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DELTA REPORT

10-Q

CRL - CHARLES RIVER LABORATORIE

10-Q - MARCH 30, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	930
CHANGES	201
DELETIONS	393
ADDITIONS	336

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 **September 30, 2023** **March 30, 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
(State or Other Jurisdiction of
Incorporation or Organization)

06-1397316
(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, 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 **October 27, 2023** **April 27, 2024**, there were **51,296,804** **51,511,687** shares of the Registrant's common stock outstanding.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED **SEPTEMBER** MARCH 30, **2023** 2024

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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) and Company, (2) the putative securities class action lawsuit filed against us and three 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; the timing and impact of the development and implementation of additional enhanced procedures to reasonably ensure that non-human primates imported to the United States from Cambodia 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; 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 impact of specific actions intended to improve overall operating efficiencies and profitability (and our ability to accommodate future demand with our infrastructure), including gains and losses attributable to businesses we plan to close, consolidate, divest or repurpose and the impact of operations and cost structure alignment efforts (including as estimated on an annualized basis); our expectations with respect to our study cancellation rate rates and the impact of such cancellations; 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 31, 2022** **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		Nine Months Ended		Three Months Ended	
		September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022	March 30, 2024	April 1, 2023
Service revenue	Service revenue	\$ 869,759	\$812,894	\$2,602,016	\$2,316,206		
Product revenue	Product revenue	156,864	176,263	513,917	560,011		
Total revenue	Total revenue	1,026,623	989,157	3,115,933	2,876,217		
Costs and expenses:	Costs and expenses:						
Cost of services provided (excluding amortization of intangible assets)	Cost of services provided (excluding amortization of intangible assets)	587,560	530,706	1,731,136	1,540,193		
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)	Cost of products sold (excluding amortization of intangible assets)	77,223	88,228	246,326	272,257		
Selling, general and administrative	Selling, general and administrative	176,109	183,714	550,713	465,458		
Amortization of intangible assets	Amortization of intangible assets	34,229	35,533	103,419	111,144		
Operating income	Operating income	151,502	150,976	484,339	487,165		
Other income (expense):	Other income (expense):						
Interest income	Interest income	1,373	122	3,605	437		
Interest income							
Interest income							
Interest expense	Interest expense	(33,742)	(11,375)	(103,166)	(24,512)		
Other expense, net		(6,260)	(16,616)	(12,200)	(85,024)		

Other income (expense), net					
Income before income taxes	Income before income taxes	112,873	123,107	372,578	378,066
Provision for income taxes	Provision for income taxes	24,852	25,495	81,160	74,564
Net income	Net income	88,021	97,612	291,418	303,502
Less: Net income attributable to noncontrolling interests	Less: Net income attributable to noncontrolling interests	632	1,139	3,878	4,686
Net income attributable to common shareholders		\$ 87,389	\$ 96,473	\$ 287,540	\$ 298,816
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					
Earnings per common share					

Net income attributable to common shareholders:	Net income attributable to common shareholders:					
Net income attributable to common shareholders:	Net income attributable to common shareholders:					
Basic	Basic					
Basic	Basic					
Basic	Basic	\$	1.70	\$	1.90	\$ 5.62 \$ 5.88
Diluted	Diluted	\$	1.69	\$	1.88	\$ 5.58 \$ 5.83
Weighted-average number of common shares outstanding:	Weighted-average number of common shares outstanding:					
Weighted-average number of common shares outstanding:	Weighted-average number of common shares outstanding:					
Basic	Basic					
Basic	Basic					
Basic	Basic		51,283		50,870	51,199 50,778
Diluted	Diluted		51,607		51,283	51,493 51,285

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		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Net income	\$ 88,021	\$ 97,612	\$ 291,418	\$ 303,502
Other comprehensive income (loss):				
Foreign currency translation adjustment and other	(63,997)	(151,294)	(17,457)	(258,103)
Amortization of net loss, settlement losses, and prior service benefit included in total cost for pension and other post-retirement benefit plans	177	731	521	2,218
Unrealized gains on hedging instruments	539	—	5,183	—
Other comprehensive loss, before income taxes	(63,281)	(150,563)	(11,753)	(255,885)
Less: Income tax expense related to items of other comprehensive income	(3,292)	(11,201)	(3,393)	(20,095)
Comprehensive income (loss), net of income taxes	28,032	(41,750)	283,058	67,712
Less: Comprehensive income (loss) related to noncontrolling interests, net of income taxes	440	(1,170)	1,527	(236)
Comprehensive income (loss) attributable to common shareholders, net of income taxes	\$ 27,592	\$ (40,580)	\$ 281,531	\$ 67,948

See Notes to Unaudited Condensed Consolidated Financial Statements.

	Three Months Ended	
	March 30, 2024	April 1, 2023
Net income	\$ 74,482	\$ 103,954
Other comprehensive income (loss):		
Foreign currency translation adjustment	(62,840)	23,313
Amortization of net loss, settlement losses, and prior service benefit included in total cost for pension and other post-retirement benefit plans	344	170
Unrealized gains (losses) on hedging instruments	768	(1,402)
Other comprehensive income (loss), before income taxes	(61,728)	22,081
Less: Income tax benefit related to items of other comprehensive income	(5,473)	(1,038)
Comprehensive income, net of income taxes	18,227	127,073
Less: Comprehensive income (loss) related to noncontrolling interests, net of income taxes	(1,241)	1,009
Comprehensive income attributable to Charles River Laboratories International, Inc., net of income taxes	\$ 19,468	\$ 126,064

See Notes to Unaudited Condensed Consolidated Financial Statements.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except per share amounts)

		September 30, 2023	December 31, 2022
		March 30, 2024	
		March 30, 2024	
		March 30, 2024	
Assets			
Assets			
Assets	Assets		
Current assets:	Current assets:		
Current assets:			
Current assets:			
Cash and cash equivalents	Cash and cash equivalents \$	157,174	\$ 233,912
Trade receivables and contract assets, net of allowances for credit losses of \$21,187 and \$11,278, respectively		799,310	752,390
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			
Inventories			
Inventories			
Inventories	Inventories	292,972	255,809
Prepaid assets	Prepaid assets	101,555	89,341
Prepaid assets			

Prepaid assets			
Other current assets			
Other current assets			
Other current assets	Other current assets	93,314	107,580
Total current assets	Total current assets	1,444,325	1,439,032
Total current assets			
Total current assets			
Property, plant and equipment, net			
Property, plant and equipment, net			
Property, plant and equipment, net	Property, plant and equipment, net	1,525,485	1,465,655
Venture capital and strategic equity investments	Venture capital and strategic equity investments	301,847	311,602
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	Operating lease right-of-use assets, net	375,322	391,762
Goodwill	Goodwill	2,884,602	2,849,903
Goodwill			
Goodwill			
Intangible assets, net			
Intangible assets, net			
Intangible assets, net	Intangible assets, net	886,286	955,275
Deferred tax assets	Deferred tax assets	34,264	41,262
Deferred tax assets			
Deferred tax assets			
Other assets			
Other assets			
Other assets	Other assets	154,876	148,279
Total assets	Total assets	\$ 7,607,007	\$ 7,602,770
Total assets			
Total assets			
Liabilities, Redeemable Noncontrolling Interests and Equity			
Liabilities, Redeemable Noncontrolling Interests and Equity			
Liabilities, Redeemable Noncontrolling Interests and Equity	Liabilities, Redeemable Noncontrolling Interests and Equity		
Current liabilities:	Current liabilities:		
Current liabilities:			
Current liabilities:			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	\$ 136,341	\$ 205,915
Accrued compensation	Accrued compensation	224,183	197,078
Accrued compensation			
Accrued compensation			
Deferred revenue			
Deferred revenue			
Deferred revenue	Deferred revenue	250,485	264,259
Accrued liabilities	Accrued liabilities	198,062	219,758

Accrued liabilities			
Accrued liabilities			
Other current liabilities			
Other current liabilities			
Other current liabilities	Other current liabilities	184,745	204,575
Total current liabilities	Total current liabilities	993,816	1,091,585
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	Long-term debt, net and finance leases	2,514,217	2,707,531
Operating lease right-of-use liabilities	Operating lease right-of-use liabilities	390,437	389,745
Operating lease right-of-use liabilities			
Operating lease right-of-use liabilities			
Deferred tax liabilities			
Deferred tax liabilities			
Deferred tax liabilities	Deferred tax liabilities	185,310	215,582
Other long-term liabilities	Other long-term liabilities	172,518	174,822
Other long-term liabilities			
Other long-term liabilities			
Total liabilities	Total liabilities	4,256,298	4,579,265
Commitments and contingencies (Notes 2, 8, 10, and 14)			
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	Redeemable noncontrolling interest	39,948	42,427
Equity:	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	—	—
Common stock, \$0.01 par value; 120,000 shares authorized; 51,400 shares issued and 51,296 shares outstanding as of September 30, 2023, and 50,944 shares issued and outstanding as of December 31, 2022		514	509
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			
Additional paid-in capital			
Additional paid-in capital			
Additional paid-in capital	Additional paid-in capital	1,877,120	1,804,940
Retained earnings	Retained earnings	1,720,441	1,432,901
Treasury stock, at cost, 104 and zero shares, as of September 30, 2023 and December 31, 2022, respectively		(24,016)	—
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			
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(268,066)	(262,057)
Total equity attributable to common shareholders		3,305,993	2,976,293
Noncontrolling interests (nonredeemable)		4,768	4,785
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	3,310,761	2,981,078
Total liabilities, redeemable noncontrolling interests and equity	\$	7,607,007	\$ 7,602,770
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.			
See Notes to Unaudited Condensed Consolidated Financial Statements.			

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

		Nine Months Ended		Three Months Ended	
		September 30, 2023	September 24, 2022		
				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	Net income	\$ 291,418	\$ 303,502		

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	Depreciation and amortization	233,610	226,325	
Stock-based compensation	Stock-based compensation	52,527	51,548	
Loss on debt extinguishment and amortization of other financing costs		2,975	3,054	
Deferred income taxes	Deferred income taxes	(28,251)	(26,323)	
Loss on venture capital and strategic equity investments, net		9,246	20,068	
Long-lived asset impairment charges	Long-lived asset impairment charges	26,202	—	
(Gain) loss on venture capital and strategic equity investments, net				
Provision for credit losses				
Loss on divestitures, net		995	—	
Changes in fair value of contingent consideration arrangements		1,810	(15,420)	
Other, net				
Other, net				
Other, net	Other, net	13,192	31,574	
Changes in assets and liabilities:	Changes in assets and liabilities:			Changes in assets and liabilities:
Trade receivables and contract assets, net	Trade receivables and contract assets, net	(59,081)	(174,169)	
Inventories	Inventories	(44,126)	(76,283)	
Accounts payable	Accounts payable	(26,531)	5,979	
Accrued compensation	Accrued compensation	28,438	(32,734)	
Deferred revenue	Deferred revenue	(9,997)	53,565	
Customer contract deposits	Customer contract deposits	(21,534)	16,234	

Other assets and liabilities, net	Other assets and liabilities, net	(7,938)	(2,037)		
Net cash provided by operating activities	Net cash provided by operating activities	462,955	384,883		
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	Acquisition of businesses and assets, net of cash acquired	(50,166)	(283,392)		
Capital expenditures	Capital expenditures	(240,205)	(235,709)		
Purchases of investments and contributions to venture capital investments	Purchases of investments and contributions to venture capital investments	(36,322)	(129,363)		
Proceeds from sale of investments	Proceeds from sale of investments	3,953	3,104		
Other, net	Other, net				
Other, net	Other, net	(2,044)	(6,945)		
Net cash used in investing activities	Net cash used in investing activities	(324,784)	(652,305)		
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 long-term debt and revolving credit facility	333,034	2,798,665		
Proceeds from exercises of stock options	Proceeds from exercises of stock options	19,658	17,710		
Payments on long-term debt, revolving credit facility, and finance lease obligations	Payments on long-term debt, revolving credit facility, and finance lease obligations	(530,909)	(2,524,387)		
Purchase of treasury stock	Purchase of treasury stock	(24,016)	(38,492)		

Payments of contingent consideration	Payments of contingent consideration	(2,711)	(10,356)
Purchases of additional equity interests, net		—	(30,533)
Other, net	Other, net	(4,145)	(6,048)
Net cash (used in) provided by financing activities		(209,089)	206,559
Other, net			
Other, net			
Net cash provided by financing activities			
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(4,680)	10,726
Net change in cash, cash equivalents, and restricted cash	Net change in cash, cash equivalents, and restricted cash	(75,598)	(50,137)
Cash, cash equivalents, and restricted cash, beginning of period	Cash, cash equivalents, and restricted cash, beginning of period	241,214	246,314
Cash, cash equivalents, and restricted cash, end of period	Cash, cash equivalents, and restricted cash, end of period	\$ 165,616	\$ 196,177

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)

	(in thousands)									
								Total Equity		
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Attributable to Common Shareholders	Noncontrolling Interest	Total Equity
	Shares	Amount				Shares	Amount			
December 31, 2022	50,944	\$ 509	\$ 1,804,940	\$ 1,432,901	\$ (262,057)	—	\$ —	\$ 2,976,293	\$ 4,785	\$ 2,981,078
Net income	—	—	—	103,131	—	—	—	103,131	501	103,632
Other comprehensive income	—	—	—	—	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	51,260	512	1,830,189	1,536,032	(239,124)	78	(19,012)	3,108,597	5,286	3,113,883

		Redeemable Noncontrolling Interests									

See Notes to Unaudited Condensed Consolidated Financial Statements.

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 2022, 2023. 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 Adopted Issued Accounting Pronouncements

In September 2022, November 2023, the FASB issued ASU 2022-04, "Liabilities – Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations," 2023-07, "Improvements to Reportable Segment Disclosures (Topic 280)". ASU 2022-04 requires quantitative and qualitative 2023-07 modifies reportable segment disclosure requirements, primarily through enhanced disclosures about segment expenses categorized as significant or regularly provided to the use 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 supplier finance programs, 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, 2022 December 15, 2023, except 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 amendment on rollforward information, which reconciliation of jurisdictional tax rate to effective tax rate. This ASU is effective for fiscal years beginning after December 15, 2023 December 15, 2024, including interim periods within those fiscal years for selected disclosures, and will can be applied on a prospective basis. The Company participates in certain supplier finance programs that are immaterial to is currently evaluating the unaudited condensed impact this new standard will have on the related disclosures on the consolidated financial statements and related disclosures, 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 2022, 2023.

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 sell 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, which occurred in fiscal year 2022, 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, models, and Research Animal Diagnostic Services (RADS), which provides health monitoring and diagnostics services related to research models; Insourcing Solutions (IS), which provides colony management of its clients' research operations (including recruitment, training, staffing, and management services) within our clients' facilities and utilizing both our Charles River Accelerator and Development Lab (CRADL™) and our Explora BioLabs options, in which we provide vivarium space to our clients; and Cell Solutions, which

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

supplies controlled, consistent, customized primary cells and blood components derived from normal and mobilized peripheral blood and bone marrow, and cord blood. 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). In December of 2022, the Company sold the Avian Vaccine Services business (Avian), previously reported in the Manufacturing segment, which supplied specific-pathogen-free chicken eggs and chickens.

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, which includes \$144.6 million additional cash paid for the 41% equity interest, elimination of historical activity and intercompany balances of \$198.8 million which includes a remeasurement gain on the 49% equity investment of \$103.2 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 \$13.8 million. 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 and \$0.8 million for the three months ended March 30, 2024 and April 1, 2023, respectively, which was primarily included in Selling, general and administrative expenses within the unaudited condensed consolidated statements of income.

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.

Fiscal 2022 Acquisition

Explora BioLabs Holdings, Inc.

On April 5, 2022, The Company did not incur material transaction and integration costs in connection with the Company acquired Explora BioLabs Holdings, Inc. (Explora BioLabs), a provider of contract vivarium research services, providing biopharmaceutical clients with turnkey *in vivo* vivarium facilities, management acquisition for the three months ended March 30, 2024 and related services to efficiently conduct their early-stage research activities. The acquisition of Explora BioLabs complements the Company's existing Insourcing Solutions business, specifically the CRADL (Charles River Accelerator and Development Lab) footprint, and offers incremental opportunities to partner with an emerging client base, many of which are engaged in cell and gene therapy development. The purchase price of Explora BioLabs was \$284.5 million, net of \$6.6 million in cash. The acquisition was funded through proceeds from the Company's credit facility (Credit Facility) April 1, 2023. This business is reported as part of the Company's RMS reportable segment.

Purchase price information

The purchase price allocation was as follows:

	SAMDI		Explora BioLabs	
	January 27, 2023		April 5, 2022	
	(in thousands)			
Trade receivables	\$	513	\$	7,679
Other current assets (excluding cash)		75		1,067

Property, plant and equipment	593	37,369
Operating lease right-of-use asset, net	—	48,613
Goodwill ⁽¹⁾	37,129	215,752
Definite-lived intangible assets	33,070	70,100
Other long-term assets	6	556
Deferred revenue	(43)	(3,507)
Other current liabilities	(351)	(15,507)
Operating lease right-of-use liabilities (Long-term)	—	(57,193)
Deferred tax liabilities	(8,191)	(18,601)
Other long-term liabilities	—	(1,807)
Total purchase price allocation	\$ 62,801	\$ 284,521

⁽¹⁾ 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 and the assembled workforce of the acquirees, thus is not deductible for tax purposes. Explora BioLabs had \$5.0 million of goodwill due to a prior asset acquisition that is deductible for tax purposes.

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

Purchase price information

The purchase price allocation was as follows:

	Noveprim Group ⁽¹⁾	SAMDI Tech, Inc.
	November 30, 2023	January 27, 2023
	(in thousands)	
Trade receivables	\$ 1,308	\$ 513
Inventories	66,500	—
Other current assets (excluding cash)	3,467	75
Property, plant and equipment	35,831	593
Operating lease right-of-use asset, net	104	—
Goodwill ⁽²⁾	172,846	37,129
Definite-lived intangible assets	9,500	33,070
Other long-term assets ⁽³⁾	167,907	6
Deferred revenue	—	(43)
Other current liabilities	(16,378)	(351)
Operating lease right-of-use liabilities (Long-term)	(97)	—
Deferred tax liabilities	(12,984)	(8,191)
Other long-term liabilities	(7,796)	—
Redeemable noncontrolling interest ⁽⁴⁾	(45,374)	—
Total purchase price allocation	\$ 374,834	\$ 62,801

⁽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⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ 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:

	SAMDI	Explora BioLabs
	Noveprim Group	
	Noveprim Group	
	Noveprim Group	
Definite-Lived Intangible Assets		
Definite-Lived Intangible Assets		
Definite-Lived Intangible Assets	Definite-Lived Intangible Assets	(in thousands)

Client relationships	Client relationships	\$	23,400	\$	64,000
Client relationships					
Client relationships					
Other intangible assets	Other intangible assets		9,670		6,100
Other intangible assets					
Other intangible assets					
Total definite-lived intangible assets					
Total definite-lived intangible assets					
Total definite-lived intangible assets	Total definite-lived intangible assets	\$	33,070	\$	70,100
Weighted Average Amortization Life	Weighted Average Amortization Life			(in years)	
Weighted Average Amortization Life					
Weighted Average Amortization Life					
Client relationships					
Client relationships					
Client relationships	Client relationships		15		13
Other intangible assets	Other intangible assets		7		4
Other intangible assets					
Other intangible assets					
Total definite-lived intangible assets	Total definite-lived intangible assets				12
Total definite-lived intangible assets					
Total definite-lived intangible assets					

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
	(in thousands)			
Transaction and Integration Costs				
Selling, general and administrative expenses	\$ 1,040	\$ 3,065	\$ 3,328	\$ 14,604

Divestitures

The Company routinely evaluates the strategic fit and fundamental performance of its global businesses, divesting operations that do not meet key business criteria. As part of this ongoing assessment, the Company determined that certain capital could be better deployed in other long-term growth opportunities.

Avian Vaccine Services

On December 20, 2022, the Company sold its Avian Vaccine Services business (Avian) to a private investor group for a purchase price of \$167.3 million in cash. The Company may also earn up to \$30.0 million of contingent payments, which are tied to certain annual results of the Avian business from January 2024 through December 2027. The contingent payments have been fair valued at \$10.3 million using a discounted probability weighted model. The Avian business was reported in the Company's Manufacturing reportable segment. During fiscal year 2022, the Company recorded a gain on the divestiture of Avian of \$123.4 million within Other income (expense) on the Company's condensed consolidated statements of income.

The carrying amounts of the major classes of assets and liabilities associated with the divestitures of the businesses were as follows:

	December 19, 2022
	Avian
	(in thousands)
Assets	
Current assets	\$ 30,545
Property, plant, and equipment, net	24,602
Operating lease right-of-use assets, net	611
Goodwill	3,168
Intangible assets, net	1,629
Other assets	10
Total assets	\$ 60,565
Liabilities	
Current liabilities	\$ 8,139
Operating lease right-of-use liabilities	331
Total liabilities	\$ 8,470

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		Nine Months Ended	
		September	September	September	September
		30, 2023	24, 2022	30, 2023	24, 2022
		(in thousands)			
		Three Months Ended			
		Three Months Ended			
		Three Months Ended			
	March 30, 2024	March 30, 2024			
(in thousands)		(in thousands)			
Timing of Revenue Recognition:	Timing of Revenue Recognition:				
RMS	RMS				
RMS					
RMS					
	Services and products transferred over time				
	Services and products transferred over time				
	Services and products transferred over time	\$	94,883	\$	88,174
	Services and products transferred over time	\$	282,980	\$	243,901
	Services and products transferred at a point in time	91,965	91,940	313,582	299,165
	Total RMS revenue	186,848	180,114	596,562	543,066
DSA	DSA				

Services and products transferred over time	Services and products transferred over time	663,128	618,270	1,987,617	1,749,977
Services and products transferred over time					
Services and products transferred over time					
Services and products transferred at a point in time	Services and products transferred at a point in time	900	1,193	2,221	5,662
Total DSA revenue	Total DSA revenue	664,028	619,463	1,989,838	1,755,639
Manufacturing	Manufacturing				
Services and products transferred over time	Services and products transferred over time	94,446	89,173	280,992	276,993
Services and products transferred over time					
Services and products transferred over time					
Services and products transferred at a point in time	Services and products transferred at a point in time	81,301	100,407	248,541	300,519
Total Manufacturing revenue	Total Manufacturing revenue	175,747	189,580	529,533	577,512
Total revenue	Total revenue	\$1,026,623	\$989,157	\$3,115,933	\$2,876,217

Contract Balances from Contracts with Customers

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

		September 30, 2023	December 31, 2022
		(in thousands)	
March 30, 2024		March 30, 2024	December 30, 2023
(in thousands)			(in thousands)
Assets from contracts with customers	Assets from contracts with customers		
Client receivables			
Client receivables			
Client receivables	Client receivables	\$591,979	\$559,410
Unbilled revenue	Unbilled revenue	228,518	204,258
Total	Total	820,497	763,668
Less: Allowance for credit losses	Less: Allowance for credit losses	(21,187)	(11,278)

Trade receivables and contract assets, net	Trade receivables and contract assets, net	\$ 799,310	\$ 752,390
Liabilities from contracts with customers	Liabilities from contracts with customers		
Liabilities from contracts with customers	Liabilities from contracts with customers		
Current deferred revenue	Current deferred revenue		
Current deferred revenue	Current deferred revenue	\$ 250,485	\$ 264,259
Long-term deferred revenue (included in Other long-term liabilities)	Long-term deferred revenue (included in Other long-term liabilities)	29,391	25,795
Customer contract deposits (included in Other current liabilities)	Customer contract deposits (included in Other current liabilities)	69,847	91,640

Approximately 90% 70% of unbilled revenue as of December 30, 2023, which was \$228 million, was billed during the three months ended March 30, 2024. Approximately 70% of unbilled revenue as of December 31, 2022, which was \$204 million, was billed during the nine three months ended September 30, 2023 April 1, 2023.

Approximately 85% 60% of unbilled revenue contract liabilities as of December 25, 2021 December 30, 2023, which was \$161 million, was billed \$273 million, were recognized as revenue during the nine three months ended September 24, 2022 March 30, 2024.

Approximately 80% 65% of contract liabilities as of December 31, 2022, which was \$290 million, were recognized as revenue during the nine months ended September 30, 2023. Approximately 85% of contract liabilities as of December 25, 2021, which was \$240 million \$290 million, were recognized as revenue during the nine three months ended September 24, 2022 April 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 receivables. The Company excluded approximately \$52 million and \$54 million \$41 million of unpaid advanced client billings from both client receivables and deferred revenue in the accompanying unaudited condensed consolidated balance sheets as of September 30, 2023 March 30, 2024 and December 31, 2022, respectively. Net provisions of \$10.2 million and \$4.4 million were recorded to the allowance for credit losses for the nine months ended September 30, 2023 and September 24, 2022 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
----------------	----	--------	----	--------

Net provisions were \$0.8 million and \$3.2 million during the three months ended March 30, 2024 and April 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 September 30, 2023 March 30, 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 September 30, 2023 March 30, 2024 was \$957.7 million \$920.5 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 Months Ended		Nine Months Ended		Affected Line Item in the Unaudited Condensed Consolidated Statements of Income
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022	
	(in thousands)				
Lease revenue	\$ 22,254	\$ 15,790	\$ 70,235	\$ 37,558	Service revenue

	Three Months Ended		Affected Line Item in the Unaudited Condensed Consolidated Statements of Income
	March 30, 2024	April 1, 2023	
	(in thousands)		
Lease revenue	\$ 20,974	\$ 24,090	Service revenue

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 revenue and other financial information the results of operations by reportable segment:

	Three Months Ended	Three Months Ended	Three Months Ended	April 1,
	March 30, 2024	March 30, 2024	March 30, 2024	2023
	(in thousands)			(in thousands)
RMS				
Revenue				
Revenue				
Revenue				
Cost of revenue (excluding amortization of intangible assets)				
Selling, general and administrative				

Amortization of intangible assets					
Operating income					
		Three Months Ended		Nine Months Ended	
DSA					
DSA					
DSA					
Revenue					
Revenue					
Revenue					
Cost of revenue (excluding amortization of intangible assets)					
Selling, general and administrative					
Amortization of intangible assets					
Operating income					
		September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
		(in thousands)			
RMS					
Revenue	\$	186,848	\$180,114	\$ 596,562	\$ 543,066
Operating income		28,326	35,891	117,653	123,299
Depreciation and amortization		13,872	13,128	41,310	35,825
Capital expenditures		9,192	10,743	35,769	33,239
DSA					
Revenue	\$	664,028	\$619,463	\$1,989,838	\$1,755,639
Operating income		146,819	142,143	479,788	375,922
Depreciation and amortization		44,088	43,913	129,662	135,328
Capital expenditures		41,967	43,400	155,477	133,908
Manufacturing					
Manufacturing					
Manufacturing	Manufacturing				
Revenue	Revenue	\$ 175,747	\$189,580	\$ 529,533	\$ 577,512
Revenue					
Revenue					
Cost of revenue (excluding amortization of intangible assets)					

Selling, general and administrative					
Amortization of intangible assets					
Operating income	Operating income	26,275	31,479	52,784	140,350
Depreciation and amortization		20,070	17,005	59,677	53,487
Capital expenditures		14,349	18,137	46,949	65,396

Unallocated Corporate	Unallocated Corporate				
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Unallocated Corporate					
Unallocated Corporate					
Selling, general and administrative					
Selling, general and administrative					
Selling, general and administrative					
Operating income ⁽¹⁾	Operating income ⁽¹⁾	\$ (49,918)	\$ (58,537)	\$ (165,886)	\$ (152,406)
Depreciation and amortization		840	559	2,961	1,685
Capital expenditures		439	113	2,010	3,166

Consolidated					
Consolidated					
Consolidated Revenue	Consolidated Revenue	\$1,026,623	\$989,157	\$3,115,933	\$2,876,217

Revenue					
Revenue					
Cost of revenue (excluding amortization of intangible assets)					
Selling, general and administrative					
Amortization of intangible assets					
Operating income	Operating income	151,502	150,976	484,339	487,165
Depreciation and amortization		78,870	74,605	233,610	226,325
Capital expenditures		65,947	72,393	240,205	235,709

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

⁽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.

(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.

(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.

Revenue by geographic area is as follows:

	U.S.	Europe	Canada	Asia Pacific	Other	Consolidated
	(in thousands)					
Three Months Ended:						
September 30, 2023	\$ 590,316	\$ 264,787	\$ 129,023	\$ 40,233	\$ 2,264	\$ 1,026,623
September 24, 2022	595,265	245,928	101,601	43,803	2,560	989,157
Nine Months Ended:						
September 30, 2023	\$ 1,802,532	\$ 805,466	\$ 357,276	\$ 142,910	\$ 7,749	\$ 3,115,933
September 24, 2022	1,688,731	760,599	280,541	138,988	7,358	2,876,217

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

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	DSA	Manufacturing	Unallocated Corporate	Consolidated
	(in thousands)				
Capital Expenditures					
Three Months Ended:					
March 30, 2024	\$ 20,044	\$ 48,959	\$ 8,862	\$ 1,279	\$ 79,144
April 1, 2023	19,084	65,184	21,738	869	106,875
Depreciation and amortization					
Three Months Ended:					
March 30, 2024	\$ 18,123	\$ 45,789	\$ 19,805	\$ 1,640	\$ 85,357
April 1, 2023	13,489	42,450	20,084	1,046	77,069

Revenue by geographic area is as follows:

	U.S.	Europe	Canada	Asia Pacific	Other	Consolidated
	(in thousands)					
Three Months Ended:						
March 30, 2024	\$ 562,317	\$ 276,319	\$ 110,401	\$ 45,772	\$ 16,751	\$ 1,011,560
April 1, 2023	605,441	267,703	110,606	42,813	2,810	1,029,373

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.	Europe	Canada	Asia Pacific	Other	Consolidated
	(in thousands)					
Long-lived assets						
March 30, 2024	\$ 954,225	\$ 404,657	\$ 153,443	\$ 71,076	\$ 35,307	\$ 1,618,708
December 30, 2023	964,176	407,375	157,483	74,605	36,102	1,639,741

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

5. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended

	March 30, 2024	April 1, 2023
	(in thousands)	
Cash paid for income taxes	\$ 18,728	\$ 13,618
Cash paid for interest	38,258	36,807
Non-cash investing activities:		
Purchases of Property, plant and equipment included in Accounts payable and Accrued liabilities	\$ 23,911	\$ 43,116
Assets acquired under finance leases	3,159	—

Cash, cash equivalents and restricted cash is included in the accompanying unaudited balance sheet as follows:

	March 30, 2024	December 30, 2023
	(in thousands)	
Supplemental cash flow information:		
Cash and cash equivalents	\$ 327,039	\$ 276,771
Restricted cash included in Other current assets	10,327	5,803
Restricted cash included in Other assets	1,169	1,906
Cash, cash equivalents, and restricted cash, end of period	\$ 338,535	\$ 284,480

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INVENTORY

Inventories

The composition of inventories is as follows:

	September 30, 2023	December 31, 2022
	(in thousands)	
	March 30, 2024	December 30, 2023
	(in thousands)	
Raw materials and supplies	\$ 40,669	\$ 38,892
Work in process	46,544	48,367
Finished products	205,759	168,550
Inventories	<u>\$292,972</u>	<u>\$255,809</u>

6. 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>\$ 1,618,708</u>	<u>\$ 1,639,741</u>

⁽¹⁾ These balances include assets under finance leases.

Depreciation expense in the three months ended March 30, 2024 and April 1, 2023 was \$45.7 million and \$42.2 million, respectively.

8. VENTURE CAPITAL AND STRATEGIC EQUITY INVESTMENTS

Venture capital investments are summarized below:

		Nine Months Ended	
		September 30, 2023	September 24, 2022
		(in thousands)	
		Three Months Ended	
		March 30, 2024	March 30, 2024
		April 1, 2023	
		(in thousands)	
Beginning balance	Beginning balance	\$129,012	\$149,640
Capital contributions	Capital contributions	12,056	11,815
Distributions	Distributions	(12,972)	(7,733)
Losses		(14,258)	(20,063)
Gains (losses)			
Foreign currency translation	Foreign currency translation	260	(2,149)
Ending balance	Ending balance	\$114,098	\$131,510

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

		Nine Months Ended	
		September 30, 2023	September 24, 2022
		(in thousands)	
		Three Months Ended	
		March 30, 2024	March 30, 2024
		April 1, 2023	
		(in thousands)	
Beginning balance	Beginning balance	\$182,590	\$ 51,712
Purchase of investments	Purchase of investments	21,489	117,220
Distributions	Distributions	(7,493)	(1,710)
Gain (loss)	Gain (loss)	5,012	(5)
Reduction for acquisition of entity		(12,635)	—
Reduction for acquisition of entity ⁽¹⁾			
Foreign currency translation	Foreign currency translation	(1,214)	(8,636)
Ending balance	Ending balance	\$187,749	\$158,581

⁽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.

In April 2022, the Company acquired a 49% equity interest in a supplier supporting the DSA reportable segment (the Investee) for \$90.0 million up front and an additional future contingent payment of up to \$5.0 million based upon the Investee's future performance. In August 2023, a contingent payment of \$2.5 million was made to the Investee, with an additional \$2.5 million to be earned based on future performance. The total allocable basis of the investment exceeded the proportional interest in the Investee's underlying net assets by \$86.7 million, which has been allocated primarily to goodwill, intangible assets (client relationships and backlog), and deferred tax liabilities in the amount of \$26.2 million, \$71.2 million, and \$10.7 million respectively. On July 28, 2023, the Company signed an agreement to acquire an additional 41% equity stake in the supplier, which upon closing, will result in ownership of 90%. The preliminary purchase price for the 41% equity is \$143 million in cash, subject to customary closing adjustments, with additional contingent payments of up to \$55 million based on future performance over a 3-year period. The Company will have the call option right to purchase the remaining 10% equity up until one month after the sixth anniversary of closing. 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 shares of the Investee from the seller. The consummation of the acquisition of the additional 41% equity is subject to regulatory approval and closing conditions being satisfied. Accordingly, the timing of close is uncertain.

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

7.9. FAIR VALUE

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

		September 30, 2023			
		Level 1	Level 2	Level 3	Total
		Level 1			
		Level 1			
		Level 1			
Current assets measured at fair value:					
Current assets measured at fair value:					
Current assets measured at fair value:	Current assets measured at fair value:	(in thousands)			
Cash equivalents	Cash equivalents	\$ —	\$ 564	\$ —	\$ 564
Cash equivalents					
Cash equivalents					
Term deposit					
Term deposit					
Term deposit					
Other assets:					
Other assets:					
Other assets:	Other assets:				
Life insurance policies	Life insurance policies	—	36,672	—	36,672
Life insurance policies					
Life insurance policies					
Interest rate swap	Interest rate swap	—	3,660	—	3,660
Interest rate swap					
Interest rate swap					
Total assets measured at fair value					
Total assets measured at fair value					
Total assets measured at fair value	Total assets measured at fair value	\$ —	\$ 40,896	\$ —	\$ 40,896
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 **nine** **three** months ended **September 30, 2023** **March 30, 2024**, there were no transfers between levels.

		December 31, 2022				December 30, 2023			
		Level							
		1	Level 2	Level 3	Total				
Level 1						Level 1	Level 2	Level 3	Total
Current assets measured at fair value:	Current assets measured at fair value:	(in thousands)				Current assets measured at fair value: (in thousands)			
Cash equivalents	Cash equivalents	\$ —	\$ 78	\$ —	\$ 78				
Other assets:	Other assets:								
Life insurance policies	Life insurance policies	—	34,527	—	34,527				
Life insurance policies									
Life insurance policies									
Interest rate swap									
Total assets measured at fair value	Total assets measured at fair value	\$ —	\$ 34,605	\$ —	\$ 34,605				
Accrued liabilities 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	\$ —	\$ —	\$ 13,431	\$ 13,431				
Other long-term liabilities measured at fair value:									
Interest rate swap		—	1,523	—	1,523				
Contingent consideration									
Contingent consideration									
Total liabilities measured at fair value	Total liabilities measured at fair value	\$ —	\$ 1,523	\$ 13,431	\$ 14,954				
Total liabilities measured at fair value									

Total liabilities measured at
fair value

During the year ended **December 31, 2022** December 30, 2023, there were no transfers between levels.

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

Contingent Consideration

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

		Nine Months Ended	
		September	September
		30, 2023	24, 2022
		(in thousands)	
		Three Months Ended	
		March 30, 2024	March 30, 2024
		Three Months Ended	
		April 1, 2023	
		(in thousands)	
Beginning balance	Beginning balance	\$ 13,431	\$ 37,244
Payments	Payments	(15,130)	(11,476)
Payments			
Payments			
Total gains or losses (realized/unrealized):	Total gains or losses (realized/unrealized):		
Adjustment of previously recorded contingent liability		1,810	(15,340)
Foreign currency translation			
Foreign currency translation			
Foreign currency translation	Foreign currency translation	(111)	(1,767)
Ending balance	Ending balance	\$ —	\$ 8,661

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 \$43 \$55 million, of which the value accrued as of **September 30, 2023** March 30, 2024 is zero \$33 million as the probability of achieving the maximum target is estimated to be 0% 60%. The volatility and weighted average cost of capital is approximately 40% 7% and 16% 9%, respectively. Increases or decreases in these assumptions may result in a higher or lower fair value measurement, respectively.

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

Cash Flow Hedge

The Company is exposed to market fluctuations in interest rates as well as variability in foreign exchange rates. In November 2022, the The Company entered into has an interest rate swap with a notional amount of \$500 million \$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 4.700% 4.65%.

In March 2023 and in conjunction with an amendment of the Credit Agreement (Second Amendment), the Company modified the variable rate on its interest rate swap from 1-month LIBOR to 1-month adjusted term SOFR. Effective with the modification, the Company will pay a fixed rate of 4.65% on its swap maturing November 2, 2024. The Company elected to apply the optional expedient in ASC 848, *Reference Rate Reform*, in connection with modifying its interest rate swap from LIBOR to SOFR that enabled it to consider the modification a continuation of the existing contract. As a result, the transition did not have an impact on the Company's hedge accounting or a material impact to the Company's financial statements.

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 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:

		September 30, 2023		December 31, 2022	
		Book		Book	
		Value	Fair Value	Value	Fair Value
(in thousands)					
March 30, 2024		March 30, 2024		December 30, 2023	
Book		Book Value		Book Value	
Value		Fair Value		Fair Value	
(in thousands)		(in thousands)		(in thousands)	
4.25%	4.25%				
Senior	Senior				
Notes	Notes				
due	due				
2028	2028	\$500,000	\$448,350	\$500,000	\$460,450
3.75%	3.75%				
Senior	Senior				
Notes	Notes				
due	due				
2029	2029	500,000	427,500	500,000	442,200
4.00%	4.00%				
Senior	Senior				
Notes	Notes				
due	due				
2031	2031	500,000	423,100	500,000	432,500

8.10. GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

		RMS	DSA ⁽¹⁾	Manufacturing	Total
(in thousands)					
December 31, 2022		\$497,710	\$1,433,601	\$ 918,592	\$2,849,903
		RMS	DSA ⁽¹⁾	Manufacturing	Total
(in thousands)		(in thousands)		(in thousands)	
December 30, 2023					
Acquisitions	Acquisitions	—	37,129	—	37,129
Foreign exchange	Foreign exchange	(893)	(3,518)	1,981	(2,430)
September 30, 2023		\$496,817	\$1,467,212	\$ 920,573	\$2,884,602
Foreign exchange					
Foreign exchange					
March 30, 2024					

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

The increase decrease in goodwill during the nine three months ended September 30, 2023 March 30, 2024 related to the acquisition of SAMDI foreign exchange in the DSA and Manufacturing reportable segment.

Intangible Assets, Net

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

	September 30, 2023			December 31, 2022		
	Accumulated			Accumulated		
	Gross	Amortization	Net	Gross	Amortization	Net
(in thousands)						
Client relationships	\$ 1,515,254	\$ (679,587)	\$ 835,667	\$ 1,491,926	\$ (591,417)	\$ 900,509
Technology	139,124	(107,488)	31,636	129,626	(101,655)	27,971
Backlog	15,272	(14,041)	1,231	15,236	(12,512)	2,724
Trademarks and trade names	12,655	(5,183)	7,472	12,617	(4,410)	8,207
Other	37,994	(27,714)	10,280	37,985	(22,121)	15,864

Intangible assets	\$ 1,720,299	\$ (834,013)	\$ 886,286	\$ 1,687,390	\$ (732,115)	\$ 955,275
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segments.

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

Intangible Assets, Net

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

	March 30, 2024			December 30, 2023		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in thousands)					
Client relationships	\$ 1,515,021	\$ (739,260)	\$ 775,761	\$ 1,528,780	\$ (721,322)	\$ 807,458
Technology	140,982	(112,842)	28,140	142,190	(111,764)	30,426
Trademarks and trade names	11,842	(4,822)	7,020	11,878	(4,568)	7,310
Backlog	3,100	(2,485)	615	3,100	(2,177)	923
Other	43,008	(26,906)	16,102	43,611	(25,677)	17,934
Intangible assets	\$ 1,713,953	\$ (886,315)	\$ 827,638	\$ 1,729,559	\$ (865,508)	\$ 864,051

The decrease in intangible assets, net during the nine three months ended September 30, 2023 March 30, 2024 related primarily to normal amortization over the useful lives, offset by the acquisition lives.

Amortization expense of SAMDI, definite-lived intangible assets for three months ended March 30, 2024 and April 1, 2023 was \$32.6 million and \$34.9 million, respectively.

9, 11. DEBT AND OTHER FINANCING ARRANGEMENTS

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

		September 30, 2023	December 31, 2022
		(in thousands)	
March 30, 2024		March 30, 2024	
		(in thousands)	
Revolving facility	Revolving facility	\$ 1,003,744	\$ 1,197,586
4.25% Senior Notes due 2028	4.25% Senior Notes due 2028	500,000	500,000
3.75% Senior Notes due 2029	3.75% Senior Notes due 2029	500,000	500,000
4.00% Senior Notes due 2031	4.00% Senior Notes due 2031	500,000	500,000
Other debt	Other debt	797	1,594
Finance leases	Finance leases	27,995	30,646
Total debt and finance leases	Total debt and finance leases	2,532,536	2,729,826
Less:	Less:		

Current portion of long-term debt	Current portion of long-term debt	797	1,347
Current portion of long-term debt			
Current portion of long-term debt			
Current portion of finance leases	Current portion of finance leases	1,880	2,330
Current portion of long-term debt and finance leases	Current portion of long-term debt and finance leases	2,677	3,677
Long-term debt and finance leases	Long-term debt and finance leases	2,529,859	2,726,149
Debt discount and debt issuance costs	Debt discount and debt issuance costs	(15,642)	(18,618)
Long-term debt, net and finance leases	Long-term debt, net and finance leases	\$2,514,217	\$2,707,531

As of **September 30, 2023** **March 30, 2024** and **December 31, 2022** **December 30, 2023**, the weighted average interest rate on the Company's debt was **4.88%** **4.97%** and **4.58%** **4.93%**, respectively.

During the three and nine months ended September 24, 2022, the Company had multiple U.S. dollar denominated loans borrowed by a non-U.S. Euro functional currency entity under the Credit Facility, which were between \$250 million and \$400 million each. To limit this foreign currency exposure, the Company entered into foreign exchange forward contracts, which were not designated as hedging instruments. The Company did not have any U.S. dollar denominated loans borrowed by a non-U.S. Euro functional currency entity under the Credit Facility during the three and nine months ended September 30, 2023.

The gains and losses incurred on these transactions were as follows:

	Three Months Ended	Nine Months Ended	Affected Line Item in the Unaudited Condensed Consolidated Statements of Income
	September 24, 2022	September 24, 2022	
	(in thousands)		
Loss on foreign debt remeasurement	(16,006)	(46,529)	Other expense, net
Gain on foreign exchange forward contract	17,406	49,712	Interest expense

Letters of Credit

As of **September 30, 2023** **March 30, 2024** and **December 31, 2022** **December 30, 2023**, the Company had **\$21.6 million** **\$21.2 million** and **\$18.6 million** **\$21.6 million**, respectively, in outstanding letters of credit.

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

Earnings Per Share

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

Numerator:	Numerator:				
Net income	Net income	\$ 88,021	\$ 97,612	\$291,418	\$303,502

	2019	2020
Net income	100	100
Net income	100	100

Less: Net income attributable to noncontrolling interests	Less: Net income attributable to noncontrolling interests	632	1,139	3,878	4,686
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Net income attributable to common shareholders	\$ 87,389	\$ 96,473	\$287,540	\$298,816
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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:	
Denominator:	
Weighted-average shares outstanding - Basic	
Weighted-average shares outstanding - Basic	

Weighted-average shares outstanding - Basic	Weighted-average shares outstanding - Basic	51,283	50,870	51,199	50,778
Effect of dilutive securities:	Effect of dilutive securities:				
Stock options, restricted stock units and performance share units	Stock options, restricted stock units and performance share units	324	413	294	507

Stock options, restricted stock units and performance share units

Stock options, restricted stock units and performance share units

Weighted-average shares outstanding - Diluted	Weighted-average shares outstanding - Diluted	51,607	51,283	51,493	51,285
Anti-dilutive common stock equivalents ⁽¹⁾	Anti-dilutive common stock equivalents ⁽¹⁾				
⁽³⁾	⁽³⁾	588	571	514	568

⁽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.

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

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

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

⁽²⁾ Represents incremental undeclared dividends attributable to Noveprim noncontrolling interest holders who are entitled to preferential dividends for fiscal year 2024.

⁽²⁾ Represents incremental undeclared dividends attributable to Noveprim noncontrolling interest holders who are entitled to preferential dividends for fiscal year 2024.

(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.	
	(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 authorized a \$1.3 billion stock repurchase program. As of **September 30, 2023** **March 30, 2024**, the Company had \$129.1 million remaining on the authorized stock repurchase program.

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 **nine** three months ended **September 30, 2023** **March 30, 2024** and **nine** three months ended **September 24, 2022** **April 1, 2023**, for **\$24.0 million** **\$9.4 million** and **\$38.5 million** **\$19.0 million**, respectively, from such netting.

Accumulated Other Comprehensive Income (Loss)

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

	Foreign Currency			
	Translation Adjustment	Pension and Other Post-	Net Unrealized (Loss)	Total
	and Other	Retirement Benefit Plans	Gain on Cash Flow Hedge	
	(in thousands)			
December 31, 2022	\$ (217,785)	\$ (43,114)	\$ (1,158)	\$ (262,057)
Other comprehensive income before reclassifications	(15,106)	521	5,183	(9,402)
Net current period other comprehensive income	(15,106)	521	5,183	(9,402)
Income tax expense (benefit)	(4,883)	248	1,242	(3,393)
September 30, 2023	\$ (228,008)	\$ (42,841)	\$ 2,783	\$ (268,066)

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 noncontrolling interest within Equity in the accompanying unaudited condensed consolidated balance sheets. The activity within the nonredeemable noncontrolling interest was not significant during the three and nine months ended September 30, 2023 and September 24, 2022.

	Foreign Currency			
	Translation Adjustment	Pension and Other Post-	Net Unrealized (Loss)	Total
	and Other	Retirement Benefit Plans	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)

Redeemable Noncontrolling Interests

Through March 30, 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 92% 90% ownership interest in Vital River, a commercial provider of research models and related services in China as of September 30, 2023. Noveprim. The Company has the right to purchase, and the noncontrolling interest holders have the right to sell, the remaining 8% 10% equity interest at a contractually defined fixed redemption value subject that ranges from \$47.0 million to a redemption floor, which represents a derivative embedded within \$54.0 million depending on when exercised. The Company has the equity instrument. The redeemable noncontrolling interest is measured at the greater of the amount that would be paid if settlement occurred as of the balance sheet date based on the contractually defined redemption value and the carrying amount adjusted for net income (loss) attributable to the noncontrolling interest (\$24.7 million as of September 30, 2023). The amount that the Company could be required to pay call option right to purchase the remaining 8% 10% equity interest is not limited. During up until one month after the fourth quarter sixth anniversary of fiscal 2022, 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 exercised its option to acquire the remaining 8% shares of the seller for \$54.0 million. Additionally, the 10% noncontrolling interest holders may receive a dividend disproportionate to their equity ownership, of which the fair value of \$8 million as of the acquisition date was recorded within the redeemable noncontrolling interest. Through March 30, 2024, which is subject to customary closing conditions. The Company expects the transaction to close prior incremental dividends based on Noveprim statutory net income attributed to the end redeemable noncontrolling interest holders of fiscal year 2023.\$5.2 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, the redemption value of \$45.8 million exceeded both the carrying value and fair value, resulting in both an adjustment to additional paid in capital of \$1.7 million and an adjustment to retained earnings of \$0.4 million, respectively.

Other redeemable noncontrolling interest

In 2019, the Company acquired an 80% equity interest in a subsidiary, that is fully consolidated under the voting interest model, which includes 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, (Put/call option), the remaining 10% equity interest at its appraised value. The redeemable noncontrolling interest redemption value is measured at the greater of the amount that would be paid if settlement occurred as of the balance sheet date based on the appraised value and the carrying amount adjusted for net income (loss) attributable to the noncontrolling interest (\$15.3 million as of September 30, 2023) or a predetermined floor value. 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.

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 and December 30, 2023 and is expected to be paid during fiscal year 2024.

Nonredeemable Noncontrolling Interest

The following table provides a rollforward 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 related to within the Company's redeemable nonredeemable noncontrolling interests: interest was not significant during the three months ended March 30, 2024 and April 1, 2023.

	Nine Months Ended	
	September 30, 2023	September 24, 2022
	(in thousands)	
Beginning balance	\$ 42,427	\$ 53,010
Adjustments to redemption value	—	6,681
Additional purchases	—	(15,000)
Net income	2,250	2,963
Dividends	(2,378)	(3,525)
Foreign currency translation	(2,351)	(4,923)
Ending balance	\$ 39,948	\$ 39,206

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

11. NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. INCOME TAXES

The Company's effective tax rates for the three months ended September 30, 2023 March 30, 2024 and September 24, 2022 April 1, 2023 were 22.0% 24.8% and 20.7%, respectively. The increase in the three month effective tax rates is attributable primarily to jurisdictional earnings mix and an increase in net U.S. taxation of foreign operations. The

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

	September 30, 2023	December 31, 2022	Affected Line Item in the Unaudited Condensed Consolidated Balance Sheets
	(in thousands)		
Prepaid income tax	\$ 76,675	\$ 88,550	Other current assets
Accrued income taxes	44,873	39,854	Other current liabilities

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

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.

12.14. 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.

The following table presents restructuring costs by reportable segment:

		Three Months Ended		Nine Months Ended	
		September	September	September	September
		30, 2023	24, 2022	30, 2023	24, 2022
		(in thousands)			
		Three Months Ended			
		Three Months Ended			
		Three Months Ended			
March 30, 2024		March 30, 2024			
(in thousands)		(in thousands)			
RMS	RMS	\$ 965	\$ (110)	\$ 965	\$ 1,017
DSA	DSA	13,220	71	13,218	687
Manufacturing	Manufacturing	975	1,165	7,162	1,543
Unallocated corporate	Unallocated corporate	—	(23)	—	1,231
Total	Total	\$ 15,160	\$ 1,103	\$ 21,345	\$ 4,478

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

	March 30, 2024	April 1, 2023
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Severance and Transition Costs		Severance and Transition Costs	Asset Impairments and Other Costs	Total	Severance and Transition Costs	Asset Impairments and Other Costs	Total
(in thousands)					(in thousands)		

Three Months Ended

Three Months Ended

		September 30, 2023			September 24, 2022								
		Severance	Asset		Severance	Asset							
		and	Impairments		and	Impairments							
		Transition	and Other		Transition	and Other							
		Costs	Costs	Total	Costs	Costs	Total						
(in thousands)													
Three Months Ended	Three Months Ended												
Cost of services provided (excluding amortization of intangible assets)	Cost of services provided (excluding amortization of intangible assets)	\$	2,160	\$	11,418	\$	13,578	\$	243	\$	685	\$	928
Cost of products sold (excluding amortization of intangible assets)			480		174		654		(42)		239		197
Selling, general and administrative			937		(9)		928		(129)		107		(22)
Total restructuring costs		\$	3,577	\$	11,583	\$	15,160	\$	72	\$	1,031	\$	1,103

Nine 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)	\$ 5,088	\$ 11,418	\$16,506	\$ 876	\$ 685	\$1,561
Cost of products sold (excluding amortization of intangible assets)	Cost of products sold (excluding amortization of intangible assets)	534	2,920	3,454	336	239	575
Selling, general and administrative	Selling, general and administrative	1,386	(1)	1,385	1,760	582	2,342
Total restructuring costs	Total restructuring costs	\$ 7,008	\$ 14,337	\$21,345	\$ 2,972	\$ 1,506	\$4,478

Rollforward of Restructuring Activities

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

	Three Months Ended	
	March 30, 2024	April 1, 2023
(in thousands)		
Beginning balance	\$ 5,050	\$ 1,300
Expense (excluding non-cash charges)	9,037	914
Payments / utilization	(3,235)	(331)
Foreign currency adjustments	(40)	6
Ending balance	\$ 10,812	\$ 1,889

As of September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023, \$5.0 million \$10.8 million and \$1.3 million \$5.1 million, respectively, of severance and other personnel related costs liabilities and facilities related costs liabilities were included in accrued compensation and accrued liabilities within the Company's unaudited condensed consolidated balance sheets.

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

13. SUPPLEMENTAL CASH FLOW INFORMATION

Nine Months Ended	
September 30, 2023	September 24, 2022

				(in thousands)	
Non-cash investing activities:					
Purchases of Property, plant and equipment included in Accounts payable and Accrued liabilities	\$	41,526	\$	51,772	

Cash, cash equivalents and restricted cash is included in the accompanying unaudited balance sheet as follows:

	September 30, 2023		December 31, 2022	
	(in thousands)			
Supplemental cash flow information:				
Cash and cash equivalents	\$	157,174	\$	233,912
Restricted cash included in Other current assets		6,586		6,192
Restricted cash included in Other assets		1,856		1,110
Cash, cash equivalents, and restricted cash, end of period	\$	165,616	\$	241,214

14, 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 recent shipments in the United States. The carrying value of the inventory related to these shipments is was approximately \$20 million. \$27 million as of March 30, 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 by with a document subpoena, primarily related to the sourcing of non-human primates, and the Company is cooperating with the request. 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 three a number of its 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) 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. The complaint alleges, 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. On August 31, 2023, the court appointed the State Teachers Retirement System of Ohio as lead plaintiff, and the The Company intends to file filed a motion to dismiss. While the Company cannot predict the 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 plaintiff agreed to stay the action until the United States District Court for the District of Massachusetts rules on the pending motion to dismiss in the Securities Class Action. The Company intends to file a motion to dismiss at that time. While the Company cannot predict the outcome of this matter, it believes the derivative lawsuit 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.

Aside from the matter 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 2022, 2023. 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 full service, leading, non-clinical global drug development partner. 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, including our contract development and manufacturing organization (CDMO) business. 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: Genetically Engineered Models and Services (GEMS), which performs contract breeding and other services associated with genetically engineered models; Research Animal Diagnostic Services (RADS), which provides health monitoring and diagnostics services related to research models; and 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 both our Charles River Accelerator and Development Lab (CRADL), Genetically Engineered Models and our Explora BioLabs options. 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, and cord blood. 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 (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). In December of 2022, we sold the Avian Vaccine Services (Avian) business, reported in the Manufacturing segment, which supplied specific-pathogen-free chicken eggs and chickens.

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

On February 16, 2023, we were 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 our the Company's conduct regarding several shipments of non-human primates from Cambodia. On February 17, 2023 we the Company received a grand jury subpoena requesting certain documents related to such investigation. We are The Company is aware of a parallel civil investigation being undertaken by the DOJ and USFWS. We are The Company is cooperating with the DOJ and the USFWS and believe believes that the concerns raised with respect to our the Company's conduct are without merit. We maintain 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 have has operated under the belief that all shipments of non-human primates we it received satisfied the material requirements, documentation and related processes and procedures of the Convention on International Trade in Endangered Species of Wild

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

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, we have the Company has voluntarily suspended future shipments of non-human primates from Cambodia to the United States until such time that we the Company and USFWS can agree upon and implement additional procedures to reasonably ensure that non-human primates imported from Cambodia are purpose-bred. We continue The Company continues to care for the Cambodia-sourced non-human primates from certain recent shipments in the United States. The carrying value of the inventory related to these shipments is approximately \$20 million; \$27 million as of March 30, 2024, which reflects the value of the shipments in accordance with our inventory accounting policy. On May 16, 2023, we 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, primarily related to the sourcing of non-human primates, and we are the Company is cooperating with the request. 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 us 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. We 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 2022, 2023.

Global Economic Environment

In March 2023, the global economy experienced a series of banking crises, which sparked a period of widespread investor concerns regarding the U.S. and international financial systems, particularly access to capital. We do not hold cash deposits or securities at any of the impacted banks. Our banking relationships are assessed as we believe necessary and appropriate and our access to cash and funding is secure and diversified. We believe there are no material impacts to our Company as of September 30, 2023 based on the current situation. We will continue to monitor the global banking markets as they evolve for potential impacts to our operating and financial results such as increased interest rates, commercial financing terms or costs, and liquidity concerns in the broader market or business partners.

We are seeing a more cautious spending environment from biopharmaceutical clients with a decrease in DSA backlog to \$2.60 billion as of September 30, 2023 from \$3.15 billion as of December 31, 2022, but continue to see stability in our client's drug development activity as they are moving their promising drug candidates forward. There was a sequential improvement in our DSA net book-to-bill ratio and study cancellation rate during the third quarter of fiscal year 2023. These trends are supported by external indicators, including stable-to-improving biotech funding. The third quarter was the second consecutive quarterly increase in biotech funding on a trailing-twelve-month basis, led by venture capital investments. We will continue to monitor the market trends carefully for potential impacts to our operating and financial results and there are no material impacts to our Company as of September 30, 2023. In response to recent trends observed, we have undertaken 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 charges. We expect that the effectuated actions would result in approximately \$40 million of cost savings on an annualized basis.

Our global operations make the effective tax rate sensitive to significant tax law changes. Several countries have begun to enact legislation to implement the Organization for Economic Cooperation and Development's (OECD) international tax framework, including the Pillar II global minimum tax regime with effect from January 1, 2024 or later. We are currently monitoring these developments and are in the process of evaluating the potential impact on our results of operations.

In February 2022, the Russian Federation launched an invasion of the country of Ukraine resulting in conflict in the region and a variety of sanctions against the Russian Federation enacted by several governments, including the U.S., U.K., Canada and European Union. The conflict has had and continues to have, direct and indirect adverse effects on financial markets and global supply chain disruptions. We do not have any direct operations in either Russia or Ukraine and there were no material impacts to our financial statements during fiscal year 2022 as a result of the situation. We will continue to monitor the situation as it evolves for potential impacts to our operating and financial results such as increased inflation, supply chain, or cybersecurity risks in subsequent periods. Refer to Item 1A, "Risk Factors" of our Annual Report on Form 10-K for fiscal year 2022 for our assessment of risk factors surrounding inflationary, supply chain and cybersecurity risks.

Recent Acquisitions

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

Fiscal Year 2023 Acquisition 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 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, which includes \$144.6 million additional cash paid for the 41% equity interest, elimination of historical activity and intercompany balances of \$198.8 million which includes a remeasurement gain on the 49% equity investment of \$103.2 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 \$13.8 million. 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 preliminary purchase price of SAMDI was \$62.8 million, inclusive of a 20% strategic equity interest previously owned by us. The

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

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 Year 2022 Acquisition

On April 5, 2022, we acquired Explora BioLabs Holdings, Inc. (Explora BioLabs), a provider of contract vivarium research services, providing biopharmaceutical clients with turnkey *in vivo* vivarium facilities, management and related services to efficiently conduct their early-stage research activities. The acquisition of Explora BioLabs complements our existing IS business, specifically our CRADL (Charles River Accelerator and Development Lab) footprint, and offers incremental opportunities to partner with an emerging client base, many of which are engaged in cell and gene therapy development. The purchase price of Explora BioLabs was \$284.5 million, net of \$6.6 million in cash. The acquisition was funded through proceeds from our Credit Facility. This business is reported as part of our RMS reportable segment.

Recent Divestitures

We routinely evaluate strategic fit and fundamental performance of our global infrastructure and divest operations that do not meet key business criteria or where we believe capital could be better deployed in long-term growth opportunities. On December 20, 2022, we completed the sale of our Avian Vaccine Services (Avian) business to a private investor group for a preliminary purchase price of \$167 million in cash, subject to certain customary closing adjustments, and future contingent payments up to an additional \$30 million. This business was reported in our Manufacturing 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, which occurred in fiscal year 2022, year-end.

Overview

Results of Operations

Consolidated Results of Operations and Liquidity

Revenue for the three months ended September 30, 2023 increased \$37.5 million March 30, 2024 decreased \$17.8 million, or 3.8% 1.7%, to \$1,026.6 million \$1,011.6 million compared to \$989.2 million \$1,029.4 million in the corresponding period in 2022, 2023. The increase decrease in revenue was primarily due to increased volume and pricing within our Safety Assessment DSA business and the effect of changes in foreign currency exchange rates; which experienced lower volume; partially offset by the divestiture of our Avian business when compared to the corresponding three month period in 2022.

Revenue for the nine months ended September 30, 2023 increased \$239.7 million, or 8.3%, to \$3,115.9 million compared to \$2,876.2 million in the corresponding period in 2022. The increase in higher revenue was primarily due to increased volume and pricing within our Safety Assessment RMS business, and our principally driven by the recent acquisition of Explora BioLabs; partially offset by the divestiture of Noveprim which sells large research models to third parties; higher revenue within our Avian business Manufacturing businesses, and the effect of changes in foreign currency exchange rates when compared to the corresponding nine three month period in 2022, 2023.

In the three months ended September 30, 2023 March 30, 2024, our operating income and operating income margin were \$151.5 million \$126.0 million and 14.8%, 12.5% respectively, compared with \$151.0 million \$167.9 million and 15.3% 16.3%, respectively, in the corresponding period of 2022. In the nine months ended September 30, 2023, our 2023. The decrease in operating income and operating income margin were \$484.3 million and 15.5% respectively, compared with \$487.2 million and 16.9%, respectively, in the corresponding of 2022. The decrease in operating income margins for the three and nine months ended September 30, 2023 March 30, 2024 was primarily due to lower revenue described

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

above, higher staffing and operating costs within our Manufacturing segment, across all businesses, and charges related to recent restructuring activities, including severance and asset impairment charges principally in our DSA and Manufacturing segments, and the divestiture of the Avian business; partially offset by contributions of higher revenue described above, impairments.

Net income attributable to common shareholders decreased to \$87.4 million \$73.0 million in the three months ended September 30, 2023 March 30, 2024, from \$96.5 million \$103.1 million in the corresponding period of 2022. Net income attributable 2023 due principally to common shareholders decreased to \$287.5 million in the nine months ended September 30, 2023, from \$298.8 million in the corresponding period of 2022. The decrease in Net operating income attributable to common shareholders for the three and nine months ended September 30, 2023 was primarily due to the described above, partially offset by higher interest expense due to higher interest rates net gains on our variable debt investments compared to the corresponding period of 2022, in fiscal 2023.

During the nine three months ended September 30, 2023 March 30, 2024, our cash flows from operations was \$463.0 million \$129.9 million compared with \$384.9 million \$109.4 million for the same period in 2022, 2023. The increase was driven by lower variable compensation payments and timing of inventory purchases; partially offset by timing of our 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 2022, 2023.

We have undertaken 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 charges. Restructuring charges recognized during the three months ended March 30, 2024 were approximately \$17 million, of which \$8 million related to asset impairment and accelerated depreciation charges and \$9 million related to severance charges. We expect that these effectuated actions as well as other upcoming planned actions will result in approximately \$70 million of cost savings on an annualized basis.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

Results of Operations

Three Months Ended September 30, 2023 March 30, 2024 Compared to the Three Months Ended September 24, 2022 April 1, 2023

Revenue and Operating Income

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

		Three Months Ended													
		September	September		%										
		30, 2023	24, 2022	\$ change	change										
		(in thousands, except percentages)													
Three Months Ended															
March 30,															
2024															
March 30,															
2024															
March 30,						April 1, 2023				\$ change		% change			
2024															
		(in thousands, except percentages)				(in thousands, except percentages)									
Service revenue	Service revenue	\$ 869,759	\$812,894	\$56,865	7.0 %	Service revenue	\$ 816,862	\$ 857,366	\$ (40,504)	(4.7)		(4.7)	%		
	Product revenue	156,864	176,263	(19,399)	(11.0)%	Product revenue	194,698	172,007	172,007	22,691	22,691	13.2	13.2 %		

Total revenue	Total revenue	\$1,026,623	\$989,157	\$37,466	3.8 %	Total revenue	\$ 1,011,560	\$	\$ 1,029,373	\$	\$ (17,813)	(1.7)	(1.7)	%
Three Months Ended														
		September 30, 2023	September 24, 2022	\$ change	% change	Impact of FX								
(in thousands, except percentages)														
Three Months Ended														
		March 30, 2024												
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The following table presents operating income by reportable segment:

		Three Months Ended																
		September	September		%	Impact												
		30, 2023	24, 2022	\$ change	change	of FX												
(in thousands, except percentages)																		
Three Months Ended																		
March 30,																		
2024																		
March 30,																		
2024																		
March 30,							April 1,											
2024							2023				\$ change				% chan			
(in thousands, except percentages)																		
RMS																		
RMS																		
RMS	RMS	\$ 28,326	\$ 35,891	\$ (7,565)	(21.1)%	1.2 %	\$ 43,149	\$	\$40,409	\$	\$ 2,740	6.8	6.8					
DSA	DSA	146,819	142,143	4,676	3.3 %	1.7 %	DSA	114,839	171,431	171,431	(56,592)	(56,592)	(33.0)					
Manufacturing	Manufacturing	26,275	31,479	(5,204)	(16.5)%	4.4 %	Manufacturing	33,681	2,106	2,106	31,575	31,575	1,499.3					
Unallocated corporate	Unallocated corporate	(49,918)	(58,537)	8,619	(14.7)%	0.3 %	Unallocated corporate	(65,692)	(46,054)	(46,054)	(19,638)	(19,638)	42.6					
Total operating income	Total operating income	\$151,502	\$150,976	\$ 526	0.3 %	2.6 %	Total operating income	\$125,977	\$	\$167,892	\$	\$ (41,915)	(25.0)	(25)				
Operating income % of revenue	Operating income % of revenue	14.8 %	15.3 %			(50) bps												

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

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

RMS

Three Months Ended

		September 30, 2023	September 24, 2022	\$ change	% change	Impact of FX															
							(in thousands, except percentages)														
Three Months Ended																					
March 30, 2024																					
March 30, 2024																					
March 30, 2024																					
							April 1, 2023		\$ change		% change		Impact of FX								
							(in thousands, except percentages)														
Revenue	Revenue	\$186,848	\$180,114	\$ 6,734	3.7 %	0.5 %	Revenue	\$ 220,907	\$ \$	199,766	\$ \$	21,141	10.6	10.6	%	(0.3)	%				
Cost of revenue (excluding amortization of intangible assets)	Cost of revenue (excluding amortization of intangible assets)	126,640	113,207	13,433	11.9 %																
Selling, general and administrative	Selling, general and administrative	26,483	25,549	934	3.7 %																
Selling, general and administrative																					
Selling, general and administrative																					
Amortization of intangible assets																					
Amortization of intangible assets																					
Amortization of intangible assets	Amortization of intangible assets	5,399	5,467	(68)	(1.2)%																
Operating income	Operating income	\$ 28,326	\$ 35,891	\$ (7,565)	(21.1)%	1.2 %															
Operating income																					
Operating income							\$ 43,149	\$	40,409	\$	2,740	6.8	%	(0.6)	%						
Operating income % of revenue	Operating income % of revenue	15.2 %	19.9 %		(470) bps																

RMS revenue increased \$6.7 million \$21.1 million due primarily to higher large research model services product revenue, specifically principally from the Insourcing Solutions business, recent acquisition of Noveprim, which contributed \$15.1 million, and higher small research model sales all geographic regions, models product and service revenues; partially offset by lower revenue in our Cell Solutions business and the effect of changes in foreign currency exchange rates; partially offset by lower revenue in the Cell Solutions business and the timing of large research models sales in China, rates.

RMS operating income decreased \$7.6 million increased \$2.7 million compared to the corresponding period in 2022. 2023 principally due to the increase in revenue noted above. RMS operating income as a percentage of revenue for the three months ended September 30, 2023 March 30, 2024 was 15.2% 19.5%, a decrease of (470) 70 bps from 19.9% 20.2% for the corresponding period in 2022. Operating income and operating income as a percentage 2023, principally due to 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		April 1, 2023		\$ change	% change	Impact of FX
	(in thousands, except percentages)						
Revenue	\$	605,452	\$	662,353	\$ (56,901)	(8.6)%	0.5 %
Cost of revenue (excluding amortization of intangible assets)		417,912		411,523	6,389	1.6 %	

Selling, general and administrative	56,859	61,998	(5,139)	(8.3)%	
Amortization of intangible assets	15,842	17,401	(1,559)	(9.0)%	
Operating income	\$ 114,839	\$ 171,431	\$ (56,592)	(33.0)%	0.1 %
Operating income % of revenue	19.0 %	25.9 %		(690) bps	

DSA revenue decreased \$56.9 million due primarily to decreased revenue in our Safety Assessment and Discovery Services businesses due to

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

higher operating costs associated with decreased volume, as well as the impact of a recently divested site related to our Cell Solutions Safety Assessment business, timing of large research model sales in China and the mix of small research models products and services; which decreased revenue by \$2.9 million; partially offset by the effect of changes in foreign currency exchange rates.

DSA

	Three Months Ended							
	September 30, 2023		September 24, 2022					
			\$ change	% change	Impact of FX			
	(in thousands, except percentages)							
Revenue	\$	664,028	\$	619,463	\$	44,565	7.2 %	1.5 %
Cost of revenue (excluding amortization of intangible assets)		436,174		400,444		35,730	8.9 %	
Selling, general and administrative		63,369		56,925		6,444	11.3 %	
Amortization of intangible assets		17,666		19,951		(2,285)	(11.5)%	
Operating income	\$	146,819	\$	142,143	\$	4,676	3.3 %	1.7 %
Operating income % of revenue		22.1 %		22.9 %			(80) bps	

DSA revenue increased \$44.6 million due primarily to service revenue volume and pricing increases within our Safety Assessment business, the acquisition of SAMDI which contributed \$2.3 million to service revenue, and the effect of changes in foreign currency rates; partially offset by decreases in our Discovery Services business.

DSA operating income increased \$4.7 million during the three months ended September 30, 2023 decreased \$56.6 million compared to the corresponding period in 2022 due to contributions from higher revenue, 2023. DSA operating income as a percentage of revenue for the three months ended September 30, 2023 March 30, 2024 was 22.1% 19.0%, a decrease of (80) (690) bps from 22.9% 25.9% for the corresponding period in 2022. The decrease was primarily due to asset impairment charges related to a Discovery Services site closure in California; higher legal costs incurred in connection with the investigations by the U.S. government into the non-human primate supply chain; and higher operating and staffing costs associated with our Discovery Services business.

Manufacturing

	Three Months Ended				
			\$ change	% change	Impact of FX
	September 30, 2023	September 24, 2022			
	(in thousands, except percentages)				
Revenue	\$ 175,747	\$ 189,580	\$ (13,833)	(7.3)%	1.7 %
Cost of revenue (excluding amortization of intangible assets)	101,968	105,282	(3,314)	(3.1)%	
Selling, general and administrative	36,338	42,703	(6,365)	(14.9)%	
Amortization of intangible assets	11,166	10,116	1,050	10.4 %	
Operating income	\$ 26,275	\$ 31,479	\$ (5,204)	(16.5)%	4.4%
Operating income % of revenue	15.0 %	16.6 %		(160) bps	

Manufacturing revenue decreased \$13.8 million due primarily to the divestiture of our Avian business, which decreased revenue by \$18.6 million, and lower services revenue from our Biologics Testing and Microbial Solutions businesses; partially offset by higher revenue within our CDMO businesses and the effect of changes in foreign currency exchange rates.

Manufacturing operating income decreased \$5.2 million during the three months ended September 30, 2023 compared to the corresponding period in 2022. Manufacturing operating income as a percentage of revenue for the three months ended September 30, 2023 was 15.0%, a decrease of 160 bps from 16.6% for the corresponding period in 2022, 2023. Operating income and operating income as a percentage of revenue decreased primarily due to the divestiture of the Avian business, and lower operating income within our Biologics Solutions business, including revenue described above, higher operating and staffing costs, within both the Biologics Testing and CDMO businesses; partially offset by the effect of changes in foreign currency exchange rates, higher severance and impairment costs related to recent restructuring activities.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

Unallocated Corporate Manufacturing

	Three Months Ended					Impact of FX	
	September 30, 2023		September 24, 2022		\$ change		
							% change
	(in thousands, except percentages)						
Unallocated corporate	\$	49,918	\$	58,537	\$ (8,619)	(14.7)%	0.3 %
Unallocated corporate % of revenue		4.9 %		5.9 %		(100) bps	

	Three Months Ended							
	March 30, 2024		April 1, 2023		\$ change	% change	Impact of FX	
	(in thousands, except percentages)							
Revenue	\$	185,201	\$	167,254	\$	17,947	10.7 %	0.3 %
Cost of revenue (excluding amortization of intangible assets)		107,880		113,392		(5,512)	(4.9)%	
Selling, general and administrative		32,847		39,736		(6,889)	(17.3)%	
Amortization of intangible assets		10,793		12,020		(1,227)	(10.2)%	
Operating income	\$	33,681	\$	2,106	\$	31,575	1,499.3 %	5.3 %
Operating income % of revenue		18.2 %		1.3 %			1,690 bps	

Unallocated corporate costs consist of selling, general Manufacturing revenue increased \$17.9 million due primarily to increased revenue in both our Biologics Solutions and administrative expenses that are not directly related or allocated to the reportable segments. The decrease in unallocated corporate costs of \$8.6 million, or 14.7%, Microbial Solutions businesses, driven by increased volume for Biologics Testing service revenue, CDMO service revenue, and Microbial Solutions endotoxin product revenue.

Manufacturing operating income increased \$31.6 million compared to the corresponding period in 2022 is primarily related to timing of variable compensation expenses, digital investments and positive net settlements on our virtual power purchase agreements. Costs as a percentage of revenue for the three months ended September 30, 2023 was 4.9%, a decrease of (100) bps from 5.9% for the corresponding period in 2022.

Other Income (Expense)

	Three Months Ended					
	September 30, 2023		September 24, 2022		\$ change	% change
	(in thousands, except percentages)					
Other income (expense):						
Interest income	\$	1,373	\$	122	\$ 1,251	1,025.4 %
Interest expense		(33,742)		(11,375)	(22,367)	196.6 %
Other income (expense), net		(6,260)		(16,616)	10,356	(62.3)%
Total other expense, net	\$	(38,629)	\$	(27,869)	\$ (10,760)	38.6 %

Interest expense for the three months ended September 30, 2023 was \$33.7 million, an increase of \$22.4 million, or 196.6%, compared to \$11.4 million in the corresponding period in 2022. The increase was due primarily to higher interest rates, and the absence of \$17.4 million of gains recognized in connection with a debt-related foreign exchange forward contract in the corresponding period in 2022.

Other expense, net for the three months ended September 30, 2023 was \$6.3 million, a decrease of \$10.4 million, or 62.3%, compared to Other expense, net of \$16.6 million for the corresponding period in 2022. The decrease was due primarily to the absence of \$16.0 million of foreign currency losses recognized in connection with a U.S. dollar denominated loan borrowed by a non-U.S. entity with a different functional currency, and net losses incurred on our venture capital investments as compared to net gains incurred during fiscal year 2022.

Income Taxes

	Three Months Ended					
	September 30, 2023		September 24, 2022		\$ change	% change
	(in thousands, except percentages)					
Provision for income taxes	\$	24,852	\$	25,495	\$ (643)	(2.5)%
Effective tax rate		22.0 %		20.7 %		130 bps

Income tax expense for the three months ended September 30, 2023 was \$24.9 million, a decrease of \$0.6 million compared to \$25.5 million for the corresponding period in 2022. Our effective tax rate was 22.0% for the three months ended September 30, 2023 compared to 20.7% for the corresponding period in 2022. The increase was primarily attributable to jurisdictional earnings mix and an increase in net U.S. taxation of foreign operations.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 24, 2022

Revenue and Operating Income

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

	Nine Months Ended						
	September 30, 2023		September 24, 2022	\$ change	% change		
	(in thousands, except percentages)						
Service revenue	\$	2,602,016	\$	2,316,206	\$	285,810	12.3 %
Product revenue		513,917		560,011		(46,094)	(8.2)%
Total revenue	\$	3,115,933	\$	2,876,217	\$	239,716	8.3 %

	Nine Months Ended				
	September 30, 2023	September 24, 2022	\$ change	% change	Impact of FX
(in thousands, except percentages)					
RMS	\$ 596,562	\$ 543,066	\$ 53,496	9.9 %	(1.0)%
DSA	1,989,838	1,755,639	234,199	13.3 %	(0.1)%
Manufacturing	529,533	577,512	(47,979)	(8.3)%	— %
Total revenue	\$ 3,115,933	\$ 2,876,217	\$ 239,716	8.3 %	(0.3)%

The following table presents operating income by reportable segment:

	Nine Months Ended				
	September 30, 2023	September 24, 2022	\$ change	% change	Impact of FX
(in thousands, except percentages)					
RMS	\$ 117,653	\$ 123,299	\$ (5,646)	(4.6)%	(2.0)%
DSA	479,788	375,922	103,866	27.6 %	2.2 %
Manufacturing	52,784	140,350	(87,566)	(62.4)%	0.7 %
Unallocated corporate	(165,886)	(152,406)	(13,480)	8.8 %	(0.3)%
Total operating income	\$ 484,339	\$ 487,165	\$ (2,826)	(0.6)%	1.5 %
Operating income % of revenue	15.5 %	16.9 %		(140) bps	

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

RMS

	Nine Months Ended				
	September 30, 2023	September 24, 2022	\$ change	% change	Impact of FX
(in thousands, except percentages)					
Revenue	\$ 596,562	\$ 543,066	\$ 53,496	9.9 %	(1.0)%
Cost of revenue (excluding amortization of intangible assets)	381,332	330,455	50,877	15.4 %	
Selling, general and administrative	81,194	74,535	6,659	8.9 %	
Amortization of intangible assets	16,383	14,777	1,606	10.9 %	
Operating income	\$ 117,653	\$ 123,299	\$ (5,646)	(4.6)%	(2.0)%
Operating income % of revenue	19.7 %	22.7 %		(300) bps	

RMS revenue increased \$53.5 million due primarily to higher research model services revenue, specifically the Insourcing Solutions business, which included the acquisition of Explora BioLabs contributing \$15.6 million and higher small research model product revenue in North America and China; partially offset by timing of large research model sales in China and the effect of changes in foreign currency exchange rates.

RMS operating income decreased \$5.6 million compared to the corresponding period in 2022. RMS 2023. Manufacturing operating income as a percentage of revenue for the nine three months ended September 30, 2023 March 30, 2024 was 19.7% 18.2%, a decrease an increase of 300 1,690 bps from 22.7% 1.3% for the corresponding period in 2022. Operating income and operating income as a percentage of revenue decreased due to higher amortization, operating, and staffing costs due to the acquisition of Explora BioLabs; lower revenue in our Cell Solutions business; timing of large research model sales in China; mix of small research models products and services; and the effect of changes in foreign currency exchange rates.

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DSA

	Nine Months Ended							
	September 30, 2023		September 24, 2022	\$ change	% change	Impact of FX		
	(in thousands, except percentages)							
Revenue	\$	1,989,838	\$	1,755,639	\$	234,199	13.3 %	(0.1)%
Cost of revenue (excluding amortization of intangible assets)		1,268,248		1,164,810		103,438	8.9 %	
Selling, general and administrative		189,076		151,925		37,151	24.5 %	
Amortization of intangible assets		52,726		62,982		(10,256)	(16.3)%	
Operating income	\$	479,788	\$	375,922	\$	103,866	27.6 %	2.2 %
Operating income % of revenue		24.1 %		21.4 %			270 bps	

DSA revenue increased \$234.2 million due primarily to service revenue which increased in the Safety Assessment business due to increased demand, principally biopharmaceutical clients, pricing of services, and the acquisition of SAMDI contributing \$5.1 million to service revenue; partially offset by decreases in our Discovery Services business and the effect of changes in foreign currency exchange rates.

DSA operating income increased \$103.9 million compared to the corresponding period in 2022. DSA operating income as a percentage of revenue for the nine months ended September 30, 2023 was 24.1%, an increase of 270 bps from 21.4% for the corresponding period in 2022. Operating income and operating income as a percentage of revenue increased primarily due to the contribution of higher revenue described above, and lower amortization of intangible assets; partially offset by along with higher legal costs incurred in connection with investigations by the U.S government into the non-human primate supply chain, asset impairment charges related to a Discovery Services site closure; operating efficiencies; and the absence of certain favorable acquisition-related adjustments to contingent consideration arrangements costs incurred during 2022, which are recorded in selling, general and administrative costs.

Manufacturing

	Nine Months Ended						
	September 30, 2023		September 24, 2022	\$ change	% change	Impact of FX	
	(in thousands, except percentages)						
Revenue	\$	529,533	\$	577,512	\$ (47,979)	(8.3)%	— %
Cost of revenue (excluding amortization of intangible assets)		327,882		317,184	10,698	3.4 %	
Selling, general and administrative		114,556		86,590	27,966	32.3 %	
Amortization of intangible assets		34,311		33,388	923	2.8 %	
Operating income	\$	52,784	\$	140,350	\$ (87,566)	(62.4)%	0.7 %
Operating income % of revenue		10.0 %		24.3 %		(1,430) bps	

Manufacturing revenue decreased \$48.0 million due primarily to the divestiture of our Avian business, which decreased revenue by \$57.6 million and lower services revenue from our Biologics Testing business; partially offset by increased revenue in our CDMO and Microbial Solutions businesses.

Manufacturing operating income decreased \$87.6 million compared to the corresponding period in 2022. Manufacturing operating income as a percentage of revenue for the nine three months ended September 30, 2023 was 10.0% April 1, 2023, a decrease of 1,430 bps from 24.3% for the corresponding period in 2022. Operating income and operating income as a percentage of revenue decreased primarily due an asset impairment charge related to the divestiture of our Avian business and lower operating income within our Biologics Solutions business, which included higher operating and legal costs in both our Biologics Testing and CDMO businesses, from an asset impairment charge, and environmental litigation related to the absence of a \$19 million impact of a favorable ruling from tax authorities on certain indirect tax positions recorded within selling, general and administrative expense in the corresponding period in 2022.

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Microbial Solutions business.

Unallocated Corporate

Nine Months Ended				
September 30, 2023	September 24, 2022	\$ change	% change	Impact of FX
(in thousands, except percentages)				
Three Months Ended				
March 30, 2024				
March 30, 2024				
March 30, 2024				
March 30, 2024				
	April 1, 2023	\$ change	% change	Impact of FX

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Income Taxes

		Nine Months Ended											
		September	September	\$	%								
		30, 2023	24, 2022	change	change								
		(in thousands, except percentages)											
		Three Months Ended											
		March 30, 2024											
		March 30, 2024											
		March 30, 2024											
						April 1, 2023		\$ change		% change			
		(in thousands, except percentages)				(in thousands, except percentages)							
Provision for income taxes	Provision for income taxes	\$81,160	\$74,564	\$6,596	8.8 %	Provision for income taxes	\$ 24,529	\$ \$ 27,087	\$ \$ (2,558)	(9.4)	(9.4)		%
Effective tax rate	Effective tax rate	21.8 %	19.7 %		210 bps	Effective tax rate	24.8 %	20.7 %					410 bps

Income tax expense for the nine three months ended September 30, 2023 March 30, 2024 was \$81.2 million \$24.5 million, an increase a decrease of \$6.6 million \$2.6 million compared to \$74.6 million \$27.1 million for the corresponding period in 2022 2023. Our effective tax rate was 21.8% 24.8% for the nine three months ended September 30, 2023 March 30, 2024 compared to 19.7% 20.7% for the corresponding period in 2022 2023. The increase in our effective tax rate in the nine three months ended September 30, 2023 March 30, 2024 compared to the corresponding period in 2022 2023 was primarily attributable to a decreased unfavorable tax benefit effects from stock-based compensation deductions in the nine three months ended September 30, 2023 March 30, 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, however, the tax expense accrued for the three months ended March 30, 2024, is not material to the unaudited consolidated financial statements.

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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, lease, venture capital investment, 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:

		September 30, 2023	December 31, 2022		
		(in thousands)			
March 30, 2024				March 30, 2024	December 30, 2023
(in thousands)				(in thousands)	
Cash and cash equivalents:	Cash and cash equivalents:				
Held in U.S. entities					
Held in U.S. entities					
Held in U.S. entities	Held in U.S. entities	\$ 4,716	\$ 15,813		
Held in non-U.S. entities	Held in non-U.S. entities	152,458	218,099		

Total cash and cash equivalents	Total cash and cash equivalents	157,174	233,912
Short-term investments:	Short-term investments:		
Held in non-U.S. entities	Held in non-U.S. entities	944	998
Held in non-U.S. entities	Held in non-U.S. entities		
Total cash, cash equivalents and short-term investments	Total cash, cash equivalents and short-term investments	\$158,118	\$234,910

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

		Nine Months Ended	
		September 30, 2023	September 24, 2022
		(in thousands)	
		Three Months Ended	
		March 30, 2024	March 30, 2024
		April 1, 2023	
		(in thousands)	
Net income	Net income	\$291,418	\$303,502
Adjustments to reconcile net income to net cash provided by operating activities	Adjustments to reconcile net income to net cash provided by operating activities	312,306	290,826
Changes in assets and liabilities	Changes in assets and liabilities	(140,769)	(209,445)
Net cash provided by operating activities	Net cash provided by operating activities	\$462,955	\$384,883

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 **nine** three months ended **September 30, 2023** **March 30, 2024**, compared to the **nine** three months ended **September 24, 2022** **April 1, 2023**, the increase in net cash provided by operating activities was primarily driven by lower variable compensation payments and timing of inventory purchases; partially offset by timing of our vendor and supplier payments and improvements across

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our revenue related accounts, including trade receivables, deferred revenue, and customer deposits compared to the same period in **2022**, **2023**.

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

		Nine Months Ended	
		September 30, 2023	September 24, 2022
		(in thousands)	

Three Months Ended		Three Months Ended	
March 30, 2024		April 1, 2023	
(in thousands)		(in thousands)	
Acquisition of businesses and assets, net of cash acquired	Acquisition of businesses and assets, net of cash acquired	\$ (50,166)	\$ (283,392)
Capital expenditures	Capital expenditures	(240,205)	(235,709)
Investments, net	Investments, net	(32,369)	(126,259)
Other, net	Other, net	(2,044)	(6,945)
Net cash used in investing activities	Net cash used in investing activities	\$ (324,784)	\$ (652,305)

For the **nine** three months ended **September 30, 2023** March 30, 2024, the primary use of cash used in investing activities related to capital expenditures to support the growth of the business and investments in certain venture capital and strategic equity investments.

For the three months ended **April 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. For the nine months ended **September 24, 2022**, the primary use of cash used in investing activities related to the acquisition of Explora BioLabs, capital expenditures to support the growth of the business and investments in certain venture capital and strategic equity investments.

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

Nine Months Ended		Three Months Ended	
September 30, 2023		April 1, 2023	
(in thousands)		(in thousands)	
Proceeds from long-term debt and revolving credit facility	Proceeds from long-term debt and revolving credit facility	\$ 333,034	\$ 2,798,665
Proceeds from exercises of stock options	Proceeds from exercises of stock options	19,658	17,710
Payments on long-term debt, revolving credit facility, and finance lease obligations	Payments on long-term debt, revolving credit facility, and finance lease obligations	(530,909)	(2,524,387)
Purchase of treasury stock	Purchase of treasury stock	(24,016)	(38,492)
Purchases of additional equity interests, net	Purchases of additional equity interests, net	—	(30,533)

Payment of contingent considerations			
Payment of contingent considerations			
Payment of contingent considerations	Payment of contingent considerations	(2,711)	(10,356)
Other, net	Other, net	(4,145)	(6,048)
Net cash (used in) provided by financing activities		<u>\$ (209,089)</u>	<u>\$ 206,559</u>
Net cash provided by financing activities			

For the **nine** three months ended **September 30, 2023** March 30, 2024, net cash **used in** provided by financing activities was primarily driven by **net payments** the following activity:

- Net proceeds of **\$195 million on \$4.3 million from** our Credit Facility **throughout the nine months ended September 30, 2023.**
- Net **cash used in financing activities also reflected treasury** proceeds from exercises of employee stock options of **\$21.5 million**
- Treasury stock purchases of **\$24.0 million \$9.4 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 months ended April 1, 2023, net cash provided by financing activities was primarily driven by the following activity:

- Net proceeds of **\$35.2 million from our Credit Facility**
- Net proceeds from exercises of employee stock options of **\$11.8 million**
- Treasury stock purchases of **\$19.0 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 **\$2.7 million of contingent consideration payments; partially offset by proceeds from exercises of employee stock options of \$19.7 million.**

For the nine months ended September 24, 2022, net cash provided by financing activities reflected the net proceeds of \$274.3 million on our Credit Facility, and finance lease obligations. Included in the net proceeds are the following amounts:

- Borrowings under our Credit Facility **Contingent consideration payments** of \$300 million, which were used primarily for the acquisition of Explora BioLabs; **\$2.7 million**
- Net borrowings of \$153 million made to our Credit Facility throughout the nine months ended September 24, 2022;
- Payments of \$2.0 billion partially offset by \$1.9 billion of proceeds in connection with a non-U.S. Euro functional currency entity repaying Euro loans and replacing the Euro loans with U.S. dollar denominated loans. A series of forward currency contracts were executed to mitigate any foreign currency gains or losses on the U.S. dollar denominated loans. These proceeds and payments are presented as gross financing activities.

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Net cash provided by financing activities also reflected treasury stock purchases of \$38.5 million made due to the netting of common stock upon vesting of stock-based awards in order to satisfy individual statutory tax withholding requirements, approximately \$15 million payment to purchase an additional 10% interest in a subsidiary, \$15.7 million payment to acquire the remaining 2% ownership interest in Cognate, and \$10.4 million of contingent consideration payments; partially offset by proceeds from exercises of employee stock options of \$17.7 million.

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:

	September 30, 2023	March 30, 2024	December 30, 2023
	(in thousands)	(in thousands)	(in thousands)
Revolving Facility	\$1,003,744	\$1,197,586	
4.25% Senior Notes due 2028	500,000	500,000	
3.75% Senior Notes due 2029	500,000	500,000	

4.00% Senior	4.00% Senior		
Notes	Notes		
due 2031	due 2031	500,000	500,000
Total	Total	\$ 2,503,744	2,697,586

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. In March 2023 and in conjunction with the Second Amendment we modified the

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variable rate on our Credit Facility from adjusted LIBOR to adjusted term SOFR. All outstanding U.S. dollar borrowings remained at adjusted LIBOR through their respective interest reset periods in April 2023 and were then set to term SOFR.

During the fourth fiscal quarter of 2022, we entered into 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 4.700%. In March 2023 and in conjunction with the Second Amendment, we modified the variable rate on our interest rate swap from 1-month LIBOR to 1-month term SOFR. Effective with the modification we will pay a fixed rate of 4.65% on our swap maturing November 2, 2024. The transition did not have an impact on our hedge accounting or a material impact to our financial statements.

Our off-balance sheet commitments related to our outstanding letters of credit as of September 30, 2023 March 30, 2024 and December 31, 2022 December 30, 2023 were \$21.6 million \$21.2 million and \$18.6 million \$21.6 million, respectively.

Foreign Currency Exchange Rate Risk

We operate on a global basis and have exposure to some 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 nine three months ended September 30, 2023 March 30, 2024, the most significant drivers of foreign currency translation adjustment the Company recorded as part of Other comprehensive income (loss) were the British Pound, Euro, Chinese Yuan, Mauritian Rupee, Swedish Krona, and Hungarian Forint. Canadian Dollar.

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 nine three months ended September 30, 2023 March 30, 2024, our revenue would have decreased by \$93.9 million \$32.8 million, and our operating income would have decreased by \$2.4 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.

During the three months ended September 24, 2022, we entered into foreign exchange forward contracts to limit our foreign currency exposure related to both intercompany loans and a U.S. dollar denominated loan borrowed by a non-U.S. Euro functional currency entity under our Credit Facility. Refer to Note 9, "Debt and Other Financing Arrangements" in this Quarterly Report on Form 10-Q for additional information regarding these types of forward contracts.

Repurchases of Common Stock

During the nine three months ended September 30, 2023 March 30, 2024, we did not repurchase any shares under our authorized stock repurchase program. As of September 30, 2023 March 30, 2024, we had \$129.1 million remaining on the authorized \$1.3 billion stock repurchase program. 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 nine three months ended September 30, 2023 March 30, 2024, we acquired 0.1 million shares for \$24.0 million \$9.4 million through such netting.

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

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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 2022 2023. There have been no changes in the Company's critical accounting policies during the nine three months ended September 30, 2023 March 30, 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 **nine three** months ended **September 30, 2023** **March 30, 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 31, 2022** **December 30, 2023**. 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 **2022** **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 **September 30, 2023** **March 30, 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 **September 30, 2023** **March 30, 2024** that materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting.

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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 **recent** shipments in the United States. The carrying value of the inventory related to these shipments is approximately **\$20 million**, **\$27 million as of March 30, 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, primarily related to the sourcing of non-human primates, and the Company is cooperating with the request. 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 **three a number** of its 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)** 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"**) **Exchange Act**) on behalf of a putative class of purchasers of Company securities from May 5, 2020 through February 21, 2023. **The complaint alleges, 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. On August 31, 2023, the court appointed the State Teachers Retirement System of Ohio as lead plaintiff, and the **The Company intends to file filed** a motion to dismiss. While the Company cannot predict the 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 plaintiff agreed to stay the action until the United States District Court for the District of Massachusetts rules on the pending motion to dismiss in the Securities Class Action. The Company intends to file a motion to dismiss at that time. While the Company cannot predict the outcome of this matter, it believes the derivative lawsuit 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.

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 2022, 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.

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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 2022, 2023.

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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 September 30, 2023 March 30, 2024.

	Total Number of Shares Purchased	Average Price Paid 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)
July 2, 2023 to July 29, 2023	114	\$ 210.05	—	\$ 129,105
July 30, 2023 to August 26, 2023	15	209.54	—	129,105
August 27, 2023 to September 30, 2023	31	206.82	—	129,105
Total	160		—	

	Total Number of Shares Purchased	Average Price Paid 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	5,418	\$ 213.32	—	\$ 129,105
January 28, 2024 to February 24, 2024	36,482	221.71	—	129,105
February 25, 2024 to March 30, 2024	26	254.19	—	129,105
Total	41,926		—	

Our Board of Directors have authorized up to an aggregate amount of \$1.3 billion for our stock repurchase program. During the three months ended September 30, 2023 March 30, 2024, we did not repurchase any shares of common stock under our stock repurchase program or in open market trading. As of September 30, 2023 March 30, 2024, we had \$129.1 million remaining on the authorized stock repurchase program.

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 September 30, 2023 March 30, 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 **August 11, 2023** February 26, 2024, George Massaro, a member of James Foster, our Board of Directors, adopted Chair, President, and Chief Executive Officer, entered into a Rule 10b5-1 trading arrangement for the sale of up to **332 129,721** 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 **May 15, 2024** February 28, 2025.
- On August 16, 2023, Victoria Creamer, our Corporate Executive Vice President and Chief People Officer, adopted a Rule 10b5-1 trading agreement for the sale of up to 5,526 shares of our common stock, subject to certain conditions. The arrangement's expiration date is February 22, 2024.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

Item 6. Exhibits

(a) Exhibits	Description of Exhibits
31.1+31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2+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) of 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.

November 8, 2023 May 9, 2024

/s/ JAMES C. FOSTER

James C. Foster
Chairman, President and Chief Executive Officer

November 8, 2023 May 9, 2024

/s/ FLAVIA H. PEASE

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

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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:

- I have reviewed this quarterly report on Form 10-Q for the quarter ended **September 30, 2023** March 30, 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.

November 8, 2023 May 9, 2024

Exhibit 31.2

**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 September 30, 2023 March 30, 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.

November 8, 2023 May 9, 2024

Exhibit 32.1

**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 September 30, 2023 March 30, 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.

November 8, 2023 May 9, 2024

/s/ Flavia H. Pease

Flavia H. Pease

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

November 8, 2023 May 9, 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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