Medical Devices
Analyst: Kurt Kemper, CFA
502-588-8446 / kkemper@hilliard.com
Institutional Sales Desk: George Moorin
502-588-9141 / GMoorin@hilliard.com
J.J.B. Hilliard, W.L. Lyons, LLC
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COMPANY UPDATE / ESTIMATE CHANGE / PRICE TARGET CHANGE

Key Metrics

VIVO - NASDAQ (as of close 01/08/18)		$14.80
Price Target		$17.00
52-Week Range		$10.75 - $17.29
Shares Outstanding (mm)		42.6
Market Cap. ($mm)		$626.2
1-Mo. Average Daily Volume		323,651
Institutional Ownership		90.8%
Debt / Total Capital		24.3%
ROE (TTM)		12.8%
Book Value / Share		$3.98
Price / Book Value		3.7x
Indicated Dividend / Yield	$0.50	3.4%
TTM Operating Margin		22.3%

Operating EPS FYE 9/30

	2017A	Prior 2018E	Curr. 2018E	Prior 2019E	Curr. 2019E
1Q	$0.15	$0.15	$0.15	$0.17	$0.20
2Q	$0.21	$0.20	$0.24	$0.21	$0.25
3Q	$0.16	$0.17	$0.20	$0.19	$0.22
4Q	$0.15	$0.15	$0.18	$0.17	$0.20
Year	$0.67	$0.67	$0.78	$0.74	$0.86
P/E	22.2x		19.0x		17.2x

Figures may not add up due to rounding

Revenue ($mm)

	2017A	Prior 2018E	Curr. 2018E	Prior 2019E	Curr. 2019E
1Q	$46.8	$48.7	$48.7	$50.5	$50.1
2Q	$54.1	$54.9	$55.0	$56.7	$56.4
3Q	$50.1	$51.1	$51.2	$53.0	$52.4
4Q	$49.7	$50.9	$51.1	$53.0	$52.5
Year	$200.8	$205.6	$206.0	$213.2	$211.4

***Company Description** – Based in Cincinnati, Ohio, Meridian Bioscience develops, manufactures, and markets in vitro diagnostic equipment and products used for specimen collection and transport. The company also manufactures and sells laboratory chemicals associated with research and diagnostic manufacturing.*

Meridian Bioscience, Inc.

VIVO – NASDAQ – Neutral – 3

A Recap of Our Visit to Meridian's Headquarters plus Estimate Adjustments from Tax Reform and Other Items

We recently had the pleasure of meeting with Jack Kenny, CEO, and Melissa Lueke, CFO. Although it is still early in his term, we got a better feel for the changes Mr. Kenny is currently making. While Mr. Kenny is still learning the business – particularly the Life Science segment – and focusing on some small, quick fixes, we also discussed his long-term vision for the company. Mr. Kenny intends to present his plan to the Board after the 90-day mark, which just occurred. Thus, he was fairly reserved in his comments on the long-term outlook.

More detail about our discussion with Mr. Kenny and Ms. Lueke can be found on the following page, but in summary, we walked away from the meeting with cautious optimism. We believe the changes, some of which were already underway before Mr. Kenny's arrival, being made in the commercial organization will lead to a continued stabilization after two tough years in the diagnostics business.

Our cautious optimism also stems from our belief that Mr. Kenny can put Meridian on a sustainable growth path once again. We will await the vision unveiling before firming up our view of Mr. Kenny and Meridian, but some of the early changes he is making and contemplating are signs of good management, in our opinion.

In addition to our meeting with Mr. Kenny and Ms. Lueke, we were led on a tour of Meridian's facilities by Larry Baldini, President of Global Operations. Overall, we were impressed by the facilities. Meridian employs a significant amount of automated manufacturing, while still having opportunities to invest more in automation. We were particularly impressed with the company's molecular manufacturing, which they believe is possibly the lowest cost facility in the industry. Further, the facility still has plenty of capacity for both volume and new assays. We could also feel Meridian's familial culture present throughout the tour.

Note Important Disclosures on pages 6 and 7
Note Analyst Certification on page 6

Big Picture

As we stated, Mr. Kenny was generally mum on his vision for Meridian, but it was clear the wheels have been turning. There was a desire to make some changes, one of which included trying to de-silo Meridian's various business units, both across geographic and product lines. While this push is mostly focused on the business units, Mr. Kenny seemed to think certain corporate divisions such as commercial and R&D could use more interaction as well. Thus, when he does lay out a clear and focused vision for Meridian, all units can act as one in working toward that goal.

To incentivize employees in working harder toward the new vision, Mr. Kenny has already restructured compensation to have individual performance weigh more heavily, while still incorporating total firm performance. To get to the new vision faster, Mr. Kenny feels breaking down barriers between business units can be bolstered by an operational efficiency push, which was announced with 4Q17 results. We note he feels Meridian should use its small size to gain a speed advantage over competitors, but currently does not.

Diagnostics

Much of our conversation about the Diagnostics segment focused on the commercial aspect of the business, unsurprising given recent struggles and his background. As a reminder to investors, Mr. Kenny joined Meridian from Siemens Healthcare, where he was the Senior Vice President and General Manager of North America. The company already made leadership changes in the Americas region, and is reorienting the sales force toward maintaining and growing current accounts. Mr. Kenny viewed this as a leadership problem as the salesforce was too focused on opening new accounts and making new placements despite a better ROI often coming from existing customers. Mr. Kenny and Ms. Lueke also noted Meridian is using new and different tactics with both existing and prospective customers to increase their moat and prevent rapid market share declines. They pointed out, and we agree, the space is highly competitive but we felt this had been a weakness previously. Both executives stated problems with distributors stemmed from previous leadership and have been fixed. While this is difficult to gauge, their agnosticism to who the end customer orders from should give investors some comfort.

We sensed a renewed competitive spirit when discussing the other main topic, the pipeline. Mr. Kenny believes Meridian's Curian platform could present a significant challenge to some of their competitors that took market share from Meridian in *C. difficile*. The Curian *C. Difficile* assay will be able to test for both GDH antigens and toxins with chemiluminescent immunoassay technology. This move could potentially mark a greater willingness for hand-to-hand combat versus niche/market building the company has typically focused on in the past. We only lightly touched on platform development at Magellan and the Clarithromycin resistance *H. pylori* assay, both of which are further away from market from our understanding.

Turning to ***illumi****gene*, Ms. Lueke and Mr. Kenny seemed excited about the prospects for cytomegalovirus (CMV). CMV in newborns (congenital) can lead to hearing loss, and testing is already mandated in several states. Congenital CMV occurs in about one in 150 to 200 newborns every year and leads to 8,000 kids developing hearing problems every year. CMV can also be an issue for transplant patients as well. With treatments available, we think testing in these patient populations will become more prevalent over time. We believe Meridian should have some quick success in pushing this test out to current hospital customers. Ms. Lueke briefly touched on hopes of bringing several ***illumi****gene* tests to market with low regulatory costs. These tests included current research-use only (RUO) assays *Babesia* and *Kingella*. Finally, Mr. Kenny noted the company has been working on software for ***illumi****gene* to provide customers with connectivity and workflow improvement. When the discussion turned to molecular panels, Ms. Lueke and Mr. Kenny restated the company's belief that smaller panels may gain meaningful market share but payer pushback would limit uptake of large panels.

CONCLUSION

While we briefly touched on other subjects such as Magellan and Life Science, we feel the text above is a sufficient summary of our conversation. We are warming up to the story again as it appears some of the struggles of recent past are stabilizing. Both by geography (Americas diagnostics) and by product (foodborne assays), Meridian appears to be stopping or slowing the bleeding. Further, we are encouraged by early signs from Mr. Kenny. His openness to change leads us to think he may take larger actions to shape Meridian's future. However, we don't believe the stock has a strong positive catalyst in the near term and wish to see Mr. Kenny's strategic vision before making any recommendation changes.

ESTIMATE CHANGES & VALUATION

Estimate Changes

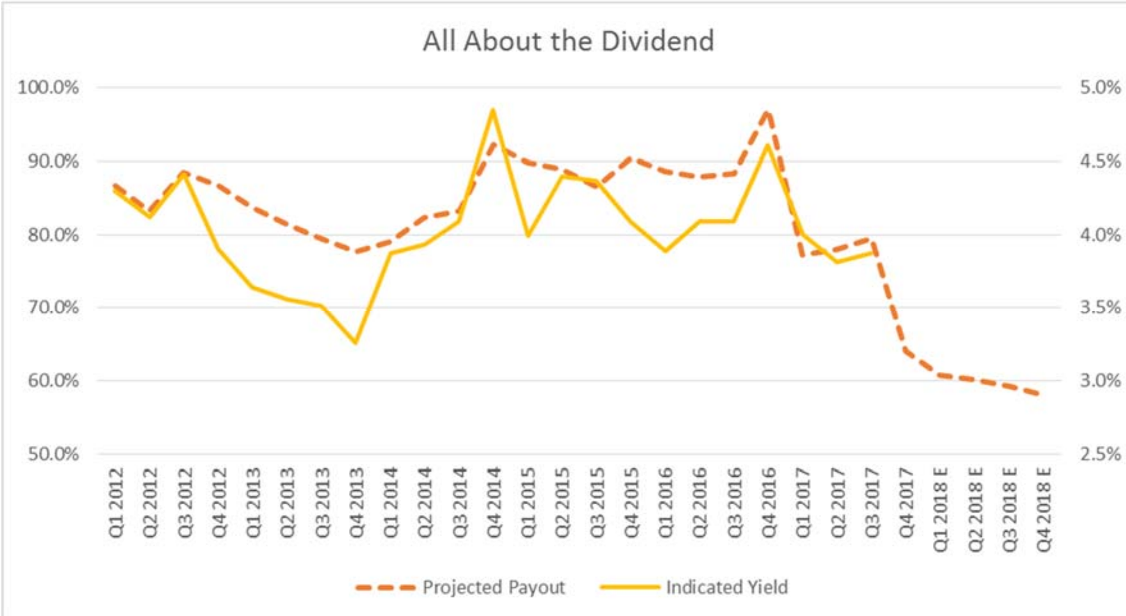
There are four main factors in our estimate changes: tax reform, *H. pylori* competition, a strong flu season, and ***illumi****gene* placements. Given the fact that over 85% of Meridian's 2017 earnings before taxes were generated in the U.S., we expect tax reform to have a substantial impact on their effective rate. After taking into consideration domestic adjustments from the new corporate rate of 21% and historical rates on foreign earnings, we weight the two jurisdictions based on earnings to estimate the company's new effective tax rate to be just above the U.S. effective rate at 21.1% going forward. This substantial lowering powers a 16% increase in FY18 operating EPS estimates.

In the company's 10-K, it was made official two competitors are in clinical trials for similar *H. pylori* assays following the patent expiration in May 2016. Meridian is engaged in an intellectual property lawsuit with one of the competitors, DiaSorin. That nevertheless leaves at least one competitor likely to enter the market of this high-margin product. We have therefore lowered 2019 *H. pylori* estimates. Another tidbit found in the 10-K that prompted some estimate changes was the 4Q17 success of ***illumi****gene* placements. Meridian converted somewhere around 75 potential accounts into recurring customers. Additionally, an all-time high percentage of customers are using multiple assays (we estimate roughly 44% of recurring customers). These factors led us to increase ***illumi****gene* revenue estimates in both 2018 and 2019. Finally, a strong start to flu season caused us to provide a small bump in 1Q18 and 2Q18 estimates.

Valuation

After the substantial increase in EPS estimates due to tax reform, VIVO is trading at 19.0X our next 12 month EPS estimate, which is close to 2017 lows and well below historical norms. We are maintaining a forward P/E of 20X as we believe the multiple corresponds to a clear pattern of valuing this dividend stock according to projected payout ratio, as seen in the chart on the following page. The company's commitment to a dividend payout policy of 75-85% makes the dividend a key piece of the valuation, and a higher projected payout should result in shares trading for a higher yield given a lower ability to raise the dividend, in our opinion. This valuation approach is subject to change with any dividend payout policy change, and tax reform could force the company to reconsider.

We have decided to flat line our dividend estimate for FY19; we previously projected an increase to $0.56 annually versus the indicated $0.50 for FY18. This new dividend projection corresponds to a 58.1% payout ratio based on our FY19 estimates. In turn, this would lead to a 2.9% dividend yield and $17 price target. We note this price target also matches a 20X multiple applied to our FY19 EPS estimate. Thus, we are raising our price target to $17 from $15 but maintaining a Neutral rating as we await more clarity on the new CEO's long-term vision.



SUITABILITY

Meridian is diversified in terms of its end user base, but does rely on distributors and generates over 25% of total company revenues from two distributors. Further, the Diagnostic segment is largely dependent on a few disease categories. Stiff competition, low trading volumes, and relatively weak liquidity are also factors in our suitability rating of 3.

RISKS & CONSIDERATIONS

- **Competition and technological innovation** – Meridian is constantly subject to intense competition in the diagnostics field. Further, technological innovation is high in the industry, presenting Meridian with challenges from existing competitors and the threat of new entrants.
- **Failure of new products** – Meridian internally develops new tests and often brings new technologies in-house for the final stages of development. Failure to successfully develop and sell new products could harm profitability.
- **Proprietary protection** – Meridian has several products that are not under patent protection, and the company relies on trade secrets to protect proprietary methods and formulas. Significant financial harm could arise should Meridian fail to protect trade secrets.
- **Patent Expiration** – Meridian also has several products under patent. Patent expirations can lead to new competition and potential revenue declines.
- **Distributor Dependence** – Meridian relies on relationships with distributors in the diagnostics industry. Should relationships sour or a distributor is acquired, Meridian could face potential financial harm.
- **Legal** – Product lawsuits are common in the health care sector. An unfavorable court decision could hamper the ability to market a product, whether a current patent under Meridian is successfully challenged or Meridian is determined to have infringed upon the patent of a competitor.
- **Regulatory** – Most of Meridian's products are subject to regulatory clearance. If Meridian's products are determined to be inadequate or harmful to consumers, the company could be forced to halt production or possibly recall products.

MERIDIAN BIOSCIENCE									VIVO: NEUTRAL
In millions	2015 A	2016 A	2017 A	1Q18 E	2Q18 E	3Q18 E	4Q18 E	2018 E	2019 E
Fiscal Period End	9/30/2015	9/30/2016	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018	9/30/2018	9/30/2019
Income Statement									
Diagnostic Revenue	146.1	145.1	143.5	34.6	38.3	36.0	36.5	145.3	146.5
Life Science Revenue	48.7	51.0	57.3	14.1	16.7	15.2	14.6	60.7	64.9
Total Revenue	**194.8**	**196.1**	**200.8**	**48.7**	**55.0**	**51.2**	**51.1**	**206.0**	**211.4**
Gross Margin %	*62.6%*	*65.2%*	*62.2%*	*62.4%*	*62.5%*	*62.7%*	*61.8%*	*62.3%*	*62.2%*
Gross Profit	**121.9**	**127.8**	**124.8**	**30.4**	**34.4**	**32.1**	**31.6**	**128.4**	**131.6**
Research and development	12.6	13.8	15.7	4.0	4.1	4.2	4.6	16.9	17.6
Selling and marketing	25.6	29.9	32.1	7.8	8.4	8.1	8.5	32.9	33.6
General and administrative	27.6	30.8	32.3	8.2	8.3	8.5	8.3	33.3	32.4
Total Operating Expenses	65.8	74.5	80.1	20.0	20.8	20.8	21.4	83.1	83.7
Non-GAAP Operating Income	**56.1**	**53.3**	**44.8**	**10.4**	**13.5**	**11.3**	**10.2**	**45.4**	**47.9**
Operating Margin %	*28.8%*	*27.2%*	*22.3%*	*21.3%*	*24.6%*	*22.0%*	*20.0%*	*22.0%*	*22.7%*
Other Income, Net	(1.0)	(0.7)	(1.0)	(0.4)	(0.3)	(0.3)	(0.3)	(1.3)	(1.2)
Effective Tax Rate	*35.5%*	*36.4%*	*40.8%*	*35.1%*	*21.1%*	*21.1%*	*21.1%*	*24.2%*	*21.1%*
Non-GAAP Net Income	**36.2**	**33.3**	**28.4**	**6.5**	**10.4**	**8.6**	**7.8**	**33.4**	**36.9**
Diluted Shares Outstanding	42.0	42.4	42.6	42.7	42.8	42.8	42.8	42.8	42.9
Non-GAAP Diluted EPS	**$0.86**	**$0.79**	**$0.67**	**$0.15**	**$0.24**	**$0.20**	**$0.18**	**$0.78**	**$0.86**
Diluted GAAP EPS	**$0.85**	**$0.76**	**$0.51**	**$0.14**	**$0.23**	**$0.18**	**$0.17**	**$0.72**	**$0.86**
Dividend Per Share	**$0.800**	**$0.800**	**$0.500**	**$0.125**	**$0.125**	**$0.125**	**$0.125**	**$0.500**	**$0.500**
Balance Sheet									
Cash and Equivalents	50.0	47.2	57.1						
Other Current Assets	72.9	79.6	76.8						
Total Current Assets	**122.9**	**126.8**	**133.9**	**135.2**	**141.0**	**142.2**	**143.9**	**143.9**	**160.0**
Net PP&E	27.5	30.5	30.5						
Intangible Assets	28.3	91.8	81.6						
Other Assets	4.7	2.7	3.8						
Total Assets	**183.3**	**251.8**	**249.8**	**249.7**	**255.1**	**255.9**	**257.1**	**257.1**	**272.5**
Current Liabilities	15.3	22.6	22.9	20.4	22.0	21.0	21.1	21.1	21.5
Non-Current Liabilities	2.2	62.8	57.3	56.2	55.1	53.9	52.8	52.8	48.3
Total Liabilities	**17.4**	**85.4**	**80.2**	**76.6**	**77.1**	**74.9**	**73.9**	**73.9**	**69.8**
Total Shareholders' Equity	**165.9**	**166.5**	**169.6**	**173.1**	**178.0**	**180.9**	**183.2**	**183.2**	**202.6**

Source: Company Reports and Hilliard Lyons estimates

Additional information is available upon request.

Analyst Certification

I, Kurt A. Kemper, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

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Definitions of Ratings:
Buy - We believe the stock has significant total return potential in the coming 12 months.
Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.
Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.
Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Definitions of Suitabilities:
1. A large cap, core holding with a solid history.
2. A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks.
3. An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage.
4. Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	**# of Stocks Covered**	**% of Stocks Covered**	**Banking**	**No Banking**
Buy	31	28%	10%	90%
Hold/Neutral	75	67%	9%	91%
Sell	6	5%	0%	100%

As of 8 January 2018

Other Disclosures

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