

CHARLES RIVER LABORATORIES INTERNATIONAL INC
Form 10-Q
August 03, 2016
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 JUNE 25, 2016

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File No. 001-15943

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware 06-1397316

(State or Other Jurisdiction of
Incorporation or Organization) (I.R.S. Employer
Identification No.)

251 Ballardvale Street 01887

Wilmington, Massachusetts (Zip Code)
(Address of Principal Executive Offices)

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

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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files. Yes No

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

Non-accelerated filer

Large accelerated filer Accelerated filer (Do not check if smaller
reporting company) Smaller reporting company

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 July 18, 2016, there were 47,293,493 shares of the Registrant's common stock outstanding.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 25, 2016

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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,” “future,” “can,” “could” and other similar expressions that are predictions of or 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: goodwill and asset impairments still under review; future demand for drug discovery and development products and services, including the outsourcing of these services; 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; 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; our strategic relationships with leading pharmaceutical companies and venture capital investments and opportunities for future similar arrangements; our cost structure; the impact of acquisitions including Sunrise, Celsis, Oncotest, WIL Research and Blue Stream; our expectations with respect to revenue growth and operating synergies (including the impact of specific actions intended to cause related improvements); 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 or divest; 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; and our liquidity. 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. You should not rely on forward-looking statements because they 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 26, 2015 under the sections entitled “Our Strategy,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and 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		Six Months Ended	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
Service revenue	\$292,847	\$214,380	\$513,548	\$411,160
Product revenue	141,208	125,193	275,375	248,827
Total revenue	434,055	339,573	788,923	659,987
Costs and expenses:				
Cost of services provided (excluding amortization of intangible assets)	196,121	144,143	343,470	280,449
Cost of products sold (excluding amortization of intangible assets)	68,187	62,647	134,938	127,095
Selling, general and administrative	100,473	71,331	183,417	142,728
Amortization of intangible assets	11,213	5,717	17,565	10,975
Operating income	58,061	55,735	109,533	98,740
Other income (expense):				
Interest income	222	297	485	581
Interest expense	(8,909)	(4,376)	(13,120)	(7,400)
Other income (expense), net	5,016	8,672	9,042	359
Income from continuing operations, before income taxes	54,390	60,328	105,940	92,280
Provision for income taxes	18,845	11,076	32,820	11,407
Income from continuing operations, net of income taxes	35,545	49,252	73,120	80,873
Income (loss) from discontinued operations, net of income taxes	12	(7)	(14)	(14)
Net income	35,557	49,245	73,106	80,859
Less: Net income attributable to noncontrolling interests	350	736	756	809
Net income attributable to common shareholders	\$35,207	\$48,509	\$72,350	\$80,050
Earnings (loss) per common share				
Basic:				
Continuing operations attributable to common shareholders	\$0.75	\$1.04	\$1.54	\$1.71
Discontinued operations	\$—	\$—	\$—	\$—
Net income attributable to common shareholders	\$0.75	\$1.04	\$1.54	\$1.71
Diluted:				
Continuing operations attributable to common shareholders	\$0.73	\$1.02	\$1.51	\$1.68
Discontinued operations	\$—	\$—	\$—	\$—
Net income attributable to common shareholders	\$0.73	\$1.02	\$1.51	\$1.68

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		Six Months Ended	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
Net income	\$35,557	\$49,245	\$73,106	\$80,859
Other comprehensive income (loss):				
Foreign currency translation adjustment and other	(8,114)	17,953	(15,910)	(14,716)
Cumulative translation adjustment related to intercompany loan forgiveness	—	—	—	(2,341)
Amortization of net loss and prior service benefit included in net periodic cost for pension and other post-retirement benefit plans	395	761	785	1,490
Other comprehensive income, before income taxes	27,838	67,959	57,981	65,292
Income tax expense related to items of other comprehensive income (Note 9)	142	263	284	480
Comprehensive income, net of income taxes	27,696	67,696	57,697	64,812
Less: Comprehensive income (loss) related to noncontrolling interests	(136)	805	(9)	878
Comprehensive income attributable to common shareholders	\$27,832	\$66,891	\$57,706	\$63,934

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

(in thousands, except per share amounts)

	June 25, 2016	December 26, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 154,585	\$ 117,947
Trade receivables, net	345,539	270,068
Inventories	98,116	93,735
Prepaid assets	36,698	30,198
Other current assets	66,609	47,286
Total current assets	701,547	559,234
Property, plant and equipment, net	783,678	677,959
Goodwill	754,925	438,829
Client relationships, net	332,901	213,374
Other intangible assets, net	82,295	67,430
Deferred tax assets	22,954	40,028
Other assets	84,687	71,643
Total assets	\$2,762,987	\$ 2,068,497
Liabilities, Redeemable Noncontrolling Interest and Equity		
Current liabilities:		
Current portion of long-term debt and capital leases	\$33,939	\$ 17,033
Accounts payable	66,198	36,675
Accrued compensation	81,839	72,832
Deferred revenue	118,837	81,343
Accrued liabilities	86,841	89,494
Other current liabilities	23,871	12,544
Current liabilities of discontinued operations	1,868	1,840
Total current liabilities	413,393	311,761
Long-term debt, net and capital leases	1,331,053	845,997
Deferred tax liabilities	53,243	48,223
Other long-term liabilities	96,219	89,062
Long-term liabilities of discontinued operations	7,094	7,890
Total liabilities	1,901,002	1,302,933
Commitments and contingencies		
Redeemable noncontrolling interest	25,824	28,008
Equity:		
Preferred stock, \$0.01 par value; 20,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 120,000 shares authorized; 86,219 shares issued and 47,282 shares outstanding as of June 25, 2016 and 85,464 shares issued and 46,698 shares outstanding at December 26, 2015	862	855
Additional paid-in capital	2,450,726	2,397,960
Retained earnings	82,888	10,538
Treasury stock, at cost 38,937 shares and 38,766 shares as of June 25, 2016 and December 26, 2015, respectively	(1,552,936)	(1,540,738)
Accumulated other comprehensive loss	(150,192)	(135,548)
Total equity attributable to common shareholders	831,348	733,067
Noncontrolling interests	4,813	4,489

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Total equity	836,161	737,556
Total liabilities, redeemable noncontrolling interest and equity	\$2,762,987	\$2,068,497

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Six Months Ended	
	June 25, 2016	June 27, 2015
Cash flows relating to operating activities		
Net income	\$73,106	\$80,859
Less: Loss from discontinued operations, net of income taxes	(14	) (14
Income from continuing operations	73,120	80,873
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	57,008	45,516
Amortization of debt issuance costs and discounts	2,291	1,572
Stock-based compensation	22,047	19,873
Deferred income taxes	(1,848	) 934
Gain on venture capital investments	(8,076	) (364
Gain on bargain purchase	16	(9,878
Other, net	(2,169	) (198
Changes in assets and liabilities:		
Trade receivables, net	(27,636	) (24,574
Inventories	(1,685	) (1,662
Other assets	(3,502	) 5,871
Accounts payable	19,723	1,752
Accrued compensation	(4,243	) (12,757
Deferred revenue	1,025	422
Accrued liabilities	(5,893	) 8,795
Taxes payable and prepaid taxes	(3,075	) (6,696
Other liabilities	(586	) (11,873
Net cash provided by operating activities	116,517	97,606
Cash flows relating to investing activities		
Acquisition of businesses and assets, net of cash acquired	(578,772	) (10,680
Capital expenditures	(20,041	) (24,556
Purchases of investments	(18,111	) (15,174
Proceeds from sale of investments and distributions from venture capital investments	8,074	11,356
Other, net	4,074	2,566
Net cash used in investing activities	(604,776	) (36,488
Cash flows relating to financing activities		
Proceeds from long-term debt and revolving credit facility	881,975	294,213
Proceeds from exercises of stock options	19,823	35,641
Payments on long-term debt, capital lease obligations and revolving credit facility	(375,209	) (301,283
Purchase of treasury stock	(12,198	) (99,486
Other, net	4,989	7,188
Net cash provided by (used in) financing activities	519,380	(63,727
Discontinued operations		
Net cash used in operating activities from discontinued operations	(782	) (927
Effect of exchange rate changes on cash and cash equivalents	6,299	(5,680
Net change in cash and cash equivalents	36,638	(9,216
Cash and cash equivalents, beginning of period	117,947	160,023
Cash and cash equivalents, end of period	\$154,585	\$150,807

See Notes to Unaudited Condensed Consolidated Financial Statements.

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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. The year-end condensed consolidated balance sheet data was derived from the Company's audited financial statements, but does not include all disclosures required by U.S. GAAP. These condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year 2015. The 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.

The Company's fiscal year is typically based on a 52-week year, with each quarter composed of 13 weeks. A 53-week year will occur during the fiscal year 2016, with an additional week included in the fourth quarter.

Segment Reporting

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

During the three months ended June 25, 2016, the Company acquired WRH, Inc. (WIL Research), a provider of safety assessment and contract development and manufacturing (CDMO) services. WIL Research's safety assessment business is reported in the Company's DSA reportable segment and its CDMO business created a new operating segment, Contract Manufacturing, that is reported as part of the Company's Manufacturing reportable segment. In addition, a change in the Company's market strategy for certain services and resulting information provided to the Chief Operating Decision Maker, totaling \$1.4 million of revenue and \$0.2 million of operating income for the six months ended June 27, 2015, were reclassified from the Company's RMS reportable segment to its Manufacturing reportable segment. The Company reported segment results on this basis for all periods presented.

The revised reportable segments are as follows:

Research Models and Services	Discovery and Safety Assessment	Manufacturing Support
Research Models	Discovery Services	Microbial Solutions
Research Model Services	Safety Assessment	Avian
		Biologics
		Contract Manufacturing

Use of Estimates

The preparation of 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, redeemable noncontrolling interest, 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.

Consolidation

The Company's 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 consolidated statements of income equal to the percentage of the economic or ownership interest retained in such entities by the respective noncontrolling parties. Intercompany balances and transactions are eliminated in consolidation.

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 the fiscal year 2015.

Newly Issued Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-09, "Improvements to Employee Share-Based Payment Accounting." The standard reduces complexity in several aspects of the accounting for employee share-based compensation, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The ASU is effective for fiscal years beginning after

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The Company is still evaluating the impact this standard will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, "Leases." The standard established the principles that lessees and lessors will apply to report useful information to users of financial statements about the amount, timing and uncertainty of cash flows arising from a lease. The ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company is still evaluating the full impact this standard will have on its consolidated financial statements and related disclosures but expects to recognize substantially all of its leases on the balance sheet, by recording a right-to-use asset and a corresponding lease liability.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," that simplifies the subsequent measurement of inventories by replacing the current lower of cost or market test with a lower of cost or net realizable value test. The ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The Company is still evaluating the impact this standard will have on its consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." The standard, including subsequently issued amendments, will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. The standard will require an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard will be effective for annual and interim periods beginning after December 15, 2017. The Company has not yet selected a transition method and is evaluating the impact the adoption will have on its consolidated financial statements and related disclosures.

2. BUSINESS ACQUISITIONS

Blue Stream Laboratories

On June 27, 2016, the Company acquired Blue Stream Laboratories, Inc. (Blue Stream), an analytical contract research organization (CRO) supporting the development of complex biologics and biosimilars. Combining Blue Stream with the Company's existing discovery, safety assessment, and biologics capabilities creates a leading provider with the ability to support biologic and biosimilar development from characterization through clinical testing and commercialization. The preliminary purchase price for Blue Stream was approximately \$9.2 million in cash, and up to an additional amount of \$3.0 million in contingent consideration, and is subject to certain customary adjustments. Due to the limited time between the acquisition date and the filing of this Quarterly Report on Form 10-Q, it is not practicable for the Company to disclose the preliminary allocation of purchase price to assets acquired and liabilities assumed.

WIL Research

On April 4, 2016, the Company acquired WIL Research, a provider of safety assessment and CDMO services to biopharmaceutical and agricultural and industrial chemical companies worldwide. The acquisition enhanced the Company's position as a leading global early-stage CRO by strengthening its ability to partner with global clients across the drug discovery and development continuum. The purchase price for WIL Research was approximately \$604.8 million, including assumed liabilities of \$0.4 million. The purchase price includes payment for estimated working capital, which was subject to final adjustment based on the actual working capital of the acquired business. The acquisition was funded by cash on hand and borrowings on the Company's amended credit facility. See Note 7, "Long-Term Debt and Capital Lease Obligations." WIL Research's safety assessment and CDMO businesses are reported in the Company's DSA and Manufacturing reportable segments, respectively.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The purchase price allocation of \$577.4 million, net of \$27.4 million of cash acquired, was as follows (in thousands):

	April 4, 2016 (in thousands)
Trade receivables (contractual amount of \$48,625)	\$48,157
Inventories	2,296
Other current assets (excluding cash)	4,021
Property, plant and equipment	129,066
Other long term assets	218
Definite-lived intangible assets	167,400
Goodwill	328,778
Deferred revenue	(39,103)
Other current liabilities	(27,828)
Long-term liabilities	(35,614)
Total purchase price allocation	\$577,391

The purchase price allocations were prepared on a preliminary basis and are subject to change as additional information becomes available concerning the fair value and tax basis of the assets acquired and liabilities assumed. 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.

The breakout of definite-lived intangible assets acquired was as follows:

	Definite-Lived	
	Intangible	Weighted Average Amortization Life
	Assets	
	(in thousands)	(in years)
Client relationships	\$ 141,400	15
Developed technology	20,700	3
Backlog	5,300	1
Total definite-lived intangible assets	\$ 167,400	

The goodwill resulting from the transaction, \$19.0 million of which is deductible for tax purposes due to a prior asset acquisition, is primarily attributed to the potential growth of the Company's DSA and Manufacturing businesses from clients introduced through WIL Research, the assembled workforce of the acquired business and expected cost synergies.

The Company incurred transaction and integration costs in connection with the acquisition of \$8.4 million and \$12.4 million for the three and six months ended June 25, 2016, respectively, which were included in selling, general and administrative expenses.

WIL Research revenue and operating income for both the three and six months ended June 25, 2016 were \$55.2 million and \$1.0 million, respectively, since WIL Research was acquired on April 4, 2016.

The following selected pro forma consolidated results of operations are presented as if the WIL Research acquisition had occurred as of the beginning of the period immediately preceding the period of acquisition after giving effect to certain adjustments. For the six months ended June 25, 2016, these adjustments included additional amortization of intangible assets and depreciation of fixed assets of \$2.7 million, reversal of interest expense on borrowings of \$2.6 million, elimination of intercompany activity and other one-time costs, and the tax impacts of these adjustments. For the six months ended June 27, 2015, these adjustments included additional amortization of intangible assets and depreciation of fixed assets of \$3.4 million, reversal of interest expense on borrowings of \$5.5 million, inclusion of acquisition-related transaction costs of \$8.4 million, elimination of intercompany activity and other one-time costs, and the tax impacts of these adjustments.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended		Six Months Ended	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
	(in thousands)			
Revenue	\$434,917	\$390,887	\$849,455	\$763,723
Net income attributable to common shareholders	44,159	51,164	89,222	77,813
Earnings per common share				
Basic	0.94	1.10	1.90	1.67
Diluted	0.92	1.08	1.87	1.63

These pro forma results of operations have been prepared for comparative purposes only, and they do not purport to be indicative of the results of operations that actually would have resulted had the acquisition occurred on the date indicated or that may result in the future. No effect has been given for synergies, if any, that may have been realized through the acquisition.

Oncotest

On November 18, 2015, the Company acquired Oncotest GmbH (Oncotest), a German CRO providing discovery services for oncology, one of the largest therapeutic areas for biopharmaceutical research and development spending. With this acquisition, the Company expanded its oncology services capabilities, enabling it to provide clients with access to a more comprehensive portfolio of technologies, including patient-derived xenograft (PDX) and syngeneic models. The purchase price for Oncotest was approximately \$36.0 million, including \$0.3 million in contingent consideration. The acquisition was funded by borrowings on the Company's revolving credit facility. The business is reported in the Company's DSA reportable segment.

The contingent consideration is a one-time payment that could become payable based on the achievement of a revenue target for the fiscal year 2016. If achieved, the payment will become due in the first quarter of the fiscal year 2017.

The aggregate, undiscounted amount of contingent consideration that the Company may pay is €2.0 million (\$2.2 million as of June 25, 2016). The Company estimated the fair value of this contingent consideration based on a probability-weighted set of outcomes.

The purchase price allocation of \$35.4 million, net of \$0.6 million of cash acquired, was as follows:

	November 18, 2015 (in thousands)
Trade receivables (contractual amount of \$3,546)	\$ 3,520
Inventories	129
Other current assets (excluding cash)	706
Property, plant and equipment	2,528
Definite-lived intangible assets	13,330
Goodwill	22,894
Other long-term assets	250
Current liabilities	(3,456)
Long-term liabilities	(4,470)
Total purchase price allocation	\$ 35,431

The purchase price allocations were prepared on a preliminary basis and are subject to change as additional information becomes available concerning the fair value and tax basis of the assets acquired and liabilities assumed. 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.

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

The breakout of definite-lived intangible assets acquired was as follows:

	Definite-Lived	
	Intangible	Weighted Average Amortization Life
	Assets	
	(in thousands)	(in years)
Client relationships	\$ 7,146	19
Developed technology	5,960	19
Other intangible assets	224	3
Total definite-lived intangible assets	\$ 13,330	

The goodwill resulting from the transaction is primarily attributed to the potential growth in the Company's DSA businesses from customers and technology introduced through Oncotest, the assembled workforce of the acquired business and expected cost synergies. The goodwill attributable to Oncotest is not deductible for tax purposes.

The Company incurred insignificant transaction and integration costs in connection with the acquisition for the three and six months ended June 25, 2016 and June 27, 2015, which were included in selling, general and administrative expenses.

Celsis

On July 24, 2015, the Company acquired Celsis Group Limited (Celsis), a leading provider of rapid testing systems for non-sterile bacterial contamination for the biopharmaceutical and consumer products industries. The purpose of this acquisition was to enhance the Company's portfolio of rapid microbial detection products and services with the addition of a rapid bioburden testing product. The purchase price for Celsis was \$214.5 million, including assumed debt and certain liabilities of \$10.3 million. The acquisition was funded by cash on hand and borrowings on the Company's revolving credit facility. The business is reported in the Company's Manufacturing reportable segment. The purchase price allocation of \$212.2 million, net of \$2.3 million of cash acquired, was as follows:

	July 24, 2015 (in thousands)
Trade receivables (contractual amount of \$5,410)	\$ 5,288
Inventories	10,103
Other current assets (excluding cash)	13,269
Property, plant and equipment	4,639
Definite-lived intangible assets	118,140
Goodwill	105,550
Other long-term assets	537
Short-term debt	(9,766)
Other current liabilities	(7,136)
Long-term liabilities	(28,388)
Total purchase price allocation	\$ 212,236

The breakout of definite-lived intangible assets acquired was as follows:

	Definite-Lived	
	Intangible	Weighted Average Amortization Life
	Assets	
	(in thousands)	(in years)
Client relationships	\$ 71,000	16
Developed technology	39,140	14
Trademark and trade names	5,200	14

Non-compete 2,800 5

Total definite-lived intangible assets \$ 118,140

The goodwill resulting from the transaction is primarily attributed to the potential growth of the Company's Manufacturing business from clients introduced through Celsis, the assembled workforce of the acquired business and expected cost synergies. The goodwill attributable to Celsis is not deductible for tax purposes.

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company incurred transaction and integration costs in connection with the acquisition of \$0.6 million and \$0.9 million for the three and six months ended June 25, 2016, respectively, and of \$3.5 million for both the three and six months ended June 27, 2015, which were included in selling, general and administrative expenses.

Sunrise

On May 5, 2015, the Company acquired Sunrise Farms, Inc. (Sunrise), a producer of specific-pathogen-free fertile chicken eggs and chickens used in the manufacture of live viruses. The purpose of this business acquisition was to expand the capabilities of the Company's existing Avian Vaccine Services business. The purchase price of the acquisition was \$9.6 million and was funded by cash on hand and borrowings on the Company's revolving credit facility. The business is reported in the Company's Manufacturing reportable segment.

The Company recorded a bargain purchase gain of \$9.8 million, which represents the excess of the estimated fair value of the net assets acquired over the preliminary purchase price. The bargain purchase gain was recorded in other income (expense), net, in the Company's consolidated statement of income and was not recognized for tax purposes. The Company believes there were several factors that contributed to this transaction resulting in a bargain purchase gain, including the highly specialized nature of Sunrise's business falling outside of the seller's core activities and a limited pool of potential buyers.

Before recognizing the gain from the bargain purchase, the Company reassessed its initial identification and valuation of assets acquired and liabilities assumed to validate that all assets and liabilities that the Company was able to identify at the acquisition date were properly recognized.

The purchase price allocation of \$9.6 million, net of less than \$0.1 million of cash acquired, was as follows:

	May 5, 2015 (in thousands)
Trade receivables (contractual amount of \$995)	\$ 965
Inventories	1,518
Other current assets (excluding cash)	973
Property, plant and equipment	13,698
Definite-lived intangible assets	3,400
Current liabilities	(925)
Long-term liabilities	(250)
Fair value of net assets acquired	19,379
Bargain purchase gain	(9,821)
Total purchase price allocation	\$ 9,558

The identifiable definite-lived intangible assets acquired represent the client relationships intangible, which is being amortized over the estimated useful life of approximately 15 years.

The Company incurred insignificant transaction and integration costs in connection with the acquisition for the three and six months ended June 25, 2016 and June 27, 2015, which were included in selling, general and administrative expenses.

3. SUPPLEMENTAL BALANCE SHEET INFORMATION

The composition of trade receivables, net is as follows:

	June 25, 2016	December 26, 2015
	(in thousands)	
Client receivables	\$270,334	\$ 230,010
Unbilled revenue	77,505	45,996
Total	347,839	276,006
Less: Allowance for doubtful accounts	(2,300)	(5,938)

Trade receivables, net	\$345,539	\$ 270,068
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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The composition of inventories is as follows:

	June 25, December 26,	
	2016	2015
	(in thousands)	
Raw materials and supplies	\$17,616	\$ 15,998
Work in process	13,331	12,101
Finished products	67,169	65,636
Inventories	\$98,116	\$ 93,735

The composition of other current assets is as follows:

	June 25, December 26,	
	2016	2015
	(in thousands)	
Investments	\$25,046	\$ 20,516
Prepaid income taxes	40,854	26,350
Restricted cash	561	271
Other	148	149
Other current assets	\$66,609	\$ 47,286

The composition of other assets is as follows:

	June 25, December 26,	
	2016	2015
	(in thousands)	
Life insurance policies	\$27,604	\$ 27,554
Venture capital investments	45,920	32,730
Restricted cash	1,763	1,745
Other	9,400	9,614
Other assets	\$84,687	\$ 71,643

The composition of other current liabilities is as follows:

	June 25, December 26,	
	2016	2015
	(in thousands)	
Accrued income taxes	\$22,595	\$ 12,168
Accrued interest and other	1,276	376
Other current liabilities	\$23,871	\$ 12,544

The composition of other long-term liabilities is as follows:

	June 25, December 26,	
	2016	2015
	(in thousands)	
Long-term pension liability	\$34,461	\$ 34,604
Accrued executive supplemental life insurance retirement plan and deferred compensation plan	30,906	30,188
Other	30,852	24,270
Other long-term liabilities	\$96,219	\$ 89,062

4. VENTURE CAPITAL INVESTMENTS AND MARKETABLE SECURITIES

Venture Capital Investments

The Company invests in several venture capital funds that invest in start-up companies, primarily in the life sciences industry. The Company's ownership interest in these funds ranges from 2.7% to 12.0%. The Company accounts for the investments in limited liability partnerships (LLP), which are variable interest entities, under the equity or cost method of accounting. The

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company is not the primary beneficiary because it has no power to direct the activities that most significantly affect the LLP's economic performance. The Company accounts for the investments in limited liability companies, which are not variable interest entities, under the equity method of accounting.

The Company's total commitments to the entities as of June 25, 2016 were \$80.6 million, of which the Company funded \$34.0 million through June 25, 2016. During the three and six months ended June 25, 2016, the Company received no dividends from the entities. During the three and six months ended June 27, 2015, the Company received dividends totaling \$2.1 million. The Company recognized a gain of \$5.0 million and a loss of \$0.9 million related to these investments for the three months ended June 25, 2016 and June 27, 2015, respectively.

Marketable Securities

The following is a summary of the Company's marketable securities, all of which are classified as available-for-sale:

	June 25, 2016			
Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
	(in thousands)			
Mutual fund	\$4,650	\$ —	(\$ 23)	\$4,627
Total	\$4,650	\$ —	(\$ 23)	\$4,627

	December 26, 2015			
Cost	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
	(in thousands)			
Mutual fund	\$4,650	\$ —	(\$ 141)	\$4,509
Total	\$4,650	\$ —	(\$ 141)	\$4,509

There were no sales of available-for-sale securities during the six months ended June 25, 2016 or June 27, 2015.

5. FAIR VALUE

The Company has certain assets, liabilities and redeemable noncontrolling interest recorded at fair value, which have been classified as Level 1, 2, or 3 within the fair value hierarchy:

Level 1 - Fair values are determined utilizing prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 - Fair values are determined by utilizing quoted prices for identical or similar assets and liabilities in active markets or other market observable inputs such as interest rates, yield curves and foreign currency spot rates.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The fair value hierarchy level is determined by asset, liability and redeemable noncontrolling interest class based on the lowest level of significant input. The observability of inputs may change for certain assets or liabilities. This condition could cause an asset or liability to be reclassified between levels. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each quarter. During the six months ended June 25, 2016 and June 27, 2015, there were no transfers between levels.

Valuation methodologies used for assets, liabilities and the redeemable noncontrolling interest measured or disclosed at fair value are as follows:

• Cash equivalents - Valued at market prices determined through third-party pricing services.

• Mutual funds - Valued at the unadjusted quoted net asset value of shares held by the Company.

• Foreign currency forward contracts - Valued using market observable inputs, such as forward foreign exchange points and foreign exchange rates.

• Life insurance policies - Valued at cash surrender value based on the fair value of underlying investments.

Contingent consideration - Valued based on a probability weighting of the future cash flows associated with the potential outcomes.

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Redeemable noncontrolling interest - Valued using the income approach based on estimated future cash flows of the underlying business discounted by a weighted average cost of capital.

Assets, liabilities and redeemable noncontrolling interest measured at fair value on a recurring basis are summarized below:

	June 25, 2016			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash equivalents	\$—	\$5,962	\$—	\$5,962
Other current assets:				
Mutual funds	4,627	—	—	4,627
Other assets:				
Life insurance policies	—	20,321	—	20,321
Total assets measured at fair value	\$4,627	\$26,283	\$—	\$30,910
Other current liabilities:				
Contingent consideration	\$—	\$—	\$1,309	\$1,309
Redeemable noncontrolling interest	—	—	25,824	25,824
Total liabilities and redeemable noncontrolling interest measured at fair value	\$—	\$—	\$27,133	\$27,133
	December 26, 2015			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash equivalents	\$—	\$190	\$—	\$190
Other current assets:				
Mutual funds	4,509	—	—	4,509
Foreign currency forward contracts	—	15	—	15
Other assets:				
Life insurance policies	—	20,364	—	20,364
Total assets measured at fair value	\$4,509	\$20,569	\$—	\$25,078
Other current liabilities:				
Contingent consideration	\$—	\$—	\$1,172	\$1,172
Other long-term liabilities:				
Contingent consideration	—	—	198	198
Redeemable noncontrolling interest	—	—	28,008	28,008
Total liabilities and redeemable noncontrolling interest measured at fair value	\$—	\$—	\$29,378	\$29,378

Redeemable Noncontrolling Interest

The Company's redeemable noncontrolling interest resulted from the acquisition of a 75% ownership interest in Vital River in January 2013. Concurrent with the acquisition, the Company entered into an agreement with the noncontrolling interest holders that provides the Company with the right to purchase, and the noncontrolling interest holders with the right to sell, the remaining 25% of the entity for cash at its then appraised value beginning in January 2016. These rights are accelerated if certain conditions are met. As the noncontrolling interest holders can require the Company to purchase the remaining 25% interest, the noncontrolling interest is classified in the mezzanine section of the condensed consolidated balance sheet, which is above the equity section and below liabilities.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides a rollforward of the fair value of the Company's redeemable noncontrolling interest related to the acquisition of Vital River.

	Six Months Ended	
	June 25, 2016	June 27, 2015
	(in thousands)	
Beginning balance	\$28,008	\$28,419
Additions	—	—
Total gains or losses (realized/unrealized):		
Net income attributable to noncontrolling interest	320	364
Foreign currency translation	(653)	112
Change in fair value, included in additional paid-in capital	(1,851)	1,081
Ending balance	\$25,824	\$29,976

As of June 25, 2016, the significant unobservable inputs used in the fair value measurement of the Company's redeemable noncontrolling interest are the estimated future cash flows based on projected financial data and a discount rate of 18.0%. Significant changes in the timing or amounts of the estimated future cash flows would result in a significantly higher or lower fair value measurement. Significant increases or decreases in the discount rate would result in a significantly lower or higher fair value measurement, respectively. A 1% increase in the discount rate used would result in a \$1.6 million decrease in the fair value of the redeemable noncontrolling interest.

On July 7, 2016, the Company purchased an additional 12% equity interest in Vital River for \$10.8 million, resulting in total ownership of 87%. Concurrent with the transaction, the original agreement was amended providing the Company with the right to purchase, and the noncontrolling interest holders with the right to sell, the remaining 13% equity interest at a contractually defined redemption value. These rights are exercisable beginning in 2019 and are accelerated in certain events.

Contingent Consideration

The following table provides a rollforward of the contingent consideration related to the business acquisitions.

	Six Months Ended	
	June 25, 2016	June 27, 2015
	(in thousands)	
Beginning balance	\$1,370	\$2,828
Additions	600	675
Payments	(674)	—
Total gains or losses (realized/unrealized):		
Reversal of previously recorded contingent liability and change in fair value	13	(672)
Ending balance	\$1,309	\$2,831

The significant unobservable inputs used in the fair value measurement of the Company's contingent consideration are the probabilities of successful achievement of certain financial targets and a discount rate. Significant increases or decreases in any of the probabilities of success would result in a significantly higher or lower fair value measurement, respectively. Significant increases or decreases in the discount rate would result in a significantly lower or higher fair value measurement, respectively.

Debt Instruments

The book value of the Company's term and 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.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

	Adjustments to Goodwill				June 25, 2016
	December 26, 2015	Acquisition	Transfers	Foreign Exchange	
	(in thousands)				
RMS	\$58,167	\$—	\$ (342)	\$ (409)	\$57,416
DSA	247,050	270,272	—	(7,283)	510,039
Manufacturing	133,612	58,676	342	(5,160)	187,470
Total	\$438,829	\$328,948	\$ —	\$(12,852)	\$754,925

During the three months ended June 25, 2016, the Company revised the composition of its reportable segments to align with the view of the business following its acquisition of WIL Research. See Note 1, "Basis of Presentation." As a result of this reorganization, goodwill was allocated from the Company's RMS reportable segment to its Manufacturing reportable segment, as shown in the preceding table within "transfers." The allocation was based on the fair value of each business group within its original reporting unit relative to the fair value of that reporting unit. In addition, the Company completed an assessment of any potential goodwill impairment for all reporting units immediately prior to the reallocation and determined that no impairment existed.

Intangibles Assets, Net

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

	June 25, 2016			December 26, 2015		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in thousands)					
Backlog	\$7,050	\$(2,886)	\$4,164	\$50,568	\$(50,554)	\$14
Technology	75,765	(9,190)	66,575	60,350	(5,911)	54,439
Trademarks and trade names	8,709	(3,935)	4,774	11,495	(5,944)	5,551
Other	11,534	(4,752)	6,782	14,711	(7,285)	7,426
Other intangible assets	103,058	(20,763)	82,295	137,124	(69,694)	67,430
Client relationships	528,814	(195,913)	332,901	396,537	(183,163)	213,374
Intangible assets	\$631,872	\$(216,676)	\$415,196	\$533,661	\$(252,857)	\$280,804

During the three months ended March 26, 2016, the Company determined that the carrying values of certain DSA intangible assets were not recoverable and recorded an impairment charge of \$1.9 million, which was included in costs of services provided (excluding amortization of intangible assets).

7. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-Term Debt

Long-term debt, net consists of the following:

	June 25, 2016	December 26, 2015
	(in thousands)	
Term loans	\$650,000	\$390,000
Revolving credit facility	692,877	446,041
Other long-term debt	195	193
Total debt	1,343,072	836,234
Less: current portion of long-term debt	(32,695)	(15,193)
Long-term debt	1,310,377	821,041
Debt discount and debt issuance costs	(8,173)	(6,805)

Long-term debt, net	\$1,302,204	\$ 814,236
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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In April 2015, the Company amended and restated the \$970M Credit Facility, creating a \$1.3 billion facility (\$1.3B Credit Facility) that provides for a \$400.0 million term loan and a \$900.0 million multi-currency revolving facility. The interest rates applicable to term loans and revolving loans under the Company's \$1.3B Credit Facility were, at the Company's option, equal to either the alternate base rate (which is the higher of (1) the prime rate, (2) the federal funds rate plus 0.5% or (3) the one-month adjusted LIBOR rate plus 1%), or the adjusted LIBOR rate plus an interest rate margin based upon the Company's leverage ratio.

On March 30, 2016, the Company amended and restated its \$1.3B credit facility creating a \$1.65 billion credit facility (\$1.65B Credit Facility) which (1) extends the maturity date for the credit facility and (2) makes certain other amendments in connection with the Company's acquisition of WIL Research. The amendment was accounted for as a debt modification with a partial extinguishment of debt. In connection with the transaction, the Company capitalized approximately \$3.3 million and expensed approximately \$1.4 million of debt issuance costs.

The \$1.65B Credit Facility provides for a \$650.0 million term loan and a \$1.0 billion multi-currency revolving facility. The term loan facility matures in 19 quarterly installments with the last installment due March 30, 2021. The revolving facility matures on March 30, 2021, and requires no scheduled payment before that date. Under specified circumstances, the Company has the ability to increase the term loan and/or revolving line of credit by up to \$500 million in the aggregate.

The interest rates applicable to term loan and revolving loans under the \$1.65B Credit Facility are, at the Company's option, equal to 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 LIBOR rate plus 1%) or the adjusted LIBOR rate plus an interest rate margin based upon the Company's leverage ratio. As of June 25, 2016 and December 26, 2015, the weighted average interest rate on the Company's debt was 1.86% and 1.33%, respectively.

The \$1.65B Credit Facility includes certain customary representations and warranties, events of default, notices of material adverse changes to the Company's business and negative and affirmative covenants. These covenants include (1) maintenance of a ratio of consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) less capital expenditures to consolidated cash interest expense, for any period of four consecutive fiscal quarters, of no less than 4.25 to 1.0 with step downs to 3.50 to 1.0 by the last day of the fourth fiscal quarter of 2017 as well as (2) maintenance of a ratio of consolidated indebtedness to consolidated EBITDA for any period of four consecutive fiscal quarters, of no more than 3.50 to 1.0. As of June 25, 2016, the Company was compliant with all covenants.

The obligations of the Company under the \$1.65B Credit Facility are collateralized by substantially all of the assets of the Company.

Letters of Credit

As of June 25, 2016 and December 26, 2015, the Company had \$5.1 million and \$4.9 million in outstanding letters of credit, respectively.

Capital Lease Obligations

The Company's capital lease obligations amounted to \$30.1 million and \$33.6 million as of June 25, 2016 and December 26, 2015, respectively.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. EQUITY

Earnings Per Share

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

	Three Months Ended		Six Months Ended	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
	(in thousands)			
Numerator:				
Income from continuing operations, net of income taxes	\$35,545	\$49,252	\$73,120	\$80,873
Income (loss) from discontinued operations, net of income taxes	12	(7)	(14)	(14)
Less: Net income attributable to noncontrolling interests	350	736	756	809
Net income attributable to common shareholders	\$35,207	\$48,509	\$72,350	\$80,050

Denominator:

Weighted-average shares outstanding - Basic	47,061	46,675	46,852	46,712
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Effect of dilutive securities:

Stock options, restricted stock units, performance share units and restricted stock	858	875	939	1,006
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Weighted-average shares outstanding - Diluted	47,919	47,550	47,791	47,718
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Options to purchase approximately 0.8 million and 0.5 million shares for the three months ended June 25, 2016 and June 27, 2015, respectively, as well as an insignificant number of restricted stock, restricted stock units (RSUs) and performance share units (PSUs) were not included in computing diluted earnings per share because their inclusion would have been anti-dilutive. Options to purchase approximately 0.9 million and 0.5 million shares for the six months ended June 25, 2016 and June 27, 2015, respectively, as well as an insignificant number of restricted stock, RSUs and PSUs were not included in computing diluted earnings per share because their inclusion would have been anti-dilutive. Basic weighted average shares outstanding for both the six months ended June 25, 2016 and June 27, 2015 excluded the impact of approximately 1.1 million shares.

Treasury Shares

During the six months ended June 25, 2016, the Company did not repurchase any shares under its authorized stock repurchase program. The Company repurchased approximately 1.2 million shares for \$90.8 million in the six months ended June 27, 2015. As of June 25, 2016, the Company had \$69.7 million remaining on the authorized stock repurchase program. The Company's stock-based compensation plans permit the netting of common stock upon vesting of restricted stock, RSUs and PSUs in order to satisfy individual minimum statutory tax withholding requirements. During the six months ended June 25, 2016 and June 27, 2015, the Company acquired approximately 0.2 million shares for \$12.2 million and approximately 0.1 million shares for \$8.7 million, respectively.

Accumulated Other Comprehensive Income

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

	Foreign Currency Translation Adjustment and Other	Pension and Other Post-Retirement Benefit Plans	Total
	(in thousands)		
December 26, 2015	\$(82,977)	\$(52,571)	\$(135,548)
Other comprehensive loss before reclassifications	(15,145)	—	(15,145)

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Amounts reclassified from accumulated other comprehensive income (loss)	—	785	785
Net current period other comprehensive income	(15,145)	785	(14,360)
Income tax expense	—	284	284
June 25, 2016	\$(98,122)	\$ (52,070)	\$(150,192)

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Foreign currency translation and other includes an insignificant amount of unrealized gains (losses) on available-for-sale marketable securities.

Nonredeemable Noncontrolling Interests

The Company has investments in several entities, whose financial results are consolidated in the Company's financial statements, as it has a controlling financial interest in these entities. The interests of the respective noncontrolling parties in these entities have been recorded as noncontrolling interests. The activity within the nonredeemable noncontrolling interests was insignificant during the three and six months ended June 25, 2016 and June 27, 2015.

9. INCOME TAXES

The Company's effective tax rate for the three months ended June 25, 2016 and June 27, 2015 was 34.6% and 18.4%, respectively. The Company's effective tax rate was 31.0% and 12.4% for each of the six months ended June 25, 2016 and June 27, 2015, respectively. For the three months ended June 25, 2016, the increase was primarily attributable to nondeductible transaction costs associated with the acquisition of WIL Research, the accrual of withholding taxes in order to access cash from the Company's Canadian and Chinese operations for use outside of the U.S., and a prior year non-taxable bargain purchase gain of \$9.9 million associated with the acquisition of Sunrise. For the six months ended June 25, 2016, the increase reflects the items above as well as a prior year reduction in unrecognized tax benefits and related interest of \$10.4 million due to the expiration of the statute of limitations associated with pre-acquisition tax positions on forgiveness of debt.

During the three months ended June 25, 2016, the Company's unrecognized tax benefits increased by \$1.9 million to \$25.3 million, primarily due to pre-acquisition tax positions taken by WIL Research, as well as an additional quarter of Canadian Scientific Research and Experimental Development credit reserves offset by positive foreign exchange movement. The amount of unrecognized income tax benefits that would impact the effective tax rate increased by \$2.1 million to \$22.2 million. The amount of accrued interest on unrecognized tax benefits was \$1.4 million at June 25, 2016. The Company estimates that it is reasonably possible that the unrecognized tax benefits will decrease by up to \$3.0 million over the next twelve-month period, primarily as a result of the outcome of a pending tax ruling and competent authority ruling.

The Company conducts business in a number of tax jurisdictions. As a result, it is subject to tax audits in jurisdictions including the U.S., U.K., China, Japan, France, Germany and Canada. With few exceptions, the Company is no longer subject to U.S. and international income tax examinations for years before 2012.

The Company and certain of its subsidiaries have ongoing tax controversies with various tax authorities in the U.S., Canada, China and France. The Company does not believe that resolution of these controversies will have a material impact on its financial position or results of operations.

In accordance with the Company's policy, the remaining undistributed earnings of its non-U.S. subsidiaries remain indefinitely reinvested as of the end of the three months ended June 25, 2016 as they are required to fund needs outside the U.S. and cannot be repatriated in a manner that is substantially tax free.

Income tax expense related to change in unrecognized pension gains, losses and prior service costs was \$0.1 million and \$0.3 million for the three months ended June 25, 2016 and June 27, 2015, respectively. Income tax expense related to change in unrecognized pension gains, losses, and prior service costs was \$0.3 million and \$0.5 million for the six months ended June 25, 2016 and June 27, 2015, respectively.

10. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

The following table provides the components of net periodic cost (benefit) for the Company's pension plans for the three months ended June 25, 2016 and June 27, 2015:

	Pension Plans	
	June 25,	June 27,
	2016	2015
	(in thousands)	
Service cost	\$639	\$1,150
Interest cost	3,220	3,336

Expected return on plan assets	(3,998	(4,382)
Amortization of prior service credit	(144)	(150)
Amortization of net loss	545	911
Net periodic cost	\$262	\$865

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

The following table provides the components of net periodic cost (benefit) for the Company's pension plans for the six months ended June 25, 2016 and June 27, 2015:

	Pension Plans	
	June 25, 2016	June 27, 2015
	(in thousands)	
Service cost	\$1,193	\$2,299
Interest cost	6,584	6,671
Expected return on plan assets	(7,990)	(8,764)
Amortization of prior service credit	(288)	(301)
Amortization of net loss	1,091	1,791
Net periodic cost	\$590	\$1,696

The net periodic cost for the Company's other post-retirement benefit plan for the three and six months ended June 25, 2016 and June 27, 2015 was insignificant.

11. STOCK-BASED COMPENSATION

The Company has stock-based compensation plans under which employees and non-employee directors may be granted stock-based awards such as stock options, restricted stock, RSUs and PSUs.

The following table provides stock-based compensation by the financial statement line item in which it is reflected:

	Three Months Ended		Six Months Ended	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
	(in thousands)			
Cost of revenue	\$1,667	\$1,788	\$3,349	\$3,289
Selling, general and administrative	10,439	8,411	18,698	16,584
Stock-based compensation, before income taxes	12,106	10,199	22,047	19,873
Provision for income taxes	(4,354)	(3,619)	(7,868)	(7,004)
Stock-based compensation, net of income taxes	\$7,752	\$6,580	\$14,179	\$12,869

During the six months ended June 25, 2016, the Company issued approximately 0.6 million stock options with a per share weighted average grant date fair value of \$15.09, approximately 0.2 million RSUs with a per share weighted average grant date fair value of \$74.86 and approximately 0.2 million PSUs with a per share weighted average grant date fair value of \$79.81. The maximum number of common shares to be issued upon vesting of PSUs granted during the six months ended June 25, 2016 is approximately 0.4 million.

12. FOREIGN CURRENCY CONTRACTS

The Company enters into foreign exchange forward contracts to limit its foreign currency exposure related to intercompany loans that are not of a long-term investment nature. These contracts are recorded at fair value in the Company's condensed consolidated balance sheet and are not designated as hedging instruments. Any gains or losses on such contracts are immediately recognized in other income (expense), net, and are largely offset by the remeasurement of the underlying intercompany loan balances.

The notional amount and fair value of the Company's foreign currency forward contracts at December 26, 2015 was as follows:

Notional Fair Amount	Fair Value	Balance Sheet Location
\$88,483	\$ 15	Other Current Assets

No foreign currency contracts were open at June 25, 2016.

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

The following table summarizes gains recognized on foreign exchange forward contracts related to intercompany loans denominated in Euros on the Company's consolidated statement of income:

Location of Gain (Loss)	Three	Six
	Months	Months
	Ended	Ended
	June	June 25,
	25,	2016
	2016	
	(in thousands)	
Other income (expense), net	\$1,130	\$3,373

The Company had no such contracts during the six months ended June 27, 2015.

13. COMMITMENTS AND CONTINGENCIES

Litigation

Various lawsuits, claims and proceedings of a nature considered normal to its business are pending against the Company. While the outcome of any of these proceedings cannot be accurately predicted, the Company does not believe the ultimate resolution of any of these existing matters would have a material adverse effect on the Company's business or financial condition.

In July 2015, IDEXX Laboratories, Inc. and IDEXX Distribution, Inc. (collectively, IDEXX) filed a complaint in the United States District Court for the District of Delaware alleging the Company has infringed three recently issued patents related to a blood spot sample collection method used in determining the presence or absence of an infectious disease in a population of rodents. On September 21, 2015, the Company timely filed a motion to dismiss the complaint on the grounds that all of the claims are directed to unpatentable subject matter and therefore are invalid. On October 7, 2015, IDEXX filed an amended complaint, which substantially asserts the same patents and infringement allegations as asserted in the original complaint, and on October 26, 2015, the Company timely filed a motion to dismiss this amended complaint. The hearing on the motion to dismiss was held on January 12, 2016. On July 1, 2016, the Court issued an opinion denying the motion to dismiss. The Company filed its answer to the complaint on July 21, 2016. In addition, on July 29, 2016, the Company initiated an inter partes review (IPR) procedure with the United States Patent and Trademark Office challenging the validity of the IDEXX patents. While no prediction may be made as to the outcome of litigation or the IPR, the Company intends to defend against this proceeding vigorously and therefore an estimate of the possible loss or range of loss cannot be made.

In May 2013, the Company commenced an investigation into inaccurate billing with respect to certain government contracts. The Company promptly reported these matters to the relevant government contracting officers, the Department of Health and Human Services' Office of the Inspector General, and the Department of Justice, and the Company is cooperating with these agencies to ensure the proper repayment and resolution of this matter. The Company has identified approximately \$1.5 million of excess amounts billed on these contracts since January 1, 2007, and has recorded a liability for such amount as of June 25, 2016, as this represents the Company's best estimate. Because of the ongoing discussions with the government and the complex nature of this matter, the Company believes it is reasonably possible that additional losses may be incurred but cannot at this time make a reasonable estimate of the potential range of loss beyond such estimated liability.

Lease Commitments

During the six months ended June 25, 2016, the Company assumed or entered into new lease agreements or exercised options to extend the lease terms for certain existing leases. As a result, the Company's lease obligations through June 25, 2016 increased by \$17.6 million.

14. SEGMENT INFORMATION

The Company revised the composition of its reportable segments during the three months ended June 25, 2016. See Note 1, "Basis of Presentation." The Company reported segment results on this basis retrospectively for all comparable prior periods presented.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents revenue and other financial information by reportable segment:

	Three Months Ended		Six Months Ended	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
	(in thousands)			
RMS				
Revenue	\$125,058	\$119,287	\$248,397	\$238,676
Operating income	35,445	33,304	71,831	62,154
Depreciation and amortization	5,118	5,308	10,368	11,311
Capital expenditures	2,381	6,356	3,434	9,089
DSA				
Revenue	\$221,059	\$153,375	\$379,042	\$293,387
Operating income	32,381	28,149	63,211	51,665
Depreciation and amortization	18,600	12,412	30,557	23,551
Capital expenditures	4,644	4,101	9,351	9,479
Manufacturing				
Revenue	\$87,938	\$66,911	\$161,484	\$127,924
Operating income	27,121	20,588	46,736	37,381
Depreciation and amortization	6,525	3,649	12,501	6,977
Capital expenditures	4,256	1,770	6,385	3,336

For the three months ended June 25, 2016 and June 27, 2015, reconciliations of segment operating income, depreciation and amortization and capital expenditures to the respective consolidated amounts are as follows:

	Operating Income		Depreciation and Amortization		Capital Expenditures	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
	(in thousands)					
Total reportable segments	\$94,947	\$82,041	\$30,243	\$21,369	\$11,281	\$12,227
Unallocated corporate	(36,886)	(26,306)	2,110	1,779	510	1,681
Total consolidated	\$58,061	\$55,735	\$32,353	\$23,148	\$11,791	\$13,908

For the six months ended June 25, 2016 and June 27, 2015, reconciliations of segment operating income, depreciation and amortization and capital expenditures to the respective consolidated amounts are as follows:

	Operating Income		Depreciation and Amortization		Capital Expenditures	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
	(in thousands)					
Total reportable segments	\$181,778	\$151,200	\$53,426	\$41,839	\$19,170	\$21,904
Unallocated corporate	(72,245)	(52,460)	3,582	3,677	871	2,652
Total consolidated	\$109,533	\$98,740	\$57,008	\$45,516	\$20,041	\$24,556

Revenue for each significant product or service offering is as follows:

	Three Months Ended		Six Months Ended	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
	(in thousands)			

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RMS	\$ 125,058	\$ 119,287	\$ 248,397	\$ 238,676
DSA	221,059	153,375	379,042	293,387
Manufacturing	87,938	66,911	161,484	127,924
Total revenue	\$434,055	\$339,573	\$788,923	\$659,987

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of unallocated corporate expense consists of the following:

	Three Months		Six Months	
	Ended		Ended	
	June 25,	June 27,	June 25,	June 27,
	2016	2015	2016	2015
	(in thousands)			
Stock-based compensation	\$7,746	\$6,419	\$13,854	\$12,699
Compensation, benefits, and other employee-related expenses	7,738	7,234	20,279	17,930
External consulting and other service expenses	6,656	3,130	11,832	6,771
Information Technology	2,364	1,685	5,496	3,549
Depreciation	2,111	1,779	3,583	3,677
Acquisition and integration	7,260	3,956	11,023	3,594
Other general unallocated corporate	3,011	2,103	6,178	4,240
Total unallocated corporate expense	\$36,886	\$26,306	\$72,245	\$52,460

Other general unallocated corporate expense consists of various departmental costs including those associated with departments such as senior executives, corporate accounting, legal, tax, human resources, treasury and investor relations.

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

The following discussion should be read in conjunction with our condensed consolidated financial statements and accompanying footnotes of this Quarterly Report on Form 10-Q and our audited consolidated financial statements and related footnotes included in our Annual Report on Form 10-K for the fiscal year 2015. 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 “Risk Factors” in our Annual Report on Form 10-K for the fiscal year 2015. Certain percentage changes may not recalculate due to rounding.

Overview

We are a full service, early-stage contract research organization (CRO). For nearly 70 years, we have been in the business of providing the research models required in 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 are able to support our clients from target identification through preclinical development. We also provide a suite of products and services to support our clients’ manufacturing activities. Utilizing our broad portfolio of products and services enables our clients to create a more flexible drug development model, which reduces their costs, enhances their productivity and effectiveness, and increases speed to market.

Acquisitions

We continue to make a number of strategic acquisitions designed to expand our portfolio of services. Our 2016 acquisitions include:

On April 4, 2016, we acquired WRH, Inc. (WIL Research), a provider of safety assessment and contract development and manufacturing (CDMO) services to biopharmaceutical and agricultural and industrial chemical companies worldwide. The acquisition enhanced our position as a leading global early-stage CRO by strengthening our ability to partner with global clients across the drug discovery and development continuum. The purchase price for WIL Research was approximately \$604.8 million, including assumed liabilities of \$0.4 million.

On June 27, 2016, we acquired Blue Stream Laboratories, Inc. (Blue Stream), an analytical CRO supporting the development of complex biologics and biosimilars. Combining Blue Stream with our existing discovery, safety assessment, and biologics capabilities creates a leading provider with the ability to support biologic and biosimilar development from characterization through clinical testing and commercialization. The preliminary purchase price for Blue Stream was approximately \$9.2 million in cash, and up to an additional amount of \$3.0 million in contingent consideration, and is subject to certain customary adjustments.

Segment Reporting

We report our performance in three reportable segments: Research Models and Services (RMS), Discovery and Safety Assessment (DSA), and Manufacturing Support (Manufacturing).

During the three months ended June 25, 2016, we acquired WIL Research. WIL Research’s safety assessment business is reported in our DSA reportable segment and its CDMO business created a new operating segment, Contract Manufacturing, that is reported as part of our Manufacturing reportable segment. In addition, a change in our market strategy for certain services and resulting information provided to our Chief Operating Decision Maker, totaling \$1.4 million of revenue and \$0.2 million of operating income for the six months ended June 27, 2015, were reclassified from our RMS reportable segment to our Manufacturing reportable segment. We reported segment results on this basis for all periods presented.

The revised reportable segments are as follows:

Research Models and Services	Discovery and Safety Assessment	Manufacturing Support
Research Models	Discovery Services	Microbial Solutions
Research Model Services	Safety Assessment	Avian Biologics Contract Manufacturing

Our RMS segment includes the Research Models and Research Model Services 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 three business units: Genetically Engineered Models and Services, 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

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management of our clients' research operations (including recruitment, training, staffing, and management services). Our DSA segment includes services required to take a drug through the early development process including discovery services, which are non-regulated services to assist clients with the identification, screening, and selection of a lead compound for drug development, and regulated and non-regulated safety assessment services. Our Manufacturing segment includes Microbial Solutions (formerly Endotoxin and Microbial Detection or EMD), which includes in vitro (non-animal) lot-release testing products and microbial detection and species identification services; Biologics Testing Services (Biologics), which performs specialized testing of biologics; Avian Vaccine Services (Avian), which supplies specific-pathogen-free fertile chicken eggs and chickens; and Contract Manufacturing, which specializes in formulation design and development, manufacturing, and analytical and stability testing for small molecules.

Results of Operations

Three Months Ended June 25, 2016 Compared to the Three Months Ended June 27, 2015

Revenue

	Three Months Ended					
	June 25, 2016	June 27, 2015	\$ Change	% Change	Impact of FX	%
	(in millions, except percentages)					
RMS	\$125.1	\$119.3	\$5.8	4.8%	0.8%	
DSA	221.0	153.4	67.6	44.1%	(1.5)%	
Manufacturing	88.0	66.9	21.1	31.4%	0.1%	
Total revenue	\$434.1	\$339.6	\$94.5	27.8%	(0.4)%	

Revenue for the three months ended June 25, 2016 increased \$94.5 million, or 27.8%, compared to the corresponding period in 2015. The negative effect of changes in foreign currency exchange rates decreased revenue by \$1.2 million, or 0.4%, when compared to the corresponding period in 2015.

RMS revenue increased by \$5.8 million due to higher research model services revenue, higher research model revenue in China; and the positive effect of changes in foreign currency exchange rates.

DSA revenue increased \$67.6 million due to higher revenue in the Safety Assessment business, primarily as a result of the WIL Research acquisition that contributed \$51.4 million to revenue growth as well as increased study volume and pricing in our legacy business; and higher revenue in the Discovery Services business, primarily as a result of the Oncotest acquisition that contributed \$2.2 million to revenue growth; partially offset by the negative effect of changes in foreign currency exchange rates.

Manufacturing revenue increased \$21.1 million due to higher revenue in the Microbial Solutions business, which includes the Celsis acquisition that contributed \$7.6 million to revenue growth; higher revenue in the Biologics business, higher revenue in the Avian business, which includes the Sunrise business that contributed \$1.8 million to revenue growth; and Contract Manufacturing revenue related to the CDMO services of WIL Research acquired in April 2016 that contributed \$3.8 million to revenue growth.

Service revenue for the three months ended June 25, 2016 was \$292.9 million, an increase of \$78.5 million, or 36.6%, compared to \$214.4 million in the corresponding period in 2015. The increase in service revenue was due to higher revenue in the Safety Assessment business, primarily as a result of the WIL Research acquisition that contributed \$51.4 million to service revenue growth as well as increased study volume and pricing in our legacy business; higher revenue in the Discovery Services business, which included the acquisition of Oncotest that contributed \$2.2 million to service revenue; Contract Manufacturing revenue of \$3.8 million related to the CDMO services of WIL Research acquired in April 2016; higher revenue in the Biologics business, and higher research model services revenue; partially offset by the negative effect of changes in foreign currency exchange rates. Product revenue for the three months ended June 25, 2016 was \$141.2 million, an increase of \$16.0 million, or 12.8%, compared to \$125.2 million in the corresponding period in 2015. The increase was due to higher revenue in the Microbial Solutions and Avian businesses, which included the acquisitions of Celsis and Sunrise, respectively, which contributed \$9.4 million to product revenue growth; and higher research model revenue in China.

Cost of Services Provided and Products Sold (Excluding Amortization of Intangible Assets)

	Three Months Ended			
	June 25, 2016	June 27, 2015	\$ change	% change
RMS	\$73.2	\$69.8	\$3.4	4.7 %
DSA	150.4	104.1	46.3	44.4 %
Manufacturing	40.7	32.9	7.8	24.3 %
Total cost of services provided and products sold (excluding amortization of intangible assets)	\$264.3	\$206.8	\$57.5	27.8 %

Cost of services provided and products sold (excluding amortization of intangibles assets) (Costs) for the three months ended June 25, 2016 increased \$57.5 million, or 27.8%, compared to the corresponding period in 2015. Costs as a percentage of revenue for the three months ended June 25, 2016 were 60.9%, which was consistent with the corresponding period in 2015.

RMS Costs increased \$3.4 million due primarily to the growth of the business and the negative effect of changes in foreign currency exchange rates. RMS Costs as a percentage of revenue for the three months ended June 25, 2016 were 58.5%, which was consistent with the corresponding period in 2015.

DSA Costs increased \$46.3 million due primarily to an increase in Safety Assessment Costs, which included a higher cost base due to the acquisition of WIL Research and the growth of the legacy business and an increase in Discovery Services Costs, which included a higher cost base due to the acquisition of Oncotest; partially offset by the positive effect of changes in foreign currency exchange rates. DSA Costs as a percentage of revenue for the three months ended June 25, 2016 were 68.0%, an increase of 0.1%, from 67.9% for the corresponding period in 2015.

Manufacturing Costs increased \$7.8 million due primarily to an increase in Microbial Solutions Costs resulting from the Celsis acquisition, an increase in Biologics and Avian Costs resulting from the growth of the business and the Sunrise acquisition, an increase in Contract Manufacturing Costs related to the acquisition of WIL Research and the negative effect of changes in foreign currency exchange rates. Manufacturing Costs as a percentage of revenue for the three months ended June 25, 2016 were 46.4%, a decrease of 2.7%, from 49.1% for the corresponding period in 2015. Costs of services provided for the three months ended June 25, 2016 were \$196.1 million, an increase of \$52.0 million, or 36.1%, compared to \$144.1 million for the corresponding period in 2015. The increase was due to higher Safety Assessment Costs, which included a higher cost base due to the acquisition of WIL Research and growth in our legacy business; higher Discovery Services Costs, which included a higher cost base due to the acquisition of Oncotest; Contract Manufacturing Costs related to the CDMO services of WIL Research acquired in April 2016, as well as an increased Biologics and research model services revenue. Costs of products sold for the three months ended June 25, 2016 were \$68.2 million, an increase of \$5.6 million, or 8.8%, compared to \$62.6 million for the corresponding period in 2015. The increase was primarily due to higher Costs as a result of acquisitions of Celsis and Sunrise.

Selling, General and Administrative Expenses

	Three Months Ended			
	June 25, 2016	June 27, 2015	\$ change	% change
RMS	\$15.9	\$15.4	\$0.5	3.4 %
DSA	31.0	17.3	13.7	78.6 %
Manufacturing	16.8			