

CHARLES RIVER LABORATORIES INTERNATIONAL INC
Form 8-K
August 22, 2006

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant To Section 13 Or 15(d) of
The Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **August 16, 2006**

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

001-15943

(Commission File Number)

06-1397316

(IRS Employer Identification No.)

251 Ballardvale St., Wilmington, MA
(Address of Principal Executive Offices)

01887
(Zip Code)

Registrant's telephone number, including area code: **(978) 658-6000**

Not applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01 Completion of Acquisition or Disposition of Assets

On August 16, 2006, Charles River Laboratories International, Inc. (Charles River or the Company) completed the previously announced sale of its Phase II-IV Clinical Services business to Kendle International, Inc. (Kendle). The sale of the Business was completed in accordance with the terms and conditions of the Stock Purchase Agreement, as amended, between Charles River and Kendle dated as of May 9, 2006.

In connection with the sale of the Business, Charles River received approximately \$215 million in cash, plus additional cash in satisfaction of a working capital adjustment in accordance with the terms and conditions of the Stock Purchase Agreement. The purchase price is also subject to a post-closing working capital purchase price adjustment.

There are no material relationships between Kendle and Charles River or any of its affiliates, directors or officers, or any associate of such director or officer.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired

Not applicable

(b) Pro Forma Financial Information

(i) Charles River Pro Forma Condensed Consolidated Balance Sheet (unaudited) as of July 1, 2006.

(ii) Charles River Pro Forma Condensed Consolidated Statements of Operations (unaudited) for the fiscal year ended December 31, 2005.

(iii) Charles River Pro Forma Condensed Consolidated Statements of Operations (unaudited) for the fiscal year ended December 25, 2004

(iv) Notes to Pro Forma Condensed Consolidated Financial Statements (unaudited)

(c) Shell Company Transactions

Not applicable

(d) Exhibits

Not applicable

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 hereunto duly authorized.

Charles River Laboratories International, Inc.

Date: August 22, 2006

By: /s/ Joanne P. Acford

Name: Joanne P. Acford
Title: Corporate Senior Vice President,
General Counsel and Corporate
Secretary

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

(dollars in thousands, except per share amounts)

| | Historical Company July 1, 2006(1) | (a) Clinical Services Phase II-IV Business | (b) ISS | Pro Forma July 1, 2006 |
|---|--|---|-------------|---------------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 193,067 | \$ 215,000 | (c) \$ | \$ 408,067 |
| Trade receivables, net | 177,555 | | | 177,555 |
| Inventories | 69,036 | | | 69,036 |
| Current assets of discontinued operations | 44,179 | (38,912) | (5,267) | |
| Other current assets | 42,546 | | | 42,546 |
| Total current assets | 526,383 | 176,088 | (5,267) | 697,204 |
| Property, plant and equipment, net | 440,348 | | | 440,348 |
| Goodwill, net | 1,097,932 | | | 1,097,932 |
| Other intangibles, net | 164,302 | | | 164,302 |
| Deferred tax asset | 100,633 | | | 100,633 |
| Long term assets of discontinued operations | 217,385 | (218,036) | 651 | |
| Other assets | 70,103 | | | 70,103 |
| Total assets | \$ 2,617,086 | \$ (41,948) | \$ (4,616) | \$ 2,570,522 |
| Liabilities and Shareholders Equity | | | | |
| Current liabilities | | | | |
| Current portion of long-term debt and capital lease obligations | \$ 36,724 | \$ | \$ | \$ 36,724 |
| Accounts payable | 26,813 | | | 26,813 |
| Accrued compensation | 35,449 | | | 35,449 |
| Deferred income | 82,352 | | | 82,352 |
| Accrued liabilities | 34,450 | 40,000 | (d) | 74,450 |
| Current liabilities of discontinued operations | 31,968 | (30,581) | (1,387) | |
| Other current liabilities | 27,367 | | | 27,367 |
| Total current liabilities | 275,123 | 9,419 | (1,387) | 283,155 |
| Long-term debt and capital lease obligations | 571,808 | | | 571,808 |
| Long term liabilities of discontinued operations | 8,168 | (8,168) | | |
| Other long-term liabilities | 112,189 | | | 112,189 |
| Total liabilities | 967,288 | 1,251 | (1,387) | 967,152 |
| Commitments and contingencies | | | | |
| Minority interests | 8,808 | | | 8,808 |
| Shareholders equity | | | | |
| Preferred stock, \$0.01 par value; 20,000,000 shares authorized; no shares issued and outstanding | | | | |
| Common stock, \$0.01 par value; 120,000,000 shares authorized; 72,931,145 issued and 68,304,750 outstanding at July 1, 2006 | 730 | | | 730 |
| Capital in excess of par value | 1,796,229 | | | 1,796,229 |
| Accumulated (deficit) earnings | 4,540 | (43,199) | (e) (3,229) | (f) (41,888) |
| Treasury stock, at cost, 4,626,395 shares and 406,175 shares at July 1, 2006 | (189,423) | | | (189,423) |
| Accumulated other comprehensive income | 28,914 | | | 28,914 |
| Total shareholders equity | 1,640,990 | (43,199) | (3,229) | 1,594,562 |

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Total liabilities and shareholders' equity \$ 2,617,086 \$ (41,948) \$ (4,616) \$ 2,570,522

(1) As reported in Charles River Laboratories International, Inc.'s quarterly report on Form 10-Q for the six months ended July 1, 2006.

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share amounts)

| | Historical Company Fiscal Year Ended December 31, 2005(1) | (a) Clinical Services Phase II-IV Business | (b) ISS | Pro Forma Fiscal Year Ended December 31, 2005 |
|--|--|---|--------------------|--|
| Net sales related to products | \$ 364,303 | \$ | \$ | \$ 364,303 |
| Net sales related to services | 757,925 | 110,761 | 18,139 | 629,025 |
| Total net sales | 1,122,228 | 110,761 | 18,139 | 993,328 |
| Costs and expenses | | | | |
| Cost of products sold | 199,517 | | | 199,517 |
| Cost of services provided | 493,976 | 73,717 | 16,152 | 404,107 |
| Selling, general and administrative | 189,544 | 22,839 | 8,706 | 157,999 |
| Amortization of intangibles | 58,172 | 10,239 | 922 | 47,011 |
| Operating income | 181,019 | 3,966 | (7,641) |) 184,694 |
| Interest income | 3,929 | 226 | | 3,703 |
| Interest expense | (24,361) |) | (29) |) (24,332) |
| Other, net | (174) |) 3 | | (177) |
| Income before income taxes and minority interests | 160,413 | 4,195 | (7,670) |) 163,888 |
| Provision for income taxes | 16,576 | 1,601 | (1,286) |) 16,261 |
| Income before minority interests | 143,837 | 2,594 | (6,384) |) 147,627 |
| Minority interests | (1,838) |) | | (1,838) |
| Net income | \$ 141,999 | \$ 2,594 | \$ (6,384) |) \$ 145,789 |
| Earnings per common share | | | | |
| Basic | \$ 2.04 | | | \$ 2.09 |
| Diluted | \$ 1.96 | | | \$ 2.02 |
| Shares Outstanding | | | | |
| Basic | 69,730,056 | | | 69,730,056 |
| Diluted | 72,902,385 | | | 72,902,385 |

(1) As reported in Charles River Laboratories International, Inc.'s annual report on Form 10-K for the fiscal year ended December 31, 2005.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share amounts)

| | Historical Company Fiscal Year Ended December 25, 2004(1) | (a) Clinical Services Phase II-IV Business | (b) ISS | Pro Forma Fiscal Year Ended December 25, 2004 |
|--|--|---|--------------------|--|
| Net sales related to products | \$ 339,994 | \$ | \$ | \$ 339,994 |
| Net sales related to services | 426,923 | 19,306 | 23,389 | 384,228 |
| Total net sales | 766,917 | 19,306 | 23,389 | 724,222 |
| Costs and expenses | | | | |
| Cost of products sold | 185,428 | | | 185,428 |
| Cost of services provided | 282,923 | 15,192 | 17,660 | 250,071 |
| Selling, general and administrative | 121,448 | 2,660 | 1,910 | 116,878 |
| Amortization of intangibles | 16,795 | 2,106 | 832 | 13,857 |
| Operating income | 160,323 | (652) |) 2,987 | 157,988 |
| Interest income | 3,285 | 24 | | 3,261 |
| Interest expense | (11,806) |) (37) |) (51) |) (11,718) |
| Other, net | 723 | (994) |) | 1,717 |
| Income before income taxes and minority interests | 152,525 | (1,659) |) 2,936 | 151,248 |
| Provision for income taxes | 61,156 | (172) |) 1,168 | 60,160 |
| Income before minority interests | 91,369 | (1,487) |) 1,768 | 91,088 |
| Minority interests | (1,577) |) | | (1,577) |
| Net income | \$ 89,792 | \$ (1,487) |) \$ 1,768 | \$ 89,511 |
| Earnings per common share | | | | |
| Basic | \$ 1.81 | | | \$ 1.80 |
| Diluted | \$ 1.68 | | | \$ 1.67 |
| Shares Outstanding | | | | |
| Basic | 49,601,021 | | | 49,601,021 |
| Diluted | 56,045,848 | | | 56,045,848 |

(1) As reported in Charles River Laboratories International, Inc.'s annual report on Form 10-K for the fiscal year ended December 25, 2004.

NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

On May 9, 2006, the Company announced that it entered into a definitive agreement to sell Phase II-IV of the Clinical Services business for \$215,000 in cash as part of a portfolio realignment which would allow the Company to capitalize on core competencies. In addition, during the second quarter of 2006 the Company made a decision to close its Interventional and Surgical Services (ISS) business, which was formerly included in its Preclinical Services segment. Effective in the second quarter of 2006, the Company reported the assets and liabilities of Phase II-IV of the Clinical Services business and the ISS business as held for sale and reported the results of operations for Phase II-IV of the Clinical Services business and the ISS business as discontinued operations in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. The current assets being disposed of include accounts receivable, deferred income taxes and other current assets. Non-current assets include property, plant and equipment, goodwill and other intangible assets and deferred income taxes. Current liabilities consist of accounts payable, deferred income and accrued expenses. Non-current liabilities consist of lease obligations.

The unaudited pro forma condensed consolidated balance sheet reflects the disposition of Phase II-IV of the Clinical Services business and the ISS business as if it had occurred on July 1, 2006. The unaudited pro forma condensed consolidated statements of operations for the fiscal years ended December 25, 2004 and December 31, 2005 give effect to the disposition of Phase II-IV of the Clinical Services business and the ISS business as if it had occurred at the beginning of each of the periods presented. Phase II-IV of the Clinical Services business was acquired by the Company on October 20, 2004, as part of a merger agreement with Inveresk Research Group; accordingly, the pro forma financial statements included herein do not include activity for Phase II-IV of the Clinical Services business prior to October 20, 2004.

The pro forma information related to the sale of Phase II-IV of the Clinical Services business is based on the net book value of net assets sold as of July 1, 2006. Accordingly, the Company's actual recording of the disposition, including the final sale proceeds, may differ from the pro forma financial information based on the net book value of net assets as of the closing date. The pro forma financial information does not purport to indicate the future financial position or future results of the Company's operations.

2. Pro Forma Adjustments

The pro forma financial statements have been adjusted as follows (\$ in thousands):

- a. To segregate the operations of Phase II-IV of the Clinical Services business which exclude corporate expense allocations for corporate management and administrative costs and include income tax allocations for activities in each tax

jurisdiction. All intercompany transactions and balances have been eliminated.

- b. To segregate the operations of the ISS business, which management has committed to abandoning, for comparability to the Company's publicly filed financial statements included in its quarterly report on Form 10-Q dated July 1, 2006.
- c. To include cash proceeds from the sale of Phase II-IV of the Clinical Services business.
- d. To include estimated taxes due on sale of Phase II-IV of the Clinical Services business.
- e. To include the estimated loss on sale of net assets of Phase II-IV of the Clinical Services business of \$3,199 plus \$40,000 estimated taxes due on sale.
- f. Represents outstanding net assets of the ISS business that will be realized in the process of discontinuing the operations.

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