

MERIDIAN BIOSCIENCE INC

Form 10-Q

May 10, 2012

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the Quarterly Period Ended March 31, 2012

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 number 0-14902

MERIDIAN BIOSCIENCE, INC.

Incorporated under the laws of Ohio

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31-0888197

(I.R.S. Employer

Identification No.)

3471 River Hills Drive

Cincinnati, Ohio 45244

(513) 271-3700

Indicate by a 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding April 30, 2012
Common Stock, no par value	41,257,432

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The Private Securities Litigation Reform Act of 1995 provides a safe harbor from civil litigation for forward-looking statements accompanied by meaningful cautionary statements. Except for historical information, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, which may be identified by words such as estimates, anticipates, projects, plans, seeks, may, will, expects, intends, believes, should and similar expressions or the negative versions thereof and which also may be identified by their context. Such statements, whether expressed or implied, are based upon current expectations of the Company and speak only as of the date made. The Company assumes no obligation to publicly update or revise any forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized. These statements are subject to various risks, uncertainties and other factors that could cause actual results to differ materially, including, without limitation, the following: Meridian's continued growth depends, in part, on its ability to introduce into the marketplace enhancements of existing products or new products that incorporate technological advances, meet customer requirements and respond to products developed by Meridian's competition. While Meridian has introduced a number of internally developed products, there can be no assurance that it will be successful in the future in introducing such products on a timely basis. Meridian relies on proprietary, patented and licensed technologies, and the Company's ability to protect its intellectual property rights, as well as the potential for intellectual property litigation, would impact its results. Ongoing consolidations of reference laboratories and formation of multi-hospital alliances may cause adverse changes to pricing and distribution. Recessionary pressures on the economy and the markets in which our customers operate, as well as adverse trends in buying patterns from customers can change expected results. Costs and difficulties in complying with laws and regulations, including those administered by the United States Food and Drug Administration, can result in unanticipated expenses and delays and interruptions to the sale of new and existing products. The international scope of Meridian's operations, including changes in the relative strength or weakness of the U.S. dollar and general economic conditions in foreign countries, can impact results and make them difficult to predict. One of Meridian's main growth strategies is the acquisition of companies and product lines. There can be no assurance that additional acquisitions will be consummated or that, if consummated, will be successful and the acquired businesses will be successfully integrated into Meridian's operations. There may be risks that acquisitions may disrupt operations and may pose potential difficulties in employee retention and there may be additional risks with respect to Meridian's ability to recognize the benefits of acquisitions, including potential synergies and cost savings or the failure of acquisitions to achieve their plans and objectives. The Company cannot predict the possible impact of recently-enacted United States healthcare legislation and any similar initiatives in other countries on its results of operations. In addition to the factors described in this paragraph, Part I, Item 1A Risk Factors of our Form 10-K contains a list and description of uncertainties, risks and other matters that may affect the Company.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Operations (Unaudited)****(in thousands, except per share data)**

	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	2011	2012	2011
NET SALES	\$ 47,441	\$ 41,059	\$ 87,707	\$ 78,322
COST OF SALES	17,691	15,102	33,224	28,863
GROSS PROFIT	29,750	25,957	54,483	49,459
OPERATING EXPENSES				
Research and development	2,508	2,326	4,781	4,635
Selling and marketing	5,781	5,598	11,349	11,073
General and administrative	6,431	5,831	13,074	12,459
Plant consolidation costs	203		647	
Sales and marketing leadership reorganization		1,240		1,240
Total operating expenses	14,923	14,995	29,851	29,407
OPERATING INCOME	14,827	10,962	24,632	20,052
OTHER INCOME (EXPENSE)				
Interest income	8	27	13	44
Other, net	(43)	118	273	321
Total other income (expense)	(35)	145	286	365
EARNINGS BEFORE INCOME TAXES	14,792	11,107	24,918	20,417
INCOME TAX PROVISION	5,166	3,847	8,714	7,132
NET EARNINGS	\$ 9,626	\$ 7,260	\$ 16,204	\$ 13,285
BASIC EARNINGS PER COMMON SHARE	\$ 0.23	\$ 0.18	\$ 0.39	\$ 0.33
DILUTED EARNINGS PER COMMON SHARE	\$ 0.23	\$ 0.18	\$ 0.39	\$ 0.32
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	41,080	40,686	41,071	40,647
EFFECT OF DILUTIVE STOCK OPTIONS AND RESTRICTED SHARES AND UNITS	540	662	500	672
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	41,620	41,348	41,571	41,319
ANTI-DILUTIVE SECURITIES:				
Common share options and restricted shares and units	316	211	310	176
DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.19	\$ 0.19	\$ 0.38	\$ 0.38

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The accompanying notes are an integral part of these condensed consolidated financial statements.

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Table of Contents**MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows (Unaudited)**

(dollars in thousands)

Six Months Ended March 31,	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 16,204	\$ 13,285
Non-cash items included in net earnings:		
Depreciation of property, plant and equipment	1,760	1,711
Amortization of intangible assets	1,063	1,201
Amortization of deferred illumigene instrument costs	347	25
Stock-based compensation	1,321	1,324
Deferred income taxes	(846)	(1,320)
(Gain) loss on disposition of fixed assets and other assets	(9)	6
Change in current assets	(1,109)	(7,128)
Change in current liabilities	1,029	2,309
Other, net	(895)	(1,072)
Net cash provided by operating activities	18,865	10,341
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(1,847)	(5,260)
Proceeds from sale of assets	400	
Purchases of intangibles and other assets	(1,305)	(12)
Net cash used for investing activities	(2,752)	(5,272)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(15,609)	(15,451)
Proceeds and tax benefits from exercises of stock options	256	829
Net cash used for financing activities	(15,353)	(14,622)
Effect of Exchange Rate Changes on Cash and Equivalents	(49)	53
Net Increase (Decrease) in Cash and Equivalents	711	(9,500)
Cash and Equivalents at Beginning of Period	23,626	37,879
Cash and Equivalents at End of Period	\$ 24,337	\$ 28,379

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets****(dollars in thousands)****ASSETS**

	March 31, 2012 (Unaudited)	September 30, 2011
CURRENT ASSETS		
Cash and equivalents	\$ 24,337	\$ 23,626
Accounts receivable, less allowances of \$448 and \$310	27,754	24,844
Inventories	32,074	32,689
Prepaid expenses and other current assets	4,972	6,343
Deferred income taxes	3,077	2,852
Total current assets	92,214	90,354
PROPERTY, PLANT AND EQUIPMENT, at Cost		
Land	1,181	1,184
Buildings and improvements	26,322	23,033
Machinery, equipment and furniture	34,573	32,408
Construction in progress	636	3,887
Subtotal	62,712	60,512
Less: accumulated depreciation and amortization	36,107	33,973
Net property, plant and equipment	26,605	26,539
OTHER ASSETS		
Goodwill	23,133	23,124
Other intangible assets, net	11,320	10,947
Restricted cash	1,000	1,000
Deferred illumigene instrument costs, net	3,726	3,304
Other assets	260	