocated corporate consists of costs associated with departments such as senior executives, corporate accounting, legal, tax, human resources, treasury, and investor relations.

(2) Operating income for unallocated corporate consists of costs associated with departments such as senior executives, corporate accounting, legal, tax, human resources, treasury, and investor relations.

(3) Operating income for unallocated corporate consists of costs associated with departments such as senior executives, corporate accounting, legal, tax, human resources, treasury, and investor relations.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Capital expenditures and depreciation and amortization (related to both intangible assets and certain assets acquired in business combinations) by reportable segment are as follows:

RMS	RMS	DSA	Manufacturing	Unallocated Corporate	Consolidated	RMS	DSA	Manufacturing	Unallocated Corporate	Consolidated
(in thousands)										

Capital Expenditures

Capital Expenditures
Capital Expenditures

Three Months Ended:

Three Months Ended:

Three Months Ended:

March 30, 2024

March 30, 2024

March 30, 2024

April 1, 2023

June 29, 2024

June 29, 2024

June 29, 2024

July 1, 2023

Six Months Ended:

June 29, 2024

June 29, 2024

June 29, 2024

July 1, 2023

Depreciation and amortization

Depreciation and amortization

Depreciation and amortization

Three Months Ended:

Three Months Ended:

Three Months Ended:

March 30, 2024

March 30, 2024

March 30, 2024

April 1, 2023

June 29, 2024

June 29, 2024

June 29, 2024

July 1, 2023

Six Months Ended:

June 29, 2024

June 29, 2024

June 29, 2024

July 1, 2023

Revenue by geographic area is as follows:

U.S.	U.S.	Europe	Canada	Asia Pacific	Other	Consolidated	U.S.	Europe	Canada	Asia Pacific	Other	Consolidated
(in thousands)												

Three Months Ended:

June 29, 2024

June 29, 2024

June 29, 2024

July 1, 2023

Six Months Ended:

Six Months Ended:

Six Months Ended:

June 29, 2024

June 29, 2024

June 29, 2024

July 1, 2023
Three Months Ended:
Three Months Ended:
Three Months Ended:
March 30, 2024
March 30, 2024
March 30, 2024
April 1, 2023

Included in the Other category above are operations located in Brazil, Israel, and Mauritius. Revenue represents sales originating in entities physically located in the identified geographic area.

Long-lived assets by geographic area are as follows:

	U.S.	U.S.	Europe	Canada	Asia Pacific	Other	Consolidated	U.S.	Europe	Canada	Asia Pacific	Other	Consolidated
	(in thousands)												
Long-lived assets													
March 30, 2024													
March 30, 2024													
March 30, 2024													
June 29, 2024													
June 29, 2024													
June 29, 2024													
December 30, 2023													

Long-lived assets consist of property, plant, and equipment, net.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended		
	March 30, 2024	April 1, 2023	
	Six Months Ended		
	June 29, 2024	July 1, 2023	
	(in thousands)	(in thousands)	(in thousands)
Cash paid for income taxes			
Cash paid for interest			
Non-cash investing activities:			
Purchases of Property, plant and equipment included in Accounts payable and Accrued liabilities			
Purchases of Property, plant and equipment included in Accounts payable and Accrued liabilities			
Purchases of Property, plant and equipment included in Accounts payable and Accrued liabilities			
Assets acquired under finance leases			
Cash, cash equivalents and restricted cash is included in the accompanying unaudited balance sheet as follows:			
	March 30, 2024	December 30, 2023	
	June 29, 2024	December 30, 2023	
	(in thousands)		
Supplemental cash flow information:			
Cash and cash equivalents			
Cash and cash equivalents			
Cash and cash equivalents			
Restricted cash included in Other current assets			
Restricted cash included in Other current assets			
Restricted cash included in Other current assets			
Restricted cash included in Other assets			
Cash, cash equivalents, and restricted cash, end of period			

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INVENTORY

Inventories

The composition of inventories is as follows:

	March 30, 2024	December 30, 2023
	June 29, 2024	December 30, 2023
		(in thousands)
Raw materials and supplies		
Work in process		
Finished products		
Inventories		

Inventory step up amortization expense incurred for the three and six months ended June 29, 2024 was \$3.5 million and \$10.6 million, respectively.

7. PROPERTY, PLANT AND EQUIPMENT, NET

The composition of property, plant and equipment, net is as follows:

	March 30, 2024	December 30, 2023
	(in thousands)	
Land	\$ 78,852	\$ 79,546
Buildings ⁽¹⁾	1,033,150	1,053,915
Machinery and equipment ⁽¹⁾	985,006	984,867
Leasehold improvements	348,558	366,556
Furniture and fixtures	30,712	31,284
Computer hardware and software ⁽¹⁾	254,018	254,413
Vehicles ⁽¹⁾	6,974	6,746
Construction in progress	245,826	197,723
Total	2,983,096	2,975,050
Less: Accumulated depreciation	(1,364,388)	(1,335,309)
Property, plant and equipment, net	<u><u>\$ 1,618,708</u></u>	<u><u>\$ 1,639,741</u></u>

⁽¹⁾ These balances include assets under finance leases.

	June 29, 2024	December 30, 2023
	(in thousands)	
Land	\$ 78,812	\$ 79,546
Buildings ⁽¹⁾	1,061,408	1,053,915
Machinery and equipment ⁽¹⁾	1,007,210	984,867
Leasehold improvements	381,879	366,556
Furniture and fixtures	32,060	31,284
Computer hardware and software ⁽¹⁾	259,889	254,413
Vehicles ⁽¹⁾	7,149	6,746
Construction in progress	182,823	197,723
Total	3,011,230	2,975,050
Less: Accumulated depreciation	(1,397,335)	(1,335,309)
Property, plant and equipment, net	<u><u>\$ 1,613,895</u></u>	<u><u>\$ 1,639,741</u></u>

⁽¹⁾ These balances include assets under finance leases.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Depreciation expense in the three months ended **March 30, 2024** **June 29, 2024** and **April 1, 2023** **July 1, 2023** was **\$45.7 million** **\$47.6 million** and **\$42.2 million** **\$43.4 million**, respectively. Depreciation expense in the six months ended **June 29, 2024** and **July 1, 2023** was **\$93.3 million** and **\$85.5 million**, respectively.

8. VENTURE CAPITAL AND STRATEGIC EQUITY INVESTMENTS

Venture capital investments are summarized below:

	Three Months Ended		(in thousands)
	March 30, 2024	April 1, 2023	
Beginning balance	\$ 121,158	\$ 129,012	
Capital contributions	3,829	3,214	
Distributions	(9,353)	(7,217)	
Gains (losses)	8,174	(6,848)	
Foreign currency translation	(100)	260	
Ending balance	\$ 123,708	\$ 118,421	

CHARLES RIVER LABORATORIES INTERNATIONAL, INC. NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Six Months Ended		(in thousands)
	June 29, 2024	July 1, 2023	
Beginning balance	\$ 121,158	\$ 129,012	
Capital contributions	6,479	8,702	
Distributions	(16,100)	(9,679)	
Gains (losses)	1,789	(8,429)	
Foreign currency translation	(249)	466	
Ending balance	\$ 113,077	\$ 120,072	

The Company also invests, with minority positions, directly in equity of predominantly privately held companies. Strategic investments are summarized below:

	Three Months Ended		(in thousands)
	March 30, 2024	April 1, 2023	
Beginning balance			
Purchase of investments			
Distributions			
Gain (loss)			
Reduction for acquisition of entity ⁽¹⁾			
Foreign currency translation			
Ending balance			

⁽¹⁾ Refer to Note 2. Acquisitions for further discussion on the SAMDI acquisition.

⁽¹⁾ Refer to Note 2. Acquisitions for further discussion on the SAMDI acquisition.

⁽¹⁾ Refer to Note 2. Acquisitions for further discussion on the SAMDI acquisition.

⁽¹⁾ Refer to Note 2. Acquisitions for further discussion on the acquisition of SAMDI.

⁽¹⁾ Refer to Note 2. Acquisitions for further discussion on the acquisition of SAMDI.

⁽¹⁾ Refer to Note 2. Acquisitions for further discussion on the acquisition of SAMDI.

9. FAIR VALUE

Assets and liabilities measured at fair value on a recurring basis are summarized below:

Current assets measured at fair value:	Level 1
Current assets measured at fair value:	Level 1
Current assets measured at fair value:	Level 1

Cash equivalents
Cash equivalents
Cash equivalents
Term deposit
Term deposit
Term deposit
Other assets:
Other assets:
Other assets:
Life insurance policies
Life insurance policies
Life insurance policies
Interest rate swap
Interest rate swap
Interest rate swap
Total assets measured at fair value
Total assets measured at fair value
Total assets measured at fair value
Other long-term liabilities measured at fair value:
Other long-term liabilities measured at fair value:
Other long-term liabilities measured at fair value:
Contingent consideration
Contingent consideration
Contingent consideration
Total liabilities measured at fair value
Total liabilities measured at fair value
Total liabilities measured at fair value

The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each quarter. During the **three** **six** months ended **March 30, 2024**, there were **no transfers between levels**.

	December 30, 2023				
	Level 1	Level 2	Level 3	Total	
Current assets measured at fair value:					
Cash equivalents	\$	—	\$ 29	\$	— \$ 29
Other assets:					
Life insurance policies	—		40,912	—	40,912
Interest rate swap	—		966	—	966
Total assets measured at fair value	\$	—	\$ 41,907	\$	— \$ 41,907
Other long-term liabilities measured at fair value					
Contingent consideration	\$	—	\$ —	\$ 33,265	\$ 33,265
Total liabilities measured at fair value	\$	—	\$ —	\$ 33,265	\$ 33,265

During the year ended December 30, 2023 **June 29, 2024**, there were no transfers between levels.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 30, 2023				
	Level 1	Level 2	Level 3	Total	
Current assets measured at fair value:					
Cash equivalents	\$	—	\$ 29	\$	— \$ 29
Other assets:					

Life insurance policies	—	40,912	—	40,912
Interest rate swap	—	966	—	966
Total assets measured at fair value	\$ —	\$ 41,907	\$ —	\$ 41,907
Other long-term liabilities measured at fair value				
Contingent consideration	\$ —	\$ —	\$ 33,265	\$ 33,265
Total liabilities measured at fair value	\$ —	\$ —	\$ 33,265	\$ 33,265

During the year ended December 30, 2023, there were no transfers between levels.

Contingent Consideration

The following table provides a rollforward of the contingent consideration related to the Company's acquisitions.

	Three Months Ended	
	March 30, 2024	April 1, 2023
Six Months Ended		
	June 29, 2024	July 1, 2023
(in thousands)		
Beginning balance		
Payments		
Payments		
Payments		
Total gains or losses (realized/unrealized):		
Foreign currency translation		
Foreign currency translation		
Adjustment of previously recorded contingent liability		
Adjustment of previously recorded contingent liability		
Adjustment of previously recorded contingent liability		
Foreign currency translation		
Ending balance		

The Company estimates the fair value of contingent consideration obligations through valuation models, such as probability-weighted and option pricing models, which incorporate probability adjusted assumptions and simulations related to the achievement of the milestones and the likelihood of making related payments. The unobservable inputs used in the fair value measurements include the probabilities of successful achievement of certain financial targets, forecasted results or targets, volatility, and discount rates. The remaining maximum potential payments are approximately \$55 million, of which the value accrued as of **March 30, 2024** **June 29, 2024** is **\$33** **\$38** million as the probability of achieving the maximum target is estimated to be **60%** **70%**. The volatility and weighted average cost of capital is approximately **7%** **5%** and **9%** **8%**, respectively. Increases or decreases in these assumptions may result in a higher or lower fair value measurement, respectively.

Cash Flow Hedge

The Company is exposed to market fluctuations in interest rates as well as variability in foreign exchange rates. The Company has an interest rate swap with a notional amount of \$500 million maturing November 2, 2024 to manage interest rate fluctuation related to floating rate borrowings under the Credit Facility, at a fixed rate of 4.65%.

Debt Instruments

The book value of the Company's revolving loans, which are variable rate loans carried at amortized cost, approximates the fair value based on current market pricing of similar debt. As the fair value is based on significant other observable inputs, including current interest and foreign currency exchange rates, it is deemed to be Level 2 within the fair value hierarchy.

The book value of the Company's Senior Notes are fixed rate obligations carried at amortized cost. Fair value is based on quoted market prices as well as borrowing rates available to the Company. As the fair value is based on significant other

CHARLES RIVER LABORATORIES INTERNATIONAL, INC. NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

observable outputs, it is deemed to be Level 2 within the fair value hierarchy. The book value and fair value of the Company's Senior Notes is summarized below:

	March 30, 2024	December 30, 2023						
	June 29, 2024	December 30, 2023						
	Book Value	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value	Book Value
(in thousands)								
4.25% Senior Notes due 2028								
3.75% Senior Notes due 2029								
4.00% Senior Notes due 2031								

10. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following table provides a rollforward of the Company's goodwill:

	RMS	RMS	DSA (1)	Manufacturing	Total	RMS	DSA (1)	Manufacturing	Total
(in thousands)									
December 30, 2023									
Acquisitions									
Foreign exchange									
Foreign exchange									
Foreign exchange									
March 30, 2024									
June 29, 2024									

(1) DSA includes accumulated impairment losses of \$1 billion, which were recognized in fiscal years 2008 and 2010.

The decrease in goodwill during the ~~three~~six months ended ~~March 30, 2024~~June 29, 2024 is related to foreign exchange in the DSA and Manufacturing reportable segments.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

segments, partially offset by measurement period adjustments related to the acquisition of Noveprim in the DSA reportable segment.

Intangible Assets, Net

The following table displays intangible assets, net by major class:

	March 30, 2024		December 30, 2023		June 29, 2024		December 30, 2023	
	Gross	Accumulated Amortization	Gross	Accumulated Amortization	Gross	Accumulated Amortization	Gross	Accumulated Amortization
(in thousands)								
Client relationships								
Technology								
Trademarks and trade names								
Backlog								
Other								
Intangible assets								

The decrease in intangible assets, net during the ~~three~~six months ended ~~March 30, 2024~~June 29, 2024 related to normal amortization over the useful lives.

Amortization expense of definite-lived intangible assets for three months ended ~~March 30, 2024~~June 29, 2024 and ~~April 1, 2023~~July 1, 2023 was ~~\$32.6~~\$32.3 million and ~~\$34.9~~\$34.3 million, respectively. Amortization expense of definite-lived intangible assets for six months ended June 29, 2024 and July 1, 2023 was \$64.8 million and \$69.2 million, respectively.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. DEBT AND OTHER FINANCING ARRANGEMENTS

Long-term debt, net and finance leases consists of the following:

	March 30, 2024	December 30, 2023
	June 29, 2024	December 30, 2023
(in thousands)		
Revolving facility		
4.25% Senior Notes due 2028		
3.75% Senior Notes due 2029		
4.00% Senior Notes due 2031		
Other debt		
Finance leases		
Total debt and finance leases		
Less:		
Current portion of long-term debt		
Current portion of long-term debt		

Current portion of long-term debt
Current portion of finance leases
Current portion of long-term debt and finance leases
Long-term debt and finance leases
Debt discount and debt issuance costs
Long-term debt, net and finance leases

As of **March 30, 2024** **June 29, 2024** and December 30, 2023, the weighted average interest rate on the Company's debt was **4.97%** **4.64%** and 4.93%, respectively.

Letters of Credit

As of **March 30, 2024** **June 29, 2024** and December 30, 2023, the Company had \$21.2 million and \$21.6 million, respectively, in outstanding letters of credit.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. EQUITY AND NONCONTROLLING INTERESTS

Earnings Per Share

The following table reconciles the numerator and denominator in the computations of basic and diluted earnings per share:

	Three Months Ended	Three Months Ended	Six Months Ended
	Three Months Ended	Three Months Ended	
	March 30, 2024	April 1, 2023	
Numerator:			
Net income			
Net income			
Net income			
Less: Net income attributable to noncontrolling interests			
Net income available to Charles River Laboratories International, Inc.			
Calculation of net income per share attributable to common shareholders of Charles River Laboratories International, Inc.			
Calculation of net income per share attributable to common shareholders of Charles River Laboratories International, Inc.			
Calculation of net income per share attributable to common shareholders of Charles River Laboratories International, Inc.			
Net income available to Charles River Laboratories International, Inc.			
Net income available to Charles River Laboratories International, Inc.			
Net income available to Charles River Laboratories International, Inc.			
Less: Adjustment of redeemable noncontrolling interest ⁽¹⁾			

Less: Incremental dividends attributable to noncontrolling interest holders (2)

Net income available to Charles River Laboratories International, Inc. common shareholders

Denominator:

Denominator:

Denominator:

Weighted-average shares outstanding - Basic

Weighted-average shares outstanding - Basic

Weighted-average shares outstanding - Basic

Effect of dilutive securities:

Stock options, restricted stock units and performance share units

Stock options, restricted stock units and performance share units

Stock options, restricted stock units and performance share units

Weighted-average shares outstanding - Diluted

Anti-dilutive common stock equivalents (3)

Anti-dilutive common stock equivalents (3)

Anti-dilutive common stock equivalents (3)

(1) Represents adjustments of redeemable noncontrolling interest that impact retained earnings.

(2) Represents adjustments of redeemable noncontrolling interest that impact retained earnings.

(3) Represents adjustments of redeemable noncontrolling interest that impact retained earnings.

(3) These common stock equivalents were outstanding for the periods presented, but were not included in the computation of diluted EPS for those periods because their inclusion would have had an anti-dilutive effect.

Treasury Shares

The Company's Board of Directors **has had** authorized a \$1.3 billion stock repurchase program. As of **March 30, 2024** **June 29, 2024**, the Company had \$129.1 million remaining on the authorized stock repurchase program.

On August 2, 2024, the Company's Board of Directors approved a new stock repurchase authorization of \$1.0 billion. This new authorization replaces the prior stock repurchase authorization of \$1.3 billion that had \$129.1 million remaining on the plan when it was terminated.

The Company's stock-based compensation plans permit the netting of common stock upon vesting of RSUs and PSUs in order to satisfy individual statutory tax withholding requirements. The Company acquired shares of approximately 0.1 million in the **three** **six** months ended **March 30, 2024** **June 29, 2024** and **three** **six** months ended **April 1, 2023** **July 1, 2023**, for **\$9.4 million** **\$18.3 million** and **\$19.0 million** **\$24.0 million**, respectively, from such netting.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC. NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Accumulated Other Comprehensive Income (Loss)

Changes to each component of accumulated other comprehensive income (loss), net of income taxes, are as follows:

	Foreign Currency				Total
	Translation Adjustment and Other	Pension and Other Post- Retirement Benefit Plans	Net Unrealized (Loss) Gain on Cash Flow Hedge		
(in thousands)					
December 30, 2023	\$ (149,999)	\$ (47,167)	\$ 739	\$ (196,427)	
Other comprehensive income (loss) before reclassifications	(60,077)	344	768	(58,965)	
Net current period other comprehensive income (loss)	(60,077)	344	768	(58,965)	
Income tax expense (benefit)	(5,737)	80	184	(5,473)	
March 30, 2024	\$ (204,339)	\$ (46,903)	\$ 1,323	\$ (249,919)	

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Foreign Currency		Pension and Other Post-Retirement Benefit Plans	Net Unrealized (Loss) Gain on Cash Flow Hedge	Total
	Translation Adjustment and Other				
(in thousands)					
December 30, 2023	\$ (149,999)	\$ (47,167)	\$ 739	\$ (196,427)	
Other comprehensive income (loss) before reclassifications	(81,840)	686	372	(80,782)	
Net current period other comprehensive income (loss)	(81,840)	686	372	(80,782)	
Income tax expense (benefit)	(7,759)	170	89	(7,500)	
June 29, 2024	\$ (224,080)	\$ (46,651)	\$ 1,022	\$ (269,709)	

Redeemable Noncontrolling Interests

Through **March 30, 2024** **June 29, 2024**, the Company holds several redeemable noncontrolling interests. Since the Company has the right to purchase, and the noncontrolling interest holders have the right to require the Company to purchase the remaining interest, which represents a derivative embedded within the equity instrument, the noncontrolling interest is classified in the mezzanine section of the unaudited condensed consolidated balance sheets, which is presented above the equity section and below liabilities.

The redeemable noncontrolling interests are measured at the greater of (i) the redemption amount or (ii) the historical value resulting from the original acquisition date fair value, increased or decreased for the noncontrolling interest's share of net income (loss), equity capital contributions and distributions. The fair value of the redeemable noncontrolling interest is determined using the income approach, with key assumptions being projected cash flows and discount rates based on market participant's weighted average cost of capital. To the extent redemption value exceeds carrying value, adjustments are recorded to additional paid-in capital, with any cumulative excess of redemption value over fair value recorded in retained earnings, which impacts net income available to common shareholders used in the calculation of earnings per common share.

Noveprim

The Company holds a 90% ownership interest in Noveprim. The Company has the right to purchase, and the noncontrolling interest holders have the right to sell, the remaining 10% equity interest at a fixed redemption value that ranges from \$47.0 million to \$54.0 million depending on when exercised. The Company has the call option right to purchase the remaining 10% equity up until one month after the sixth anniversary of closing the 41% equity stake (December 2029). On the first anniversary of the expiration of the call option (December 2030), a 12-month put option will be triggered giving the seller the right to require the Company to acquire the remaining shares of the seller for \$54.0 million. Additionally, during fiscal year 2024 the 10% noncontrolling interest holders may receive a dividend disproportionate to their equity ownership, of which the fair value of \$8.0 million as of the acquisition date was recorded within the redeemable noncontrolling interest. Through **March 30, 2024** **June 29, 2024**, incremental dividends based on Noveprim statutory net income attributed to the redeemable noncontrolling interest holders of \$5.2 million \$9.0 million reduced net income available to common shareholders used in the calculation of earnings per common share. The redemption value is accreted to the put purchase price of \$54.0 million using the interest method through December 2030. As of **March 30, 2024** **June 29, 2024**, the redemption value of \$45.8 million \$46.1 million exceeded both the carrying value and fair value, resulting in both an adjustment to additional paid-in capital of \$1.7 million \$1.8 million and an adjustment to retained earnings of \$0.4 million \$0.7 million, respectively.

Other redeemable noncontrolling interest

In 2019, the Company acquired an 80% equity interest in a subsidiary, which included a 20% redeemable noncontrolling interest. In June 2022, the Company purchased an additional 10% interest in the subsidiary for \$15.0 million, resulting in a remaining noncontrolling interest of 10%. Beginning in 2024, the Company has the right to purchase, and the noncontrolling interest holders have the right to sell, the remaining 10% equity interest at its appraised value. The redemption value is measured at the greater of the appraised value or a predetermined floor. The amount that the Company could be required to pay to purchase the remaining 10% equity interest is not limited. As of March 30, 2024, the redemption value of \$12.0 million exceeded the carrying value, resulting in an adjustment to additional paid-in capital of \$2.8 million. During the second quarter of fiscal 2024, the Company acquired the remaining 10% for \$12.0 million.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Vital River

The Company held a 92% ownership interest in Vital River, a commercial provider of research models and related services in China as of December 31, 2022. The Company had the right to purchase, and the noncontrolling interest holders had the right to sell, the remaining 8% equity interest at a contractually defined redemption value, subject to a redemption floor. The amount that the Company could be required to pay to purchase the remaining 8% equity interest was not limited. During the fourth quarter of fiscal 2023, the Company acquired the remaining 8% and paid \$4.8 million of the total \$24.4 million due. The remaining purchase price payable was included in Accrued liabilities within the Company's unaudited condensed consolidated balance sheet as of **March 30, 2024** **June 29, 2024** and December 30, 2023 and is expected to be paid during fiscal year 2024.

Nonredeemable Noncontrolling Interest

The Company has an investment in an entity whose financial results are consolidated in the Company's unaudited condensed consolidated financial statements, as it has the ability to exercise control over this entity. The interest of the noncontrolling party in this entity has been recorded as nonredeemable noncontrolling interest within Equity in the accompanying unaudited condensed consolidated balance sheets. The activity within the nonredeemable noncontrolling interest was not significant material during the three and six months ended **March 30, 2024** **June 29, 2024** and **April 1, 2023** **July 1, 2023**.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. INCOME TAXES

The Company's effective tax rates for the three months ended **March 30, 2024** June 29, 2024 and **April 1, 2023** July 1, 2023 were **24.8%** **21.2%** and **20.7%** **22.7%**, respectively. The **increase** **decrease** in the effective tax rate **from** for the three months ended June 29, 2024 compared **to** the corresponding prior year period was primarily attributable to **unfavorable** non-taxable remeasurement gains on previous equity investment in Noveprim during the three months ended June 29, 2024.

The Company's effective tax **effects** rates for the six months ended June 29, 2024 and July 1, 2023 were 22.8% and 21.7%, respectively. The **increase** in the effective tax rate for the six months ended June 29, 2024 compared to the same prior year is primarily attributable to decreased tax benefit from stock-based compensation deductions in the **threesix** months ended **March 30, 2024** June 29, 2024.

For the three months ended **March 30, 2024** June 29, 2024, the Company's unrecognized tax benefits increased by **\$0.7 million** **\$0.6 million** to **\$23.4 million** **\$24.0 million**, primarily due to increases in research and development tax credit reserves. For the three months ended **March 30, 2024** June 29, 2024, the amount of unrecognized income tax benefits that would impact the effective tax rate increased by **\$0.4 million** to **\$20.7 million** **\$21.1 million** for the same reasons discussed above. The accrued interest on unrecognized tax benefits was **\$1.4 million** **\$1.6 million** as of **March 30, 2024** June 29, 2024. The Company estimates that it is reasonably possible that the unrecognized tax benefits will decrease by approximately \$5 million over the next twelve-month period, primarily due to audit settlements and expiring statutes of limitations.

The Company's prepaid and accrued tax positions are as follows:

	March 30, 2024	December 30, 2023	Affected Line Item in the Unaudited Condensed Consolidated Balance Sheets	
	June 29, 2024	December 30, 2023	Affected Line Item in the Unaudited Condensed Consolidated Balance Sheets	
	(in thousands)			
Prepaid income tax				
Prepaid income tax			Other current assets	Other current assets
Prepaid income tax	\$ 60,311	\$ 59,715		
Accrued income taxes	Accrued income taxes	34,102	38,819	38,819
			Other current liabilities	Other current liabilities
			Accrued income taxes	35,126
				38,819
				38,819
			Other current liabilities	Other current liabilities

The Company conducts business in a number of tax jurisdictions. As a result, it is subject to tax audits on a regular basis including, but not limited to, such major jurisdictions as the U.S., the U.K., China, France, Germany, and Canada. With few exceptions, the Company is no longer subject to U.S. and international income tax examinations for years before 2020.

The Company and certain of its subsidiaries have ongoing tax controversies in the U.S., Canada, and India. The Company does not anticipate resolution of these audits will have a material impact on its unaudited condensed consolidated financial statements.

14. RESTRUCTURING AND ASSET IMPAIRMENTS

The Company has undertaken restructuring actions impacting the reportable segments at various locations across North America, Europe and Asia. This includes workforce right-sizing actions resulting in severance and transition costs; and costs related to the consolidation of facilities resulting in asset impairment and accelerated depreciation charges.

Generally, these actions are considered to be short-term in nature in response to recent macroeconomic impacts on the Company. During fiscal year 2023, the Company began to take restructuring actions as a result of these emerging business trends. The following table presents Company incurred restructuring costs by reportable segment:

	Three Months Ended	
	March 30, 2024	April 1, 2023
		(in thousands)
RMS	\$ 7,387	\$ —
DSA	6,491	(2)
Manufacturing	1,631	3,488
Unallocated corporate	1,490	\$ —
Total	\$ 16,999	\$ 3,486

charges of \$18.0 million and \$35.0 million during the three and six months ended June 29, 2024, respectively and approximately \$65 million throughout fiscal year 2023 through June 29, 2024.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents restructuring costs by reportable segment:

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
	(in thousands)			

RMS	\$ 10,228	\$ —	\$ 17,615	\$ —
DSA	3,766	—	10,257	(2)
Manufacturing	2,657	2,699	4,288	6,187
Unallocated corporate	1,304	—	2,794	—
Total	\$ 17,955	\$ 2,699	\$ 34,954	\$ 6,185

The following table presents restructuring costs as included within the Company's unaudited condensed consolidated statements of income:

	March 30, 2024		April 1, 2023			June 29, 2024		July 1, 2023		
	Severance and Transition Costs	Severance and Transition Costs	Asset Impairments and Other Costs	Total	Severance and Transition Costs	Asset Impairments and Other Costs	Total	Severance and Transition Costs	Asset Impairments and Other Costs	Total
(in thousands)										
Three Months Ended										
Three Months Ended										
Three Months Ended										
Cost of services provided (excluding amortization of intangible assets)										
Cost of services provided (excluding amortization of intangible assets)										
Cost of services provided (excluding amortization of intangible assets)										
Cost of products sold (excluding amortization of intangible assets)										
Selling, general and administrative										
Total restructuring costs										
Six Months Ended										
Six Months Ended										
Six Months Ended										
Cost of services provided (excluding amortization of intangible assets)										
Cost of services provided (excluding amortization of intangible assets)										
Cost of services provided (excluding amortization of intangible assets)										
Cost of products sold (excluding amortization of intangible assets)										
Selling, general and administrative										
Total restructuring costs										

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Rollforward of Restructuring Activities

The following table provides a rollforward for all of the Company's severance and transition accrued restructuring costs related to all restructuring activities:

	Three Months Ended		
	March 30, 2024		April 1, 2023
	Severance and Transition Costs	Asset Impairments	Other Costs
	(in thousands)	(in thousands)	(in thousands)
Six Months Ended June 29, 2024			

Beginning balance
Expense (excluding non-cash charges)
Beginning balance
Beginning balance
Expense
Payments / utilization
Other non-cash adjustments
Foreign currency adjustments
Ending Balance
Six Months Ended July 1, 2023
Six Months Ended July 1, 2023
Six Months Ended July 1, 2023
Beginning balance
Beginning balance
Beginning balance
Expense
Payments / utilization
Other non-cash adjustments
Foreign currency adjustments
Foreign currency adjustments
Foreign currency adjustments
Ending balance
Ending Balance

As of **March 30, 2024** June 29, 2024 and December 30, 2023, \$10.8 million \$10.6 million and \$5.1 million, respectively, of severance and other personnel related costs liabilities were included in accrued compensation and accrued liabilities within the Company's unaudited condensed consolidated balance sheets.

15. COMMITMENTS AND CONTINGENCIES

Litigation

On February 16, 2023, the Company was informed by the U.S. Department of Justice (DOJ) that in conjunction with the U.S. Fish and Wildlife Service (USFWS), it had commenced an investigation into the Company's conduct regarding several shipments of non-human primates from Cambodia. On February 17, 2023 the Company received a grand jury subpoena requesting certain documents related to such investigation. The Company is aware of a parallel civil investigation being undertaken by the DOJ and USFWS. The Company is cooperating with the DOJ and the USFWS and believes that the concerns raised with respect to the Company's conduct are without merit. The Company maintains a global supplier onboarding and oversight program incorporating risk-based due diligence, auditing, and monitoring practices to help ensure the quality of our supplier relationships and compliance with applicable U.S. and international laws and regulations, and has operated under the belief that all shipments of non-human primates it received satisfied the material requirements, documentation and related processes and procedures of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) documentation and related processes and procedures, which guides the release of each import by USFWS. Notwithstanding our efforts and good-faith belief, in connection with the civil investigation, the Company has voluntarily suspended future shipments of non-human primates from Cambodia to the United States until such time that the Company and USFWS can agree upon and implement additional procedures to reasonably ensure that non-human primates imported from Cambodia are purpose-bred. The Company continues to care for the Cambodia-sourced non-human primates from certain shipments in the United States. The carrying value of the inventory related to these shipments was approximately \$27 million as of **March 30, 2024** June 29, 2024, which reflects the value of the shipments in accordance with the Company's inventory accounting policy. On May 16, 2023, the Company received an inquiry from the Enforcement Division of the U.S. Securities and Exchange Commission (SEC) requesting it to voluntarily provide information, subsequently augmented with a document subpoena and additional inquiries, primarily related to the sourcing of non-human primates and related disclosures, and the Company is cooperating with the request these requests. The Company is not able to predict what action, if any, might be taken in the future by the DOJ, USFWS, SEC or other governmental authorities as a result of the investigations. None of the DOJ, USFWS or SEC has provided the Company with any specific timeline or indication as to when these investigations or, specific to the DOJ and USFWS, discussions regarding future processes and procedures, will be

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

concluded or resolved. The Company cannot predict the timing, outcome or possible impact of the investigations, including without limitation any potential fines, penalties or liabilities.

A putative securities class action (Securities Class Action) was filed on May 19, 2023 against the Company and a number of its current/former officers in the United States District Court for the District of Massachusetts. On August 31, 2023, the court appointed the State Teachers Retirement System of Ohio as lead plaintiff. An amended complaint was filed on November 14, 2023 that, among other things, included only James Foster, the Chief Executive Officer and David R. Smith, the former Chief

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Financial Officer as defendants along with the Company. The amended complaint asserts claims under §§ 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") on behalf of a putative class of purchasers of Company securities from May 5, 2020 through February 21, 2023, alleging that certain of the Company's disclosures about its practices with respect to the importation of non-human primates made during the putative class period were materially false or misleading. The Company On July 1, 2024, the court

dismissed the complaint, denied the plaintiff's informal request for leave to amend, and entered judgment for defendants. On July 30, 2024 the plaintiff filed a motion to dismiss notice of appeal. While the Company cannot predict the final outcome of this matter, it believes the class action to be without merit and plans to vigorously defend against it. The Company cannot reasonably estimate the maximum potential exposure or the range of possible loss in association with this matter.

On November 8, 2023, a stockholder filed a derivative lawsuit in the U.S. District Court of the District of Delaware asserting claims on the Company's behalf against the members of the Company's Board of Directors and certain of the Company's current/former officers (James Foster, the Chief Executive Officer; David R. Smith, the former Chief Financial Officer; and Flavia Pease, the current Chief Financial Officer). The complaint alleges that the defendants breached their fiduciary duties to the Company and its stockholders because certain of the Company's disclosures about its practices with respect to the importation of non-human primates were materially false or misleading. The complaint also alleges that the defendants breached their fiduciary duties by causing the Company to fail to maintain adequate internal controls over securities disclosure and compliance with applicable law and by failing to comply with the company's Code of Business Conduct and Ethics. In March 2024, The lawsuit is currently stayed by agreement of the plaintiff agreed to stay parties pending further developments in the action until Securities Class Action pending in the United States District Court for the District of Massachusetts rules Massachusetts. On August 2, 2024, a different stockholder filed a lawsuit in the U.S. District Court of Delaware asserting similar derivative claims on the pending motion to dismiss Company's behalf against members of the Company's current and former Board of Directors and the same current/former officers based on similar allegations of purportedly misleading disclosures and non-compliance with legal rules and ethics standards in respect of the Securities Class Action. The Company intends to file a motion to dismiss at that time, importation of non-human primates, as well as insider-trading claims against certain of the defendants. While the Company cannot predict the outcome of this matter, these matters, it believes the derivative lawsuit lawsuits to be without merit and plans to vigorously defend against it. The Company cannot reasonably estimate the maximum potential exposure or the range of possible loss in association with this matter, these matters.

Aside from the matters above, the Company believes there are no other matters pending against the Company that could have a material impact on the Company's business, financial condition, or results of operations.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and related notes of this Quarterly Report on Form 10-Q and our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for fiscal year 2023, 2023 as filed with the SEC on February 14, 2024. The following discussion contains forward-looking statements. Actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ materially from those projected in the forward-looking statements include, but are not limited to, those discussed in Item 1A, "Risk Factors" included elsewhere within this Form 10-Q. Certain percentage changes may not recalculate due to rounding.

Overview

We are a leading, non-clinical global drug development partner with a mission to create healthier lives. For over 75 years, we have been in the business of providing the research models required in the research and development of new drugs, devices, and therapies. Over this time, we have built upon our original core competency of laboratory animal medicine and science (research model technologies) to develop a diverse portfolio of discovery and safety assessment services, both Good Laboratory Practice (GLP) and non-GLP, that supports our clients from target identification through non-clinical development. We also provide a suite of products and services to support our clients' manufacturing activities. Utilizing our broad portfolio of products and services enables our clients to create a more efficient and flexible drug development model, which reduces their costs, enhances their productivity and effectiveness, and increases speed to market.

Our client base includes major global pharmaceutical companies, many biotechnology companies; agricultural and industrial chemical, life science, veterinary medicine, medical device, diagnostic and consumer product companies; contract research and contract manufacturing organizations; and other commercial entities, as well as leading hospitals, academic institutions, and government agencies around the world.

Segment Reporting

Our three reportable segments are Research Models and Services (RMS), Discovery and Safety Assessment (DSA), and Manufacturing Solutions (Manufacturing).

Our RMS reportable segment includes the Research Models, Research Model Services, and Cell Solutions businesses. Research Models includes the commercial production and sale of small research models, as well as the supply of large research models. Research Model Services includes: Insourcing Solutions (IS), which provides colony management of our clients' research operations (including recruitment, training, staffing, and management services) within our clients' facilities as well as our own vivarium space, utilizing our Charles River Accelerator and Development Lab (CRADL), Genetically Engineered Models and Services (GEMS), which performs contract breeding and other services associated with genetically engineered models; and Research Animal Diagnostic Services (RADs), which provides health monitoring and diagnostics services related to research models; and Cell Solutions provides controlled, consistent, customized primary cells and blood components derived from normal and mobilized peripheral blood and bone marrow.

Our DSA segment is comprised of two businesses: Discovery Services and Safety Assessment. We provide regulated and non-regulated DSA services to support the research, development, and regulatory-required safety testing of potential new drugs, including therapeutic discovery and optimization plus *in vitro* (non-animal) and *in vivo* (in research models) studies, laboratory support services, and strategic non-clinical consulting and program management to support product development.

Our Manufacturing reportable segment includes Microbial Solutions, which provides *in vitro* lot-release testing products, microbial detection products, and species identification services and Biologics Solutions (Biologics), which performs specialized testing of biologics (Biologics Testing Solutions) as well as contract development and manufacturing products and services (CDMO).

U.S. Government Investigations into the Non-Human Primate Supply Chain

On February 16, 2023, the Company was informed by the U.S. Department of Justice (DOJ) that in conjunction with the U.S. Fish and Wildlife Service (USFWS), it had commenced an investigation into the Company's conduct regarding several shipments of non-human primates from Cambodia. On February 17, 2023 the Company received a grand jury subpoena requesting certain documents related to such investigation. The Company is aware of a parallel civil investigation being undertaken by the DOJ and USFWS. The Company is cooperating with the DOJ and the USFWS and believes that the concerns raised with respect to the Company's conduct are without merit. The Company maintains a global supplier onboarding and oversight program incorporating risk-based due diligence, auditing, and monitoring practices to help ensure the quality of our supplier relationships and compliance with applicable U.S. and international laws and regulations, and has operated under the belief that all shipments of non-human primates it received satisfied the material requirements, documentation and related processes and procedures of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) documentation and related processes and procedures, which guides the release of each import by USFWS. Notwithstanding our

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

efforts and good-faith belief, in connection with the civil investigation, the Company has voluntarily suspended future shipments of non-human primates from Cambodia to the United States until such time that the Company and USFWS can agree upon and implement additional procedures to reasonably ensure that non-human primates imported from Cambodia are purpose-bred. The Company continues to care for the Cambodia-sourced non-human primates from certain shipments in the United States. The carrying value of the inventory related to these shipments is approximately \$27 million as of **March 30, 2024** **June 29, 2024**, which reflects the value of the shipments in accordance with our inventory accounting policy. On May 16, 2023, the Company received an inquiry from the Enforcement Division of the U.S. Securities and Exchange Commission (SEC) requesting it to voluntarily provide information, subsequently augmented with a document subpoena and additional inquiries, primarily related to the sourcing of non-human primates and related disclosures, and the Company is cooperating with **the request** **these requests**. We are not able to predict what action, if any, might be taken in the future by the DOJ, USFWS, SEC or other governmental authorities as a result of the investigations. None of the DOJ, USFWS or SEC has provided the Company with any specific timeline or indication as to when these investigations or, specific to the DOJ and USFWS, discussions regarding future processes and procedures, will be concluded or resolved. The Company cannot predict the timing, outcome or possible impact of the investigations, including without limitation any potential fines, penalties or liabilities. For our assessment of risk factors surrounding the aforementioned matter refer to Item 1A, "Risk Factors" and Item 3, "Legal Proceedings" of our Annual Report on Form 10-K for fiscal year 2023.

Recent Acquisitions

Our strategy is to augment internal growth of existing businesses with complementary acquisitions. Our recent acquisitions are described below.

Fiscal Year 2023 Acquisitions

On November 30, 2023, we completed our acquisition of an additional 41% equity interest of Noveprim Group ("Noveprim"), a leading provider of non-human primates ("NHPs") used for biomedical, pharmaceutical and toxicological research purposes, resulting in a 90% controlling interest. The acquisition strengthens and diversifies the supply chain for our DSA segment. We had previously acquired a 49% equity stake in 2022 for **\$90.0 million** **\$90.0 million** up-front and additional future contingent payments up to \$5.0 million based on future performance. The total preliminary purchase price for the Noveprim acquisition is **\$374.8 million**, **\$392.4 million**, which includes **\$144.6 million** **\$144.6 million** additional cash paid for the 41% equity interest, elimination of historical activity and intercompany balances of **\$198.8 million** **\$209.5 million** which includes a remeasurement gain on the 49% equity investment of **\$103.2 million**, **\$113.0 million**, contingent consideration of **\$33.3 million**, **\$33.3 million**, deferred purchase price of **\$12.0 million** **\$12.0 million** payable from 2024 through 2027, offset by estimated post-closing adjustments for working capital of **\$13.8 million**, **\$7.0 million**. The purchase price reflected a preliminary agreement with seller on working capital and debt, which was adjusted from **\$13.8 million** to **\$7.0 million** during the quarter ended June 29, 2024. As a result of measurement period adjustments to the purchase price, goodwill and remeasurement gains on the previous 49% equity investment for the quarter ended June 29, 2024, were increased by **\$17.6 million** and **\$9.8 million**, respectively. The acquisition was funded through a combination of available cash and proceeds from our Credit Facility. This business is reported as part of our DSA reportable segment for NHPs vertically integrated into our Safety Assessment supply chain and the RMS reportable segment for NHPs sold to third party customers.

On January 27, 2023, we acquired SAMDI Tech, Inc., (SAMDI), a leading provider of high-quality, label-free high-throughput screening (HTS) solutions for drug discovery research. The acquisition of SAMDI will provide clients with seamless access to the premier, label-free HTS MS platform and create a comprehensive, library of drug discovery solutions. The purchase price of SAMDI was \$62.8 million, inclusive of a 20% strategic equity interest previously owned by us. The acquisition was funded through a combination of available cash and proceeds from our Credit Facility. This business is reported as part of our DSA reportable segment.

Fiscal Quarters

Our fiscal year is typically based on 52-weeks, with each quarter composed of 13 weeks ending on the last Saturday on, or closest to, March 31, June 30, September 30, and December 31. A 53rd week in the fourth quarter of the fiscal year is occasionally necessary to align with a December 31 calendar year-end.

Global Market Environment

Results We are seeing a more cautious spending environment from our client base, principally global biopharmaceutical and biotechnology clients within our DSA segment, as they reassess their budgets, reprioritize their drug pipelines, and manage their cost structures. DSA backlog decreased to \$2.2 billion as of **Operations**

Consolidated Results June 29, 2024 from \$2.5 billion as of **Operations and Liquidity**

Revenue December 30, 2023. We will continue to monitor the market trends carefully for the three months ended March 30, 2024 decreased \$17.8 million, or 1.7%, to **\$1,011.6 million** compared to **\$1,029.4 million** in the corresponding period in 2023. The decrease in revenue was primarily due to potential impacts to our **DSA** business which experienced lower volume; partially offset by higher revenue within our RMS business, principally driven by the recent acquisition of Noveprim which sells large research models to third parties; higher revenue within our Manufacturing businesses, **operating** and the effect of changes in foreign currency exchange rates when compared to the corresponding three month period in 2023. **financial results**.

In the three months ended March 30, 2024, our operating income and operating income margin were \$126.0 million and 12.5% respectively, compared with \$167.9 million and 16.3%, respectively, in the corresponding of 2023. The decrease in operating income and operating income margin for the three months ended March 30, 2024 was primarily due to lower revenue described

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

above, higher staffing and operating costs across all businesses, and charges related **response** to recent restructuring activities, including severance and asset impairments.

Net income attributable to common shareholders decreased to \$73.0 million in the three months ended March 30, 2024, from \$103.1 million in the corresponding period of 2023 due principally to the decrease in operating income described above, partially offset by higher net gains on investments compared to the corresponding period in fiscal 2023.

During the three months ended March 30, 2024, our cash flows from operations was \$129.9 million compared with \$109.4 million for the same period in 2023. The increase was driven by timing of vendor and supplier payments and improvements across our revenue related accounts, including trade receivables, deferred revenue, and customer deposits compared to the same period in 2023.

We trends observed, we have undertaken and will continue to implement restructuring actions **within all reportable segments** at various locations across North America, Europe and Asia. This includes workforce right-sizing actions, resulting in severance and transition costs; and costs related to the consolidation of facilities, resulting in asset impairment, and

accelerated depreciation, and other site consolidation charges. Restructuring

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

During fiscal year 2023, we began taking restructuring actions as a result of these emerging business trends. We incurred restructuring charges recognized of \$18.0 million and \$35.0 million during the three and six months ended March 30, 2024 were June 29, 2024, and approximately \$17 million, of which \$8 million related to asset impairment and accelerated depreciation charges and \$9 million related to severance charges. \$65 million during fiscal year 2023 through June 29, 2024. We expect that these effectuated actions as well as other upcoming planned actions will result in approximately \$70 million excess of \$150 million of cost savings on an annualized basis, of which approximately \$100 million impact fiscal year 2024. Future initiatives beyond these actions are expected to include a multi-year strategy to optimize our global footprint to drive greater operating efficiency. These future initiatives are in the process of being finalized and quantified and the associated costs and savings associated are not included in the above totals.

Results of Operations

Consolidated Results of Operations and Liquidity

Revenue for three months ended June 29, 2024 decreased \$33.8 million, or 3.2%, to \$1,026.1 million compared to \$1,059.9 million in the corresponding period in 2023. Revenue for the six months ended June 29, 2024 decreased \$51.6 million, or 2.5%, to \$2,037.7 million compared to \$2,089.3 million in the corresponding period in 2023. The decreases in revenue were primarily due to our DSA business which experienced lower volume; partially offset by higher revenue within our Manufacturing businesses and the recent acquisition of Noveprim when compared to the corresponding periods in 2023.

In the three months ended June 29, 2024, our operating income and operating income margin were \$151.7 million and 14.8% respectively, compared with \$164.9 million and 15.6% respectively, in the corresponding period of 2023. In the six months ended June 29, 2024, our operating income and operating income margin were \$277.6 million and 13.6% respectively, compared with \$332.8 million and 15.9%, respectively, in the corresponding period of 2023. The decrease in operating income and operating income margin for the three and six months ended June 29, 2024 was primarily due to lower revenue described above, higher operating costs across all businesses, and charges related to recent restructuring activities, including severance, asset impairments, and other site consolidation costs.

Net income attributable to common shareholders decreased to \$90.0 million in the three months ended June 29, 2024, from \$97.0 million in the corresponding period of 2023. Net income attributable to common shareholders decreased to \$157.3 million in the six months ended June 29, 2024, from \$200.2 million in the corresponding period of 2023. The decreases in net income attributable to common shareholders was due principally to the decreases in operating income described above.

During the six months ended June 29, 2024, our cash flows from operations was \$323.4 million compared with \$257.5 million for the same period in 2023. The increase was driven by improvements across our revenue related accounts, including trade receivables, deferred revenue, and customer deposits; reduced inventory purchases supporting our Safety Assessment business, and timing of vendor and supplier payments compared to the same period in 2023.

Three Months Ended **March 30, 2024** June 29, 2024 Compared to the Three Months Ended **April 1, 2023** July 1, 2023

Revenue and Operating Income

The following tables present consolidated revenue by type and by reportable segment:

Three Months Ended									
March 30, 2024		March 30, 2024		March 30, 2024		April 1, 2023		% change	
June 29, 2024		June 29, 2024		June 29, 2024		July 1, 2023		\$ change	
Service revenue		Service revenue		Service revenue		Service revenue		% change	
Product revenue	Product revenue	Service revenue	Service revenue	Service revenue	Service revenue	Service revenue	Service revenue	Service revenue	Service revenue
Total revenue	Total revenue	Total revenue	Total revenue	Total revenue	Total revenue	Total revenue	Total revenue	Total revenue	Total revenue
(in thousands, except percentages)									
\$ 816,862	\$ 857,366	\$ (40,504)	(4.7)	(4.7)	\$ 842,900	\$ 874,891	\$ (31,991)	(3.7)	
194,698	172,007	172,007	22,691	22,691	13.2	13.2	Product revenue	183,217	185,046
\$ 1,011,560	\$ 1,029,373	\$ (17,813)	(1.7)	(1.7)	Total revenue	\$ 1,026,117	\$ 1,059,937	\$ (33,820)	(3.2)
Three Months Ended									
March 30, 2024		March 30, 2024		March 30, 2024		April 1, 2023		% change	

	March 30, 2024	April 1, 2023	\$ change	% change	Impact of FX
	June 29, 2024				
	June 29, 2024				
	June 29, 2024				
	June 29, 2024	July 1, 2023	\$ change	% change	Impact of FX
(in thousands, except percentages)					
RMS	RMS	\$ 220,907	\$ 199,766	\$ 21,141	10.6 %
DSA	DSA	605,452	662,353	(56,901)	(8.6) %
Manufacturing	Manufacturing	185,201	167,254	17,947	10.7 %
Total revenue	Total revenue	\$ 1,011,560	\$ 1,029,373	\$ (17,813)	(1.7) %
					0.3 %
					Total revenue
					\$ 1,026,117
					\$ 1,059,937

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

The following table presents operating income by reportable segment:

	Three Months Ended						Impact of FX	
	March 30, 2024		April 1, 2023		\$ change			
	(in thousands, except percentages)							
RMS	\$ 43,149	\$ 40,409	\$ 2,740	6.8 %	(0.6) %			
DSA	114,839	171,431	(56,592)	(33.0) %	0.1 %			
Manufacturing	33,681	2,106	31,575	1,499.3 %	5.3 %			
Unallocated corporate	(65,692)	(46,054)	(19,638)	42.6 %	0.3 %			
Total operating income	\$ 125,977	\$ 167,892	\$ (41,915)	(25.0) %	(0.2) %			
Operating income % of revenue	12.5 %	16.3 %			(380) bps			

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

	Three Months Ended						Impact of FX	
	June 29, 2024		July 1, 2023		\$ change			
	(in thousands, except percentages)							
RMS	\$ 29,948	\$ 48,918	\$ (18,970)	(38.8) %	(0.7) %			
DSA	138,376	161,538	(23,162)	(14.3) %	0.7 %			
Manufacturing	37,230	24,403	12,827	52.6 %	(1.6) %			
Unallocated corporate	(53,902)	(69,914)	16,012	(22.9) %	(0.1) %			
Total operating income	\$ 151,652	\$ 164,945	\$ (13,293)	(8.1) %	0.2 %			
Operating income % of revenue	14.8 %	15.6 %			(80) bps			

The following presents and discusses our consolidated financial results by each of our reportable segments:

RMS

	Three Months Ended					Impact of FX	
	March 30, 2024		March 30, 2024				
	March 30, 2024	April 1, 2023	\$ change	% change	Impact of FX		
	June 29, 2024						
	June 29, 2024						

	June 29, 2024	July 1, 2023	\$ change	% change	Impact of FX									
(in thousands, except percentages)														
Revenue	Revenue \$ 220,907	\$ 199,766	\$ 21,141	10.6	10.6 %	(0.3)%	Revenue \$ 206,389	\$	\$ 209,948	\$	\$ (3,559)	(1.7)	(1.7)%	(0.5)%
Cost of revenue (excluding amortization of intangible assets)														
Selling, general and administrative														
Selling, general and administrative														
Selling, general and administrative														
Amortization of intangible assets														
Amortization of intangible assets														
Amortization of intangible assets														
Operating income														
Operating income														
Operating income	\$ 43,149	\$ 40,409	\$ 2,740	6.8	6.8 %	(0.6)%	\$ 29,948	\$	\$ 48,918	\$	\$ (18,970)	(38.8)	(38.8) %	(0.7) %
Operating income % of revenue														

RMS revenue increased \$21.1 million decreased \$3.6 million due primarily to higher large research model the combination of lower volume from Cell Solutions product revenue, principally from the recent acquisition of Noveprim, which contributed \$15.1 million, Insourcing Solutions services revenue, and higher small large research models product and service revenues; partially offset by lower revenue in our Cell Solutions business China, and the effect of changes in foreign currency exchange rates. rates; partially offset by higher small research model product revenue in all geographic regions and the recent acquisition of Noveprim, which contributed \$5.8 million to large research model product revenue.

RMS operating income increased \$2.7 million decreased \$19.0 million compared to the corresponding period in 2023 principally due to the increase in revenue noted above. 2023. RMS operating income as a percentage of revenue for the three months ended March 30, 2024 June 29, 2024 was 19.5% 14.5%, a decrease of 70 880 bps from 20.2% 23.3% for the corresponding period in 2023, principally 2023. Operating income and operating income as a percentage of revenue decreased primarily due to the lower revenue described above, higher amortization related to acquisitions, including an inventory step up recorded in cost of revenue from the Noveprim acquisition, and higher site consolidation and asset impairment charges related to recent restructuring activities.

DSA

	Three Months Ended													
	March 30, 2024	March 30, 2024	March 30, 2024	April 1, 2024	\$ change	% change	Impact of FX							
	June 29, 2024	June 29, 2024	June 29, 2024	June 29, 2024										
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023	\$ change	% change	Impact of FX							
(in thousands, except percentages)														
Revenue	Revenue \$ 605,452	\$ 662,353	\$ (56,901)	(8.6)	(8.6)%	0.5 %	Revenue \$ 627,419	\$	\$ 663,457	\$	\$ (36,038)	(5.4)	(5.4)%	(0.1)%
Cost of revenue (excluding amortization of intangible assets)														

Selling, general and administrative													
Selling, general and administrative													
Selling, general and administrative													
Amortization of intangible assets													
Amortization of intangible assets													
Amortization of intangible assets													
Operating income													
Operating income													
Operating income	\$ 114,839	\$ 171,431	\$ (56,592)	(33.0)	(33.0)%	0.1 %	\$ 138,376	\$ 161,538	\$ (23,162)	(14.3)	(14.3) %	0.7 %	
Operating income % of revenue													

DSA revenue decreased \$56.9 million \$36.0 million due primarily to decreased revenue in our Safety Assessment and Discovery Services businesses due to decreased volume, the impact of a recently divested site related to our Safety Assessment business, which decreased revenue by \$2.3 million, and the effect of changes in foreign currency exchange rates.

DSA operating income decreased \$23.2 million during the three months ended June 29, 2024 compared to the corresponding period in 2023. DSA operating income as a percentage of revenue for the three months ended June 29, 2024 was 22.1%, a

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

decrease of 220 bps from 24.3% for the corresponding period in 2023. Operating income and operating income as a percentage of revenue decreased primarily due to the lower revenue described above, an adjustment to contingent consideration related to the acquisition of Noveprim, and higher severance, site consolidation, and asset impairment charges related to recent restructuring activities.

Manufacturing

	Three Months Ended						Impact of FX	
	June 29, 2024		July 1, 2023		\$ change	% change		
	(in thousands, except percentages)							
Revenue	\$ 192,309	\$ 186,532	\$ 5,777	3.1 %	(0.6)%			
Cost of revenue (excluding amortization of intangible assets)	110,498	112,522	(2,024)	(1.8)%				
Selling, general and administrative	33,813	38,481	(4,668)	(12.1)%				
Amortization of intangible assets	10,768	11,126	(358)	(3.2)%				
Operating income	\$ 37,230	\$ 24,403	\$ 12,827	52.6 %	(1.6)%			
Operating income % of revenue	19.4 %	13.1 %		630 bps				

Manufacturing revenue increased \$5.8 million due primarily to increased revenue in both our Biologics Solutions and Microbial Solutions businesses, driven by increased demand for Biologics Testing, and CDMO services, and higher Microbial Solutions endotoxin product revenue; partially offset by the effect of changes in foreign currency exchange rates.

Manufacturing operating income increased \$12.8 million during the three months ended June 29, 2024 compared to the corresponding period in 2023. Manufacturing operating income as a percentage of revenue for the three months ended June 29, 2024 was 19.4%, an increase of 630 bps from 13.1% for the corresponding period in 2023. Operating income and operating income as a percentage of revenue increased primarily due to the higher revenue described above, improved operating leverage, and the absence of legal costs from an environmental litigation related to the Microbial Solutions business incurred during the three months ended July 1, 2023.

Unallocated Corporate

	Three Months Ended						Impact of FX	
	June 29, 2024		July 1, 2023		\$ change	% change		
	(in thousands, except percentages)							
Unallocated corporate	\$ 53,902	\$ 69,914	\$ (16,012)	(22.9)%	(0.1)%			
Unallocated corporate % of revenue	5.3 %	6.6 %		(130) bps				

Unallocated corporate costs consist of selling, general and administrative expenses that are not directly related or allocated to the reportable segments. The decrease in unallocated corporate costs of \$16.0 million, or 22.9%, compared to the corresponding period in 2023 is primarily related to reduction in compensation expenses, timing of digital investments and acquisition related costs. Costs as a percentage of revenue for the three months ended June 29, 2024 was 5.3%, a decrease of 130 bps from 6.6% for the corresponding period in 2023.

Other Income (Expense)

	Three Months Ended			\$ change	% change	
	June 29, 2024		July 1, 2023			
	(in thousands, except percentages)					
Other income (expense):						
Interest income	\$ 3,010	\$ 1,426	\$ 1,584		111.1 %	
Interest expense	(32,769)	(35,044)	2,275		(6.5)%	
Other income (expense), net	(2,240)	(2,663)	423		(15.9)%	
Total other expense, net	\$ (31,999)	\$ (36,281)	\$ 4,282		(11.8)%	

Interest income for the three months ended June 29, 2024 was \$3.0 million, an increase of \$1.6 million, or 111.1%, driven primarily from higher interest rates and interest earning asset balances.

Interest expense for the three months ended June 29, 2024 was \$32.8 million, a decrease of \$2.3 million, or 6.5%, compared to \$35.0 million in the corresponding period in 2023. The decrease was due primarily to lower debt balances as we continue to pay down on our revolving credit facility.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

Income Taxes

	Three Months Ended			\$ change	% change
	June 29, 2024		July 1, 2023		
	(in thousands, except percentages)				
Provision for income taxes	\$ 25,392	\$ 29,221	\$ (3,829)		(13.1)%
Effective tax rate	21.2 %	22.7 %			(150) bps

Income tax expense for the three months ended June 29, 2024 was \$25.4 million, a decrease of \$3.8 million compared to \$29.2 million for the corresponding period in 2023. Our effective tax rate was 21.2% for the three months ended June 29, 2024 compared to 22.7% for the corresponding period in 2023. The decrease was primarily attributable to an increase in non-taxable remeasurement gains on previous equity investment in Noveprim.

Six Months Ended June 29, 2024 Compared to Six Months Ended July 1, 2023

Revenue and Operating Income

The following tables present consolidated revenue by type and by reportable segment:

	Six Months Ended			\$ change	% change
	June 29, 2024		July 1, 2023		
	(in thousands, except percentages)				
Service revenue	\$ 1,659,762	\$ 1,732,257	\$ (72,495)		(4.2)%
Product revenue	377,915	357,053	20,862		5.8 %
Total revenue	\$ 2,037,677	\$ 2,089,310	\$ (51,633)		(2.5)%

	Six Months Ended			\$ change	% change	Impact of FX
	June 29, 2024		July 1, 2023			
	(in thousands, except percentages)					
RMS	\$ 427,296	\$ 409,714	\$ 17,582		4.3 %	(0.4)%
DSA	1,232,871	1,325,810	(92,939)		(7.0)%	0.3 %
Manufacturing	377,510	353,786	23,724		6.7 %	(0.2)%
Total revenue	\$ 2,037,677	\$ 2,089,310	\$ (51,633)		(2.5)%	0.0 %

The following table presents operating income by reportable segment:

	Six Months Ended			\$ change	% change	Impact of FX
	June 29, 2024		July 1, 2023			
	(in thousands, except percentages)					

RMS	\$	73,097	\$	89,327	\$	(16,230)	(18.2)%	(0.7)%
DSA		253,215		332,969		(79,754)	(24.0)%	0.3 %
Manufacturing		70,911		26,509		44,402	167.5 %	(1.1)%
Unallocated corporate		(119,594)		(115,968)		(3,626)	3.1 %	0.1 %
Total operating income	\$	277,629	\$	332,837	\$	(55,208)	(16.6)%	— %
Operating income % of revenue		13.6 %		15.9 %			(230) bps	

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

The following presents and discusses our consolidated financial results by each of our reportable segments:

RMS

	Six Months Ended						Impact of FX	
	June 29, 2024		July 1, 2023		\$ change	% change		
	(in thousands, except percentages)							
Revenue	\$	427,296	\$	409,714	\$ 17,582	4.3 %	(0.4)%	
Cost of revenue (excluding amortization of intangible assets)		283,867		254,692	\$ 29,175	11.5 %		
Selling, general and administrative		58,490		54,711	\$ 3,779	6.9 %		
Amortization of intangible assets		11,842		10,984	\$ 858	7.8 %		
Operating income	\$	73,097	\$	89,327	\$ (16,230)	(18.2)%	(0.7)%	
Operating income % of revenue		17.1 %		21.8 %			(470) bps	

RMS revenue increased \$17.6 million due primarily to the recent acquisition of Noveprim, which contributed \$20.1 million to large research product revenue, and higher small research models product revenues; partially offset by lower Cell Solutions product revenue and large research models product revenue in China, and the effect of changes in foreign currency exchange rates.

RMS operating income decreased \$16.2 million compared to the corresponding period in 2023. RMS operating income as a percentage of revenue for the six months ended June 29, 2024 was 17.1%, a decrease of 470 bps from 21.8% for the corresponding period in 2023. Operating income and operating income as a percentage of revenue decreased principally due to higher severance, site consolidation and asset impairment charges related to recent restructuring activities, and higher amortization related to acquisitions, including an inventory step up recorded in cost of revenue from the Noveprim acquisition.

DSA

	Six Months Ended						Impact of FX	
	June 29, 2024		July 1, 2023		\$ change	% change		
	(in thousands, except percentages)							
Revenue	\$	1,232,871	\$	1,325,810	\$ (92,939)	(7.0)%	0.3 %	
Cost of revenue (excluding amortization of intangible assets)		836,876		832,074	\$ 4,802	0.6 %		
Selling, general and administrative		111,338		125,707	\$ (14,369)	(11.4)%		
Amortization of intangible assets		31,442		35,060	\$ (3,618)	(10.3)%		
Operating income	\$	253,215	\$	332,969	\$ (79,754)	(24.0)%	0.3 %	
Operating income % of revenue		20.5 %		25.1 %			(460) bps	

DSA revenue decreased \$92.9 million due primarily to decreased revenue in our Safety Assessment and Discovery Services businesses due to decreased volume, as well as the impact of a recently divested site related to our Safety Assessment business, which decreased revenue by \$2.9 million \$5.2 million; partially offset by the effect of changes in foreign currency exchange rates.

DSA operating income decreased \$56.6 million \$79.8 million compared to the corresponding period in 2023. DSA operating income as a percentage of revenue for the three six months ended March 30, 2024 June 29, 2024 was 19.0% 20.5%, a decrease of (690) 460 bps from 25.9% 25.1% for the corresponding period in 2023. Operating income and operating income as a percentage of revenue decreased primarily due to the lower revenue described above, higher operating and staffing costs, an adjustment to contingent consideration related to the acquisition of Noveprim, and higher severance, site consolidation, and asset impairment costs related to recent restructuring activities.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

Manufacturing

Three Months Ended

	March 30, 2024	March 30, 2024	March 30, 2024	April 1, 2023	\$ change	% change	Impact of FX
Six Months Ended							
	June 29, 2024	June 29, 2024	June 29, 2024	July 1, 2023	\$ change	% change	Impact of FX
(in thousands, except percentages)							
Revenue	Revenue \$ 185,201	\$ 167,254	\$ 17,947	10.7	10.7 %	0.3 %	Revenue \$ 377,510
Cost of revenue							\$ 353,786
(excluding amortization of intangible assets)							\$ 23,724
Selling, general and administrative							6.7
Selling, general and administrative							6.7 %
Selling, general and administrative							(0.2)%
Amortization of intangible assets							
Amortization of intangible assets							
Amortization of intangible assets							
Operating income							
Operating income							
Operating income	\$ 33,681	\$ 2,106	\$ 31,575	1,499.3	1,499.3 %	5.3 %	\$ 70,911
Operating income % of revenue							
	\$ 26,509	\$ 44,402	167.5	167.5 %	(1.1) %		

Manufacturing revenue increased \$17.9 million \$23.7 million due primarily to increased revenue in both our Biologics Solutions and Microbial Solutions businesses, driven by increased volume demand for Biologics Testing service revenue, and CDMO service revenue, services, and higher Microbial Solutions endotoxin product revenue, revenue; partially offset by the effect of changes in foreign currency exchange rates.

Manufacturing operating income increased \$31.6 million \$44.4 million compared to the corresponding period in 2023. Manufacturing operating income as a percentage of revenue for the three six months ended March 30, 2024 June 29, 2024 was 18.2% 18.8%, an increase of 1,690 1,130 bps from 1.3% 7.5% for the corresponding period in 2023. Operating income and operating income as a percentage of revenue increased primarily due to the higher revenue described above, along with higher improved operating efficiencies, leverage, and the absence of certain costs incurred during the three months ended April 1, 2023, primarily an asset impairment charge related to our Biologics Solutions business, and legal costs from an environmental litigation related to the Microbial Solutions business incurred during the six months ended July 1, 2023.

Unallocated Corporate

	Three Months Ended			
	March 30, 2024	March 30, 2024	March 30, 2024	April 1, 2023
Six Months Ended				
	June 29, 2024	June 29, 2024	June 29, 2024	July 1, 2023
	\$ change	% change	Impact of FX	\$ change

(in thousands, except percentages)

Unallocated corporate																										
Unallocated corporate																										
Unallocated corporate	\$	65,692	\$	\$	46,054	\$	\$	19,638	42.6	42.6	%	0.3	%	\$	119,594	\$	\$	115,968	\$	\$	3,626	3.1	3.1	%	0.1	%

Unallocated corporate % of revenue

Unallocated corporate costs consist of selling, general and administrative expenses that are not directly related or allocated to the reportable segments. The increase in unallocated corporate costs of **\$19.6 million** \$3.6 million, or **42.6%** **3.1%**, compared to the corresponding period in 2023 is primarily related to higher **variable** compensation **related** expenses, including employee fringe related costs and **higher** severance **costs**, **costs**, partially offset by lower acquisition **related** expenses. Costs as a percentage of revenue for the **three** **six** months ended **March 30, 2024** **June 29, 2024** were **6.5%** **5.9%**, an increase of **200** 30 bps from **4.5%** **5.6%** for the corresponding period in 2023.

Other Income (Expense)

(in thousands, except percentages)

Interest income for the ~~three~~six months ended ~~March 30, 2024~~June 29, 2024 was ~~\$2.2 million~~\$5.2 million, an increase of ~~\$1.4 million~~\$3.0 million, or ~~173.2%~~133.5%, driven primarily from higher interest rates.

Interest expense for the six months ended June 29, 2024 was \$67.8 million, a decrease of \$1.7 million, or 2.4%, compared to \$69.4 million in the corresponding period in 2023. The decrease was due primarily to lower debt balances as we continue to pay down our revolving credit facility.

Other income, net for the **three** **six** months ended **March 30, 2024** **June 29, 2024** was **\$5.8 million** **\$3.6 million**, an increase of **\$9.1 million** **\$9.5 million**, or **278.0%** **160.5%**, compared to Other expense, net of **\$3.3 million** **\$5.9 million** for the corresponding period in 2023. The increase was due primarily to venture capital investment gains of **\$8.2 million** **\$1.8 million**.

as compared to losses of \$6.8 million in the corresponding period in 2023, partially offset by strategic equity investment losses of \$2.3 million as compared to gains of \$3.6 million \$8.4 million in the corresponding period in 2023.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

Income Taxes

Three Months Ended		March 30, 2024	March 30, 2024	March 30, 2024	April 1, 2023	\$ change	% change						
Six Months Ended													
June 29, 2024	June 29, 2024	June 29, 2024	June 29, 2024	July 1, 2023	\$ change	%	change						
(in thousands, except percentages)													
Provision for income taxes	Provision for income taxes	\$ 24,529	\$ 27,087	\$ (2,558)	(9.4)	(9.4)%	Provision for income taxes						
Effective tax rate	Effective tax rate	24.8 %	20.7 %				Effective tax rate						
							410 bps rate						
							22.8 %						
							21.7 %						
							110 bps						

Income tax expense for the three six months ended March 30, 2024 June 29, 2024 was \$24.5 million \$49.9 million, a decrease of \$2.6 million \$6.4 million compared to \$27.1 million \$56.3 million for the corresponding period in 2023. Our effective tax rate was 24.8% 22.8% for the three six months ended March 30, 2024 June 29, 2024 compared to 20.7% 21.7% for the corresponding period in 2023. The increase in our effective tax rate in the three six months ended March 30, 2024 June 29, 2024 compared to the corresponding period in 2023 was primarily attributable to unfavorable decreased tax effects benefits from stock-based compensation deductions in the three six months ended March 30, 2024 June 29, 2024.

Our global operations make the effective tax rate sensitive to significant tax law changes. Several countries where we operate have enacted legislation implementing the Organization for Economic Cooperation and Development's (OECD) international tax framework, including the Pillar II global minimum tax rate with effect from January 1, 2024 or later. We continue to monitor future legislation on Pillar II, however, the Pillar II associated tax expense accrued for the three six months ended March 30, 2024 June 29, 2024, is not material to the unaudited consolidated financial statements.

Liquidity and Capital Resources

Liquidity and Cash Flows

We currently require cash to fund our working capital needs, capital expansion, acquisitions, and to pay our debt payments, lease, venture capital investment, restructuring initiatives, and pension obligations. Our principal sources of liquidity have been our cash flows from operations, supplemented by long-term borrowings. Based on our current business plan, we believe that our existing funds, when combined with cash generated from operations and our access to financing resources, are sufficient to fund our operations for the foreseeable future.

The following table presents our cash, cash equivalents and short-term investments:

	March 30, 2024	December 30, 2023
	June 29, 2024	December 30, 2023
(in thousands)		
Cash and cash equivalents:		
Held in U.S. entities		
Held in U.S. entities		
Held in U.S. entities		
Held in non-U.S. entities		
Total cash and cash equivalents		
Short-term investments:		
Held in non-U.S. entities		
Held in non-U.S. entities		

Held in non-U.S. entities

Total cash, cash equivalents and short-term investments

The following table presents our net cash provided by operating activities:

	Three Months Ended	
	March 30, 2024	April 1, 2023
	Six Months Ended	
	June 29, 2024	July 1, 2023
(in thousands)		

Net income

Adjustments to reconcile net income to net cash provided by operating activities

Changes in assets and liabilities

Net cash provided by operating activities

Net cash provided by cash flows from operating activities represents the cash receipts and disbursements related to all of our activities other than investing and financing activities. Operating cash flow is derived by adjusting our net income for (1) non-cash operating items such as depreciation and amortization, stock-based compensation, **loss on debt extinguishment** and other financing costs, deferred income taxes, gains and/or losses on venture capital and strategic equity investments, gains and/or losses on divestitures, contingent consideration, as well as (2) changes in operating assets and liabilities, which reflect timing differences between the receipt and payment of cash associated with transactions and when they are recognized in our results of operations. For the **three six** months ended **March 30, 2024** **June 29, 2024**, compared to the **three six** months ended **April 1, 2023** **July 1, 2023**, the increase in net cash provided by operating activities was primarily driven by timing of vendor and supplier payments and improvements across **our revenue related accounts, including trade receivables, deferred**

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

our revenue related accounts, including trade receivables, deferred revenue, and customer deposits **deposits**; reduced inventory purchases supporting our Safety Assessment business, and timing of vendor and supplier payments compared to the same period in 2023.

The following table presents our net cash used in investing activities:

	Three Months Ended	
	March 30, 2024	April 1, 2023
	Six Months Ended	
	June 29, 2024	July 1, 2023
(in thousands)		

Acquisition of businesses and assets, net of cash acquired

Capital expenditures

Investments, net

Other, net

Other, net

Other, net

Net cash used in investing activities

For the **three six** months ended **March 30, 2024** **June 29, 2024**, the primary use of cash used in investing activities related to capital expenditures to support the growth of the business, an immaterial asset acquisition, and investments in certain venture capital and strategic equity investments.

For the **three six** months ended **April 1, 2023** **July 1, 2023**, the primary use of cash used in investing activities related to capital expenditures to support the growth of the business, the acquisition of SAMDI, and investments in certain venture capital and strategic equity investments.

The following table presents our net cash **provided by** **used in** financing activities:

	Three Months Ended	
	March 30, 2024	April 1, 2023
	Six Months Ended	
	June 29, 2024	July 1, 2023
(in thousands)		

Proceeds from long-term debt and revolving credit facility

Proceeds from exercises of stock options

Payments on long-term debt, revolving credit facility, and finance lease obligations

Purchase of treasury stock

Payment of contingent considerations

Payment of contingent considerations
Purchases of additional equity interests, net
Purchases of additional equity interests, net
Purchases of additional equity interests, net
Payment of contingent considerations
Other, net
Net cash provided by financing activities
Net cash used in financing activities

For the **three six** months ended **March 30, 2024** **June 29, 2024**, net cash provided by used in financing activities was primarily driven by the following activity:

- Net proceeds repayments of **\$4.3** **\$252.4** million from our Credit Facility
- Net proceeds from exercises of employee stock options of **\$21.5** **\$22.3** million
- Treasury stock purchases of **\$9.4** **\$18.3** million made due to the netting of common stock upon vesting of stock-based awards in order to satisfy individual statutory tax withholding requirements
- Dividend payments of **\$2.2** million to noncontrolling interests

For the **three six** months ended **April 1, 2023** **July 1, 2023**, net cash provided by used in financing activities was primarily driven by the following activity:

- Net proceeds repayments of **\$35.2 million** **\$33 million** from our Credit Facility
- Net proceeds from exercises of employee stock options of **\$11.8 million** **\$15.7 million**
- Treasury stock purchases of **\$19.0 million** **\$24.0 million** made due to the netting of common stock upon vesting of stock-based awards in order to satisfy individual statutory tax withholding requirements, and
- Contingent consideration payments of **\$2.7** million

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

Financing and Market Risk

We are exposed to market risk from changes in interest rates and currency exchange rates, which could affect our future results of operations and financial condition. We manage our exposure to these risks through our regular operating and financing activities.

Amounts outstanding under our Credit Facility and our Senior Notes were as follows:

	March 30, 2024	December 30, 2023
	June 29, 2024	December 30, 2023
(in thousands)		
Revolving facility		
4.25% Senior Notes due 2028		
3.75% Senior Notes due 2029		
4.00% Senior Notes due 2031		
Total		

The Credit Facility has a maturity date of April 2026, with no required scheduled payment before that date. The interest rates applicable to the Credit Facility are equal to (A) for revolving loans denominated in U.S. dollars, at our option, either the base rate (which is the higher of (1) the prime rate, (2) the federal funds rate plus 0.50%, or (3) the one-month adjusted term SOFR rate plus 1%) or the adjusted term SOFR rate, (B) for revolving loans denominated in euros, the adjusted EURIBOR rate and (C) for revolving loans denominated in sterling, the daily simple SONIA rate, in each case, plus an interest rate margin based upon our leverage ratio.

We have an interest rate swap with a notional amount of \$500 million to manage interest rate fluctuation related to our floating rate borrowings under the Credit Facility, at a fixed rate of 4.65% on our swap maturing November 2, 2024.

Our off-balance sheet commitments related to our outstanding letters of credit as of **March 30, 2024** **June 29, 2024** and December 30, 2023 were \$21.2 million and \$21.6 million, respectively.

Foreign Currency Exchange Rate Risk

We operate on a global basis and have exposure to foreign currency exchange rate fluctuations for our financial position, results of operations, and cash flows.

While the financial results of our global activities are reported in U.S. dollars, our foreign subsidiaries typically conduct their operations in their respective local currency. The principal functional currencies of the Company's foreign subsidiaries are the Euro, British Pound and Canadian Dollar. During the **three six** months ended **March 30, 2024** **June 29, 2024**, the most significant drivers of foreign currency translation adjustment the Company recorded as part of Other comprehensive income (loss) were the Euro, Mauritian Rupee, Canadian Dollar, and Swedish Krona, and Canadian Dollar, Krona.

Fluctuations in the foreign currency exchange rates of the countries in which we do business will affect our financial position, results of operations, and cash flows. As the U.S. dollar strengthens against other currencies, the value of our non-U.S. revenue, expenses, assets, liabilities, and cash flows will generally decline when reported in U.S. dollars. The impact to net income as a result of a U.S. dollar strengthening will be partially mitigated by the value of non-U.S. expenses, which will decline when reported in U.S. dollars. As the U.S.

dollar weakens versus other currencies, the value of the non-U.S. revenue, expenses, assets, liabilities, and cash flows will generally increase when reported in U.S. dollars. For the **three** six months ended **March 30, 2024** June 29, 2024, our revenue would have decreased by **\$32.8 million** **\$65.2 million**, and our operating income would have decreased by **\$2.4 million** **\$3.6 million**, if the U.S. dollar exchange rate had strengthened by 10%, with all other variables held constant.

We attempt to minimize this exposure by using certain financial instruments in accordance with our overall risk management and our hedge policy. We do not enter into speculative derivative agreements.

Repurchases of Common Stock

During the **three** six months ended **March 30, 2024** June 29, 2024, we did not repurchase any shares under our authorized stock repurchase program. As of **March 30, 2024** June 29, 2024, we had \$129.1 million remaining on the authorized \$1.3 billion stock repurchase program. **Our** On August 2, 2024, our Board of Directors approved a new stock repurchase authorization of \$1.0 billion. This new authorization replaces a prior stock repurchase authorization of \$1.3 billion that had \$129.1 million remaining on the plan when it was terminated.

Additionally, our stock-based compensation plans permit the netting of common stock upon vesting of restricted stock, restricted stock units, and performance share units in order to satisfy individual statutory tax withholding requirements. During the **three** six months ended **March 30, 2024** June 29, 2024, we acquired 0.1 million shares for **\$9.4 million** **\$18.3 million** through such netting.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements prepared in accordance with generally accepted accounting principles in the U.S. The preparation of these financial statements requires us to make certain estimates and assumptions that may affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses during the reported periods, and the related disclosures. These estimates and

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

assumptions are monitored and analyzed by us for changes in facts and circumstances, and material changes in these estimates could occur in the future. We base our estimates on our historical experience, trends in the industry, and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions.

We believe that the application of our accounting policies, each of which require significant judgments and estimates on the part of management, are the most critical to aid in fully understanding and evaluating our reported financial results. Our significant accounting policies are more fully described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for fiscal year **2023** **2023** as filed with the SEC on February 14, 2024. There have been no changes in the Company's critical accounting policies during the **three** six months ended **March 30, 2024** June 29, 2024.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements please refer to Note 1, "Basis of Presentation," in this Quarterly Report on Form 10-Q. Other than as discussed in Note 1, "Basis of Presentation," we did not adopt any other new accounting pronouncements during the **three** six months ended **March 30, 2024** June 29, 2024 that had a significant effect on our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company's exposure to market risk from changes in interest rates and currency exchange rates has not changed materially from its exposure discussed in the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2023 as filed with the SEC on February 14, 2024. Our interest rate and currency exchange rate risks are fully described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" of our Annual Report on Form 10-K for fiscal year 2023 and in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" herein.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Based on their evaluation, required by paragraph (b) of Rules 13a-15 or 15d-15, promulgated by the Securities Exchange Act of 1934, as amended (Exchange Act), the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, are effective, at a reasonable assurance level, as of **March 30, 2024** June 29, 2024, to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurances of achieving the desired control objectives, and management necessarily was required to apply its judgment in designing and evaluating the controls and procedures.

(b) Changes in Internal Controls Over Financial Reporting

There were no material changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of the Exchange Act Rules 13a-15 or 15d-15 that occurred during the quarter ended **March 30, 2024** June 29, 2024 that materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On February 16, 2023, the Company was informed by the U.S. Department of Justice (DOJ) that in conjunction with the U.S. Fish and Wildlife Service (USFWS), it had commenced an investigation into the Company's conduct regarding several shipments of non-human primates from Cambodia. On February 17, 2023 the Company received a grand jury subpoena requesting certain documents related to such investigation. The Company is aware of a parallel civil investigation being undertaken by the DOJ and USFWS. The Company is cooperating with the DOJ and the USFWS and believes that the concerns raised with respect to the Company's conduct are without merit. The Company maintains a global supplier onboarding and oversight program incorporating risk-based due diligence, auditing, and monitoring practices to help ensure the quality of our supplier relationships and compliance with applicable U.S. and international laws and regulations, and has operated under the belief that all shipments of non-human primates it received satisfied the material requirements, documentation and related processes and procedures of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) documentation and related processes and procedures, which guides the release of each import by USFWS. Notwithstanding our efforts and good-faith belief, in connection with the civil investigation, the Company has voluntarily suspended future shipments of non-human primates from Cambodia to the United States until such time that the Company and USFWS can agree upon and implement additional procedures to reasonably ensure that non-human primates imported from Cambodia are purpose-bred. The Company continues to care for the Cambodia-sourced non-human primates from certain shipments in the United States. The carrying value of the inventory related to these shipments is approximately \$27 million as of **March 30, 2024** **June 29, 2024**, which reflects the value of the shipments in accordance with the Company's inventory accounting policy. On May 16, 2023, the Company received an inquiry from the Enforcement Division of the U.S. Securities and Exchange Commission (SEC) requesting it to voluntarily provide information, subsequently augmented with a document subpoena and additional inquiries, primarily related to the sourcing of non-human primates and related disclosures, and the Company is cooperating with the request, these requests. We are not able to predict what action, if any, might be taken in the future by the DOJ, USFWS, SEC or other governmental authorities as a result of the investigations. None of the DOJ, USFWS or SEC has provided the Company with any specific timeline or indication as to when these investigations or, specific to the DOJ and USFWS, discussions regarding future processes and procedures, will be concluded or resolved. The Company cannot predict the timing, outcome or possible impact of the investigations, including without limitation any potential fines, penalties or liabilities.

A putative securities class action (Securities Class Action) was filed on May 19, 2023 against the Company and a number of its current/former officers in the United States District Court for the District of Massachusetts. On August 31, 2023, the court appointed the State Teachers Retirement System of Ohio as lead plaintiff. An amended complaint was filed on November 14, 2023 that, among other things, included only James Foster, the Chief Executive Officer and David R. Smith, the former Chief Financial Officer as defendants along with the Company. The amended complaint asserts claims under §§ 10(b) and 20(a) of the Securities Exchange Act of 1934 (the Exchange Act) on behalf of a putative class of purchasers of Company securities from May 5, 2020 through February 21, 2023, alleging that certain of the Company's disclosures about its practices with respect to the importation of non-human primates made during the putative class period were materially false or misleading. **The Company** **On July 1, 2024**, the court dismissed the complaint, denied the plaintiff's informal request for leave to amend, and entered judgment for defendants. **On July 30, 2024** the plaintiff filed a motion to dismiss, notice of appeal. While the Company cannot predict the final outcome of this matter, it believes the class action to be without merit and plans to vigorously defend against it. The Company cannot reasonably estimate the maximum potential exposure or the range of possible loss in association with this matter.

On November 8, 2023, a stockholder filed a derivative lawsuit in the U.S. District Court of the District of Delaware asserting claims on the Company's behalf against the members of the Company's Board of Directors and certain of the Company's current/former officers (James Foster, the Chief Executive Officer; David R. Smith, the former Chief Financial Officer; and Flavia Pease, the current Chief Financial Officer). The complaint alleges that the defendants breached their fiduciary duties to the Company and its stockholders because certain of the Company's disclosures about its practices with respect to the importation of non-human primates were materially false or misleading. The complaint also alleges that the defendants breached their fiduciary duties by causing the Company to fail to maintain adequate internal controls over securities disclosure and compliance with applicable law and by failing to comply with the company's Code of Business Conduct and Ethics. **In March 2024**, **The lawsuit is currently stayed by agreement of the plaintiff agreed to stay parties pending further developments in the action until** **Securities Class Action pending in the United States District Court for the District of Massachusetts rules** **Massachusetts**. **On August 2, 2024**, a different stockholder filed a lawsuit in the U.S. District Court of Delaware asserting similar derivative claims on the pending motion to dismiss Company's behalf against members of the Company's current and former Board of Directors and the same current/former officers based on similar allegations of purportedly misleading disclosures and non-compliance with legal rules and ethics standards in respect of the **Securities Class Action**. **The Company intends to file a motion to dismiss at that time**, importation of non-human primates, as well as insider-trading claims against certain of the defendants. While the Company cannot predict the outcome of this matter, these matters, it believes the derivative **lawsuit lawsuits** to be without merit and plans to vigorously defend against **it, them**. The Company cannot reasonably estimate the maximum potential exposure or the range of possible loss in association with **this matter, these matters**.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for fiscal year 2023, which could materially affect our business, financial condition, and/or future results. The risks described in our Annual Report on Form 10-K are not the only risks we face.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results. There have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for fiscal year **2023, 2023 as filed with the SEC on February 14, 2024**.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information relating to the purchases of shares of our common stock during the three months ended **March 30, 2024** **June 29, 2024**.

Total Number of Shares Purchased	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
(in thousands)								
December 31, 2023 to January 27, 2024								
January 28, 2024 to February 24, 2024								
February 25, 2024 to March 30, 2024								
March 31, 2024 to April 27, 2024								
April 28, 2024 to May 25, 2024								
May 26, 2024 to June 29, 2024								
Total	Total 41,926				Total 41,536			
		—				—		

Our Through June 29, 2024 our Board of Directors have had authorized up to an aggregate amount of \$1.3 billion for our stock repurchase program. During the three months ended March 30, 2024 June 29, 2024, we did not repurchase any shares of common stock under our stock repurchase program or in open market trading. As of March 30, 2024 June 29, 2024, we had \$129.1 million remaining on the authorized stock repurchase program.

On August 2, 2024, our Board of Directors approved a new stock repurchase authorization of \$1.0 billion. This new authorization replaces a prior stock repurchase authorization of \$1.3 billion that had \$129.1 million remaining on the plan when it was terminated.

Additionally, our stock-based compensation plans permit the netting of common stock upon vesting of restricted stock, restricted stock units, and performance share units in order to satisfy individual statutory tax withholding requirements.

Item 5. Other Information

During the quarter ended March 30, 2024 June 29, 2024, none of our officers or directors adopted or terminated any contract, instruction, or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any "non-Rule 10b5-1 trading arrangement" as defined in Item 408(c) of Regulation S-K, except as follows:

- On February 26, 2024, James Foster, our Chair, President, and Chief Executive Officer, entered into a Rule 10b5-1 trading arrangement for the sale of up to 129,721 shares of common stock. The arrangement's expiration date is June 30, 2026.
- On March 4, 2024, Shannon Parisotto, our Corporate Executive Vice President, Global Discovery & Safety Assessment entered into a Rule 10b5-1 trading arrangement for the sale of up to 10,170 shares of common stock, subject to certain conditions. The arrangement's expiration date is February 28, 2025.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

Item 6. Exhibits

(a) Exhibits	Description of Exhibits
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1+	Certification of the Principal Executive Officer and the Principal Financial Officer required by Rule 13a-14(a) or 15d-14(a) of the Exchange Act
101.INS	eXtensible Business Reporting Language (XBRL) Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

+ Furnished herein.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

May 9, August 7, 2024

/s/ JAMES C. FOSTER

James C. Foster
Chairman, President and Chief Executive Officer

May 9, August 7, 2024

/s/ FLAVIA H. PEASE

Flavia H. Pease
Corporate Executive Vice President and Chief Financial Officer

3642

Exhibit 31.1

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
AND RULE 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934**

I, James C. Foster, Chairman, President and Chief Executive Officer of Charles River Laboratories International, Inc. (the registrant) certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended **March 30, 2024** **June 29, 2024** of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ James C. Foster

James C. Foster
Chairman, President and Chief Executive Officer
Charles River Laboratories International, Inc.

May 9, August 7, 2024

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
AND RULE 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934**

I, Flavia H. Pease, Corporate Executive Vice President and Chief Financial Officer of Charles River Laboratories International, Inc. (the registrant) certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended **March 30, 2024** **June 29, 2024** of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Flavia H. Pease

Flavia H. Pease

Corporate Executive Vice President and Chief Financial Officer

Charles River Laboratories International, Inc.

May 9, August 7, 2024

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q for the quarter ended **March 30, 2024** **June 29, 2024** of Charles River Laboratories International, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, James C. Foster, Chairman, President and Chief Executive Officer of the Company, and Flavia H. Pease, Corporate Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, to the best of his knowledge and pursuant to 18 U.S.C. Section 1350, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James C. Foster

James C. Foster
Chairman, President and Chief Executive Officer
Charles River Laboratories International, Inc.

May 9, August 7, 2024

/s/ Flavia H. Pease

Flavia H. Pease
Corporate Executive Vice President and Chief Financial Officer
Charles River Laboratories International, Inc.

May 9, August 7, 2024

This certification shall not be deemed "filed" for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act.

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