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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the Quarterly Period Ended June 30, 2019

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

31-0888197
(I.R.S. Employer Identification No.)

3471 River Hills Drive
Cincinnati, Ohio 45244
(513) 271-3700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	**VIVO**	**NASDAQ Global Select Market**

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

Class	Outstanding July 31, 2019
Common Stock, no par value	42,711,496

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MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
TABLE OF CONTENTS TO QUARTERLY REPORT ON FORM 10-Q

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. 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 "continues", "estimates", "anticipates", "projects", "plans", "seeks", "may", "will", "expects", "intends", "believes", "signals", "should" and similar expressions or the negative versions thereof and which also may be identified by their context. All statements that address operating performance or events or developments that Meridian expects or anticipates will occur in the future, including, but not limited to, statements relating to per share diluted earnings and revenue, are forward-looking statements. Such statements, whether expressed or implied, are based upon current expectations of the Company and speak only as of the date made. Specifically, Meridian's forward-looking statements are, and will be, based on management's then-current views and assumptions regarding future events and operating performance. Meridian 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 operating results, financial condition and 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, its ability to effectively sell such products and its ability to successfully expand and effectively manage increased sales and marketing operations. While Meridian has introduced a number of internally developed products and acquired products, there can be no assurance that it will be successful in the future in introducing such products on a timely basis or in protecting its intellectual property, and unexpected or costly manufacturing costs associated with its introduction of new products or acquired products could cause actual results to differ from expectations. Meridian relies on proprietary, patented and licensed technologies. As such, 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, as can the uncertainty of regulatory approvals and the regulatory process (including the currently ongoing study and other FDA actions regarding the Company's LeadCare 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 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. Meridian cannot predict the outcome of goodwill impairment testing and the impact of possible goodwill impairments on Meridian's earnings and financial results. Meridian cannot predict the possible impact of U.S. health care legislation enacted in 2010 – the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act – and any modification or repeal of any of the provisions thereof initiated by Congress or the presidential administration, and any similar initiatives in other countries on its results of operations. Efforts to reduce the U.S. federal deficit, breaches of Meridian's information technology systems, trade wars, increased tariffs, and natural disasters and other events could have a materially adverse effect on Meridian's results of operations and revenues. In the past, the Company has identified a material weakness in our internal control over financial reporting, which has been remediated, but the Company can make no assurances that a material weakness will not be identified in the future, which if identified and not properly corrected, could materially adversely affect our operations and result in material misstatements in our financial statements. In addition to the factors described in this paragraph, as well as those factors identified from time to time in our filings with the Securities and Exchange Commission, Part I, Item 1A Risk Factors of our most recent Annual Report on Form 10-K contains a list and description of uncertainties, risks and other matters that may affect the Company. Readers should carefully review these forward-looking statements and risk factors, and not place undue reliance on our forward-looking statements.

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 June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
NET REVENUES	$48,440	$51,737	$150,168	$160,471
COST OF SALES	20,181	19,775	60,999	61,930
GROSS PROFIT	28,259	31,962	89,169	98,541
OPERATING EXPENSES				
Research and development	4,594	4,264	12,294	13,159
Selling and marketing	6,747	8,502	21,221	25,963
General and administrative	8,002	8,380	24,288	26,470
Acquisition-related costs	473	—	1,445	—
Restructuring costs	1,801	913	1,701	5,105
Litigation costs	178	1,168	1,370	3,370
Total operating expenses	21,795	23,227	62,319	74,067
OPERATING INCOME	6,464	8,735	26,850	24,474
OTHER INCOME (EXPENSE)				
Interest income	194	109	547	271
Interest expense	(448)	(375)	(1,158)	(1,149)
Other, net	268	151	(38)	(94)
Total other income (expense)	14	(115)	(649)	(972)
EARNINGS BEFORE INCOME TAXES	6,478	8,620	26,201	23,502
INCOME TAX PROVISION	1,399	1,795	5,922	5,087
NET EARNINGS	$ 5,079	$ 6,825	$ 20,279	$ 18,415
BASIC EARNINGS PER COMMON SHARE	$ 0.12	$ 0.16	$ 0.48	$ 0.44
DILUTED EARNINGS PER COMMON SHARE	$ 0.12	$ 0.16	$ 0.47	$ 0.43
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	42,639	42,349	42,526	42,307
EFFECT OF DILUTIVE STOCK OPTIONS AND RESTRICTED SHARE UNITS	271	409	381	405
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	42,910	42,758	42,907	42,712
ANTI-DILUTIVE SECURITIES:				
Common share options and restricted share units	1,215	995	1,073	1,009
DIVIDENDS DECLARED PER COMMON SHARE	$ —	$ 0.125	$ 0.250	$ 0.375

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

MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Unaudited)
(dollar amounts in thousands)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
NET EARNINGS	$ 5,079	$ 6,825	$20,279	$18,415
Other comprehensive income (loss):				
Foreign currency translation adjustment	1,692	(1,912)	1,353	(695)
Unrealized gain (loss) on cash flow hedge	(297)	109	(1,184)	874
Income taxes related to items of other comprehensive income	222	(28)	445	(247)
Other comprehensive income (loss), net of tax	1,617	(1,831)	614	(68)
COMPREHENSIVE INCOME	$ 6,696	$ 4,994	$20,893	$18,347

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

MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
(dollar amounts in thousands)

Nine Months Ended June 30,	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 20,279	$ 18,415
Non-cash items included in net earnings:		
Depreciation of property, plant and equipment	3,984	3,320
Amortization of intangible assets	2,778	2,732
Amortization of deferred instrument costs	—	581
Stock-based compensation	2,728	2,882
Deferred income taxes	(852)	(71)
Loss on disposition and write-down of fixed assets	220	—
Change in the following, net of acquisition:		
Accounts receivable	1,014	(52)
Inventories	(67)	(4,118)
Prepaid expenses and other current assets	(1,849)	(2,106)
Accounts payable and accrued expenses	(1,703)	2,967
Income taxes payable	1,402	(1,003)
Other, net	412	35
Net cash provided by operating activities	28,346	23,582
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,314)	(3,340)
Acquisition of GenePOC business	(45,239)	—
Net cash used for investing activities	(48,553)	(3,340)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(10,612)	(15,870)
Proceeds from revolving credit facility	75,824	—
Payment of debt issuance costs	(489)	—
Payments on term loan	(50,250)	(3,375)
Proceeds and tax benefits from exercises of stock options	614	183
Net cash provided by (used for) financing activities	15,087	(19,062)
Effect of Exchange Rate Changes on Cash and Equivalents and Restricted Cash	(451)	(322)
Net Increase (Decrease) in Cash and Equivalents and Restricted Cash	(5,571)	858
Cash and Equivalents and Restricted Cash at Beginning of Period	60,763	58,072
Cash and Equivalents and Restricted Cash at End of Period	$ 55,192	$ 58,930
Cash and Equivalents	$ 55,192	$ 57,930
Restricted Cash	—	1,000
Cash and Equivalents and Restricted Cash at End of Period	$ 55,192	$ 58,930

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

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MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(dollar amounts in thousands)

ASSETS

	June 30, 2019 (Unaudited)	September 30, 2018
CURRENT ASSETS		
Cash and equivalents	$ 55,192	$ 59,763
Accounts receivable, less allowances of $421 and $310	31,995	32,336
Inventories	43,305	41,993
Prepaid expenses and other current assets	6,897	4,961
Total current assets	137,389	139,053
PROPERTY, PLANT AND EQUIPMENT, at Cost		
Land	1,157	1,160
Buildings and improvements	32,430	32,444
Machinery, equipment and furniture	63,344	50,606
Construction in progress	1,292	1,631
Subtotal	98,223	85,841
Less: accumulated depreciation and amortization	66,398	55,846
Net property, plant and equipment	31,825	29,995

OTHER ASSETS		
Goodwill	90,107	54,637
Other intangible assets, net	62,001	23,113
Restricted cash	—	1,000
Deferred instrument costs, net	—	1,239
Fair value of interest rate swap	—	1,722
Deferred income taxes	125	130
Other assets	989	488
Total other assets	153,222	82,329
TOTAL ASSETS	$ 322,436	$ 251,377

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

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MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(dollar amounts in thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 2019 (Unaudited)	September 30, 2018
CURRENT LIABILITIES		
Accounts payable	$ 8,381	$ 6,260
Accrued employee compensation costs	6,795	7,263
Other accrued expenses	3,214	5,065
Current portion of long-term debt	—	5,250
Income taxes payable	1,432	335
Total current liabilities	19,822	24,173
NON-CURRENT LIABILITIES		
Post-employment benefits	2,384	2,646
Long-term debt	75,824	44,930
Long-term income taxes payable	736	441
Deferred income taxes	2,917	3,769
Acquisition consideration	32,200	—
Total non-current liabilities	114,061	51,786
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred stock, no par value; 1,000,000 shares authorized; none issued	—	—
Common shares, no par value; 71,000,000 shares authorized, 42,670,805 and 42,399,962 shares issued, respectively	—	—
Additional paid-in capital	132,311	129,193
Retained earnings	59,005	49,602
Accumulated other comprehensive loss	(2,763)	(3,377)
Total shareholders' equity	188,553	175,418
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 322,436	$ 251,377

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

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MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(dollar and share amounts in thousands, except per share data)

	Common Shares Issued	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
THREE MONTHS ENDED JUNE 30, 2019					
Balance at March 31, 2019	42,515	$ 131,951	$ 54,074	$ (4,380)	$ 181,645
Conversion of restricted share units and exercise of stock options	156	—	—	—	—
Stock compensation expense	—	360	—	—	360
Net earnings	—	—	5,079	—	5,079

Foreign currency translation adjustment	—	—	—	1,692	1,692
Hedging activity, net of tax	—	—	—	(223)	(223)
Adoption of ASU 2018-02	—	—	(148)	148	—
Balance at June 30, 2019	42,671	$ 132,311	$ 59,005	$ (2,763)	$ 188,553
THREE MONTHS ENDED JUNE 30, 2018					
Balance at March 31, 2018	42,344	$ 127,583	$ 47,936	$ (1,183)	$ 174,336
Cash dividends paid - $0.125 per share	—	—	(5,293)	—	(5,293)
Conversion of restricted share units and exercise of stock options	14	183	—	—	183
Stock compensation expense	—	907	—	—	907
Net earnings	—	—	6,825	—	6,825
Foreign currency translation adjustment	—	—	—	(1,912)	(1,912)
Hedging activity, net of tax	—	—	—	81	81
Balance at June 30, 2018	42,358	$ 128,673	$ 49,468	$ (3,014)	$ 175,127
NINE MONTHS ENDED JUNE 30, 2019					
Balance at September 30, 2018	42,400	$ 129,193	$ 49,602	$ (3,377)	$ 175,418
Cash dividends paid - $0.250 per share	—	—	(10,612)	—	(10,612)
Conversion of restricted share units and exercise of stock options	271	390	—	—	390
Stock compensation expense	—	2,728	—	—	2,728
Net earnings	—	—	20,279	—	20,279
Foreign currency translation adjustment	—	—	—	1,353	1,353
Hedging activity, net of tax	—	—	—	(887)	(887)
Adoption of ASU 2014-09	—	—	(116)	—	(116)
Adoption of ASU 2018-02	—	—	(148)	148	—
Balance at June 30, 2019	42,671	$ 132,311	$ 59,005	$ (2,763)	$ 188,553
NINE MONTHS ENDED JUNE 30, 2018					
Balance at September 30, 2017	42,207	$ 125,608	$ 46,923	$ (2,946)	$ 169,585
Cash dividends paid - $0.375 per share	—	—	(15,870)	—	(15,870)
Conversion of restricted share units and exercise of stock options	151	183	—	—	183
Stock compensation expense	—	2,882	—	—	2,882
Net earnings	—	—	18,415	—	18,415
Foreign currency translation adjustment	—	—	—	(695)	(695)
Hedging activity, net of tax	—	—	—	627	627
Balance at June 30, 2018	42,358	$ 128,673	$ 49,468	$ (3,014)	$ 175,127

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

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MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
Dollars in Thousands, Except Per Share Amounts
(Unaudited)

1. Basis of Presentation

The interim condensed consolidated financial statements are unaudited and are prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, and the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of Management, the interim financial statements include all normal adjustments and disclosures necessary to present fairly the Company's financial position as of June 30, 2019, the results of its operations for the three and nine month periods ended June 30, 2019 and 2018, and its cash flows for the nine month periods ended June 30, 2019 and 2018. These statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's fiscal 2018 Annual Report on Form 10-K. Financial information as of September 30, 2018 has been derived from the Company's audited consolidated financial statements. The results of operations for interim periods are not necessarily indicative of the results to be expected for the year.

2. Significant Accounting Policies

A summary of the Company's significant accounting policies is included in Note 1 to the audited consolidated financial statements of the Company's fiscal 2018 Annual Report on Form 10-K and should be referred to for a description of the Company's current significant accounting policies, with the exception of Revenue Recognition and Fair Value Measurements, which are set forth below.

Revenue Recognition –

Adoption of New Standard

On October 1, 2018, we adopted ASU No. 2014-09, *Revenue from Contracts with Customers*, using the modified retrospective transition method applied to those contracts that were not completed as of that date. Results for reporting periods beginning on or after October 1, 2018 are presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with previously applicable authoritative guidance.

Upon adoption, we recorded a reduction of $116 to the opening balance of retained earnings as of October 1, 2018. This adjustment is related to writing off the book value of clinical diagnostic testing instruments located at customers for which there is no contractual arrangement for the instrument to be returned to the Company. Instruments placed with customers under an agreement to return the instrument to the Company were reclassified to machinery and equipment. Prior to adoption of the new guidance, all instruments placed with customers were capitalized and amortized over an estimated three-year utilization period, with the net balance reflected as deferred instrument costs.

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The following table summarizes the impact of the new revenue standard on our opening balance sheet:

	Balance at September 30, 2018	New Revenue Standard Adjustment	Balance at October 1, 2018
PROPERTY, PLAN AND EQUIPMENT			
Machinery, equipment and furniture	$ 50,606	$ 8,696	$ 59,302
Accumulated depreciation and amortization	(55,846)	(7,611)	(63,457)
OTHER ASSETS			
Deferred instrument costs, net	1,239	(1,239)	—
NON-CURRENT LIABILITIES			
Deferred income taxes	(3,769)	38	(3,731)
SHAREHOLDERS' EQUITY			
Retained earnings	(49,602)	116	(49,486)

The adoption of this new standard had an immaterial impact on our reported total revenues and operating income, as compared to what would have been reported under the prior standard. Our accounting policies under the new standard were applied prospectively and are noted below following the discussion of Revenue Disaggregation.

Revenue Disaggregation

The following tables present our revenues disaggregated by major geographic region, major product platform and disease state (Diagnostics only):

Revenue by Reportable Segment & Geographic Region

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2019	2018	Inc (Dec)	2019	2018	Inc (Dec)
Diagnostics-						
Americas	$ 27,356	$ 30,585	(11)%	$ 85,782	$ 95,511	(10)%
EMEA	5,076	5,144	(1)%	15,695	16,469	(5)%
ROW	686	639	7%	1,806	1,660	9%
Total Diagnostics	33,118	36,368	(9)%	103,283	113,640	(9)%
Life Science-						
Americas	4,369	5,500	(21)%	14,347	15,875	(10)%
EMEA	6,389	5,756	11%	21,608	18,307	18%
ROW	4,564	4,113	11%	10,930	12,649	(14)%
Total Life Science	15,322	15,369	— %	46,885	46,831	— %
Consolidated	$ 48,440	$ 51,737	(6)%	$ 150,168	$ 160,471	(6)%

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Revenue by Product Platform/Type

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2019	2018	Inc (Dec)	2019	2018	Inc (Dec)
Diagnostics-						
Molecular assays	$ 5,937	$ 7,509	(21)%	$ 20,371	$ 26,200	(22)%
Immunoassays & blood chemistry assays	27,181	28,859	(6)%	82,912	87,440	(5)%
Total Diagnostics	$ 33,118	$ 36,368	(9)%	$ 103,283	$ 113,640	(9)%
Life Science-						
Molecular reagents	$ 5,495	$ 6,049	(9)%	$ 17,495	$ 17,882	(2)%
Immunological reagents	9,827	9,320	5%	29,390	28,949	2%
Total Life Science	$ 15,322	$ 15,369	— %	$ 46,885	$ 46,831	— %

Revenue by Disease State (Diagnostics only)

	Three Months Ended June 30,	Nine Months Ended June 30,

	2019	2018	Inc (Dec)	2019	2018	Inc (Dec)
Diagnostics-						
Gastrointestinal assays	$ 17,232	$ 20,212	(15)%	$ 52,024	$ 59,631	(13)%
Respiratory illness assays	5,708	5,749	(1)%	21,242	22,779	(7)%
Blood chemistry assays	4,750	5,005	(5)%	13,510	13,528	— %
Other	5,428	5,402	— %	16,507	17,702	(7)%
Total Diagnostics	$ 33,118	$ 36,368	(9)%	$ 103,283	$ 113,640	(9)%

Revenue Policies

Product Sales

Revenue from contracts with customers is recognized in an amount that reflects the consideration we expect to receive in exchange for products when obligations under such contracts are satisfied. Revenue is generally recognized at a point-in-time when products are shipped and title has passed to the customer. Such contracts can include various combinations of products that are generally accounted for as distinct performance obligations.

Revenue is reduced in the period of sale for fees paid to distributors, which are inseparable from the distributor's purchase of our product and for which we receive no goods or services in return. Revenue for the Diagnostics segment is reduced at the date of sale for product price adjustments due to certain distributors under local contracts. Management estimates accruals for distributor price adjustments based on local contract terms, sales data provided by distributors, historical statistics, current trends, and other factors. Changes to the accruals are recorded in the period that they become known. Such accruals are netted against accounts receivable.

Shipping and handling costs incurred after control of the product is transferred to our customers are treated as fulfillment costs and not a separate performance obligation.

Our payment terms differ by jurisdiction and customer but payment is generally required in a term ranging from 30 to 90 days from the date of shipment or satisfaction of the performance obligation. Trade accounts receivable are recorded in the accompanying Consolidated Balance Sheets at invoiced amounts less provisions for distributor price adjustments under local contracts and doubtful accounts. The allowance for doubtful accounts represents our estimate of probable credit losses and is based on historical write-off experience and known conditions that would likely lead to non-payment. Customer invoices are charged off against the allowance when we believe it is probable that the invoices will not be paid.

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Practical Expedients and Exemptions

Revenue is recognized net of any taxes collected from customers (sales tax, value added tax, etc.), which are subsequently remitted to government authorities.

Our products are generally not subject to a customer right of return except for product recall events under the rules and regulations of the Food and Drug Administration or equivalent agencies outside the United States. In this circumstance, the costs to replace affected products would be accrued at the time a loss was probable and estimable.

We expense as incurred the costs to obtain contracts, as the amortization period would be one year or less. These costs, recorded within selling and marketing expense, include our internal sales force compensation programs and certain partner sales incentive programs, as we have determined that annual compensation is commensurate with annual selling activities.

Reagent Rental Arrangements

Our revogene™, alethia™ and LeadCare product platforms require the use of instruments for the tests to be processed. In many cases, a customer is given use of the instrument provided they continue purchasing the associated tests, also referred to as "consumables" or "reagents". If a customer stops purchasing the consumables, the instrument must be returned to Meridian. Such arrangements are common practice in the diagnostics industry and are referred to as "Reagent Rental" agreements. These agreements may also include instrument related services such as a limited replacement warranty, training and installation. We concluded that the use of the instrument and related services (collectively known as "lease elements") are not within the scope of ASU No. 2014-09 but rather ASU 2016-02, *Leases*. Accordingly, we first allocate the transaction price between the lease elements and the non-lease elements based on estimates of relative standalone selling prices. Lease revenue is derived solely from the sale of consumables and is therefore recognized monthly as earned, which coincides with the transfer of control of the non-lease elements.

For the portion of the transaction price allocated to the non-lease elements, which are principally the test kits, the related revenue will be recognized at a point-in-time when control transfers.

Revenue allocated to the lease elements of these Reagent Rental arrangements represent less than 1% of total revenue and are included as part of net revenues in our Condensed Consolidated Statements of Income.

Fair Value Measurements –

Assets and liabilities are recorded at fair value in accordance with Accounting Standards Codification ("ASC") 820-10, *Fair Value Measurements and Disclosures*. ASC 820-10 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 requires a three level hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy level assigned to each asset and liability is based on the assessment of the transparency and reliability of the inputs used in the valuation of such items at the measurement date based on the lowest level of input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1

measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

Level 1

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities

Level 2

Quoted prices in markets that are not active and financial instruments for which all significant inputs are observable, either directly or indirectly

Level 3

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

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As indicated in Note 3, we have recently acquired the business of GenePOC Inc. The fair value of the acquired accounts receivable and other current assets and the fair value of the assumed accounts payable and accrued expenses approximated their carrying value at the acquisition date. Inventories, property, plant and equipment, intangible assets and contingent consideration were valued using Level 3 inputs.

Recent Accounting Pronouncements –

In February 2016, the FASB issued ASU 2016-02, *Leases*, which amends the accounting guidance related to leases. These changes, which are designed to increase transparency and comparability among organizations for both lessees and lessors, include, among other things, requiring recognition of lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. Adoption and implementation of the guidance is not required by the Company until the beginning of fiscal 2020, although early adoption is permitted. During the third quarter of fiscal 2019, the Company continued the process of gathering and summarizing its corporate-wide lease information in order to assess the impact that adoption of this guidance will have on its financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. The update addresses certain specific cash flows and their treatment, with the objective being to reduce the existing diversity in how the items are presented and classified within the statement of cash flows. The Company adopted this guidance in the first quarter of fiscal 2019, with the Condensed Consolidated Statements of Cash Flows reflecting such adoption, including the information related to restricted cash.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, to address certain of the recent U.S. federal income tax legislation's impact on Accumulated Other Comprehensive Income ("AOCI"). The guidance specifically provides the option of reclassifying "stranded tax effects" related to the tax legislation from AOCI to retained earnings. Adoption and implementation of the optional guidance is not effective for the Company until the beginning of fiscal 2020, although early adoption is permitted. The Company elected to adopt this guidance in the third quarter of fiscal 2019. An election was made to reclassify the income tax effects of the Tax Cuts and Jobs Act from AOCI to retained earnings, and an entry was made to increase AOCI and decrease retained earnings by $148. The Company's accounting policy is to release the income tax effects in other comprehensive income as financial amounts are removed.

Reclassifications –

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications had no impact on net earnings or shareholders' equity.

3. Acquisition of Business of GenePOC

On June 3, 2019, we acquired the business of GenePOC Inc. ("GenePOC"), a Quebec City, Quebec Province, Canada based provider of molecular diagnostic instruments and assays. The purchase agreement contemplates a maximum total consideration of up to $120,000, which based upon the current preliminary valuation is estimated at a total fair value of approximately $77,502. Pursuant to the purchase agreement, the maximum consideration is comprised of the following (noting that the current preliminary valuation values the contingent consideration identified in (ii) and (iii) below at an aggregate amount of approximately $27,200):

(i) a $50,000 cash payment on June 3, 2019, subject to a working capital adjustment and a holdback of $5,000 to secure selling party's performance of certain post-closing obligations;

(ii) two $10,000 installments contingent upon the achievement of certain product development milestones if achieved by September 30, 2020 and March 31, 2021, respectively; and

(iii) up to $50,000 of contingent consideration payable if certain financial performance targets are achieved during the twelve-month period ending September 30, 2022.

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The total of the holdback identified in (i) above and the currently estimated value of the contingent consideration identified in (ii) and (iii) above are reflected as acquisition consideration within the non-current liabilities section of the accompanying Condensed Consolidated Balance Sheets.

The acquisition was made utilizing cash and equivalents on hand and proceeds drawn from our new $125,000 revolving credit facility, which replaced our previous credit facility. Proceeds from the new credit facility were also utilized to repay and settle the outstanding principal and interest due on our term loan (see Note 9). As a result of currently estimated total consideration exceeding the preliminary fair value of the net assets acquired, goodwill in the amount of $34,482 was recorded in connection with this acquisition, which, pending certain tax planning, is expected to be deductible for tax purposes ratably over 15 years. The goodwill results largely from Meridian's ability to market and sell GenePOC's technology and instrument platform through its established customer base and distribution channels. Our Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2019 include $473 and $1,445, respectively, of acquisition-related costs related to the acquisition of the GenePOC business, which are reflected as Operating Expenses. Most of these costs relate to professional fees for attorneys, tax advisors and regulatory advisors during due diligence and the preparation and negotiation of acquisition agreements.

The Company's consolidated results for both the three and nine months ended June 30, 2019 include $15 of net revenues and $599 of net loss from the GenePOC business since the date of acquisition. These results, which are reported as part of the Diagnostics segment, include $291 of amortization of specific identifiable assets recorded in the opening balance sheet, including a license agreement, technology and a government grant.

Preliminary Purchase Price Allocation

The recognized preliminary amounts of identifiable assets acquired and liabilities assumed in the acquisition of the GenePOC business are as follows:

	PRELIMINARY
Fair value of assets acquired -	
Accounts receivable	$ 58
Inventories	1,617
Other current assets	77
Property, plant and equipment	1,520
Goodwill	34,482
Other intangible assets (estimated useful life):	
License agreement (10 years)	5,990
Technology (15 years)	34,040
Government grant (1.33 years)	800
	78,584
Fair value of liabilities assumed -	
Accounts payable and accrued expenses	1,082
Total consideration (including contingent consideration currently estimated at $27,200)	$ 77,502

The allocation of the purchase price and estimated useful lives of property, plant and equipment, and intangible assets shown above are preliminary and subject to adjustments to goodwill within the permitted measurement period.

Pro Forma Information

The following table provides the unaudited consolidated pro forma results for the periods presented as if the business of GenePOC had been acquired as of the beginning of fiscal 2018. Pro forma results do not include the effect of any synergies anticipated to be achieved from the acquisition, and accordingly, are not necessarily indicative of the results that would have occurred if the acquisition had occurred on the date indicated or that may result in the future.

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	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Net Revenues	$48,505	$51,771	$150,376	$160,584
Net Earnings	$ 3,129	$ 2,605	$ 11,869	$ 7,439

The following table identifies the adjustments made to historical Meridian results to arrive at the pro forma results set forth above. These adjustments include: (i) GenePOC pre-acquisition results; and (ii) pro forma adjustments:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Adjustments to Net Revenues				
GenePOC pre-acquisition revenues	$ 65	$ 34	$ 208	$ 113
Adjustments to Net Earnings				
GenePOC pre-acquisition net loss	$(3,263)	$(3,838)	$(9,578)	$ (9,834)
Pro forma adjustments:				
Meridian acquisition-related costs	473	—	1,445	—
GenePOC transaction-related costs	1,245	—	1,245	—
Expenses related to non-continuing personnel, locations or activities	385	659	1,576	1,982
Incremental depreciation and amortization	(585)	(878)	(2,341)	(2,638)
Incremental interest costs	(123)	(211)	(546)	(634)
Tax effects of pro forma adjustments	(82)	48	(211)	148

Total Adjustments to Net Earnings	$(1,950)	$(4,220)	$(8,410)	$(10,976)

4. Cash and Equivalents

Cash and equivalents include the following components:

	June 30, 2019		September 30, 2018	
	Cash and Equivalents	Other Assets	Cash and Equivalents	Other Assets
Institutional money market funds	$ 20,795	$ —	$ 20,421	$ —
Cash on hand -				
Restricted	—	—	—	1,000
Unrestricted	34,397	—	39,342	—
Total	$ 55,192	$ —	$ 59,763	$1,000

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5. Inventories

Inventories are comprised of the following:

	June 30, 2019	September 30, 2018
Raw materials	$ 8,394	$ 6,689
Work-in-process	12,982	12,098
Finished goods - instruments	1,212	1,191
Finished goods - kits and reagents	20,717	22,015
Total	$43,305	$ 41,993

6. Intangible Assets

A summary of our acquired intangible assets subject to amortization, as of June 30, 2019 and September 30, 2018, including the assets added in the GenePOC transaction (see Note 3) is as follows:

	June 30, 2019		September 30, 2018	
	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Manufacturing technologies, core products and cell lines	$56,962	$ 15,029	$22,297	$ 13,974
Trade names, licenses and patents	14,775	5,958	8,647	5,267
Customer lists, customer relationships and supply agreements	24,377	13,899	24,461	13,051
Government grants	824	51	—	—
Total	$96,938	$ 34,937	$55,405	$ 32,292

The actual aggregate amortization expense for these intangible assets was $1,120 and $849 for the three months ended June 30, 2019 and 2018, respectively, and $2,778 and $2,732 for the nine months ended June 30, 2019 and 2018, respectively. The estimated aggregate amortization expense for these intangible assets for each of the fiscal years through fiscal 2024 is as follows: remainder of fiscal 2019 – $1,715, fiscal 2020 – $6,701, fiscal 2021 – $5,489, fiscal 2022 – $5,111, fiscal 2023 – $5,099, and fiscal 2024 – $5,094.

7. Restructuring

During the second quarter of fiscal 2018, the Company began implementation of a plan to realign its business structure into two business units, Diagnostics and Life Science, supported by a global corporate team, a plan that has continued to be refined through the third quarter of fiscal 2019. As part of this plan, certain functions and locations within both business units were streamlined, including: (i) the elimination of certain executive management and commercial sales positions; (ii) the closing of Life Science locations in Taunton, Massachusetts and Singapore, the operations of which were transferred to locations in Memphis, Tennessee and London, England, respectively; and (iii) the transfer of certain functions performed in the Billerica, Massachusetts Diagnostics facility to the corporate headquarters in Cincinnati, Ohio. As a result of these activities, restructuring costs totaling $6,332 were recorded during the fiscal year ended September 30, 2018, with an additional $1,801 recorded during the three and nine month periods ended June 30, 2019.

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Approximately $270 and $20 of accrued restructuring costs was reversed during the fiscal quarters ended March 31, 2019 and June 30, 2019, respectively, and is reflected as a reduction of the Restructuring Costs within the Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2019. A summary of the accrued liability associated with the restructuring costs as of June 30, 2019 and September 30, 2018, is as follows:

	June 30, 2019	September 30, 2018

Severance, other termination benefits and related costs	$ 888	$ 987
Lease and other contract termination fees	—	33
Other	—	6
Total	$ 888	$ 1,026

8. Income Taxes

On December 22, 2017, the United States enacted tax reform legislation commonly known as the Tax Cuts and Jobs Act (the "tax reform act"). In applying the tax reform act during the three months ended December 31, 2017, we followed the guidance in SEC Staff Accounting Bulletin 118 ("SAB 118"), regarding the application of ASC Topic 740, *Income Taxes*, in situations where a company does not have the necessary information available, prepared or analyzed in reasonable detail to complete the accounting for certain income tax effects of the tax reform act for the reporting period in which the tax reform act was enacted. SAB 118 provides for a measurement period beginning in the reporting period that includes the tax reform act's enactment date and ending when a company has obtained, prepared and analyzed the information needed in order to complete the accounting requirements, but in no circumstances should the measurement period extend beyond one year from the enactment date.

As a result, our financial statements for the three months ended December 31, 2017 reflected the effects of the tax reform act as provisional based on a reasonable estimate of the income tax effects and included a provisional noncurrent income tax payable in the amount of $854 related to the repatriation transition tax. Subsequent to the quarter ended December 31, 2017 and prior to September 30, 2018, we completed the accounting for the effects of the tax reform act. As a result, our repatriation transition tax liability was increased to $876, which is reflected as follows in the accompanying Condensed Consolidated Balance as of June 30, 2019, after our having paid the amount estimated for fiscal 2018: $65 of current income taxes payable and $736 long-term income taxes payable.

In addition, we recorded a one-time tax benefit of $2,347 during the nine months ended June 30, 2018 resulting from the tax reform act, including an adjustment from the re-measurement of deferred tax assets and liabilities. Of this adjustment, $1,695 was recorded during first quarter of fiscal 2018 and $652 was recorded during the third quarter, reflecting adjustments from finalization of the fiscal 2017 federal tax return. This re-measurement included an estimate of the temporary differences expected to be realized during fiscal 2018 at a transitional blended rate of 24.5%. The remaining temporary differences were re-measured at the fully phased-in rate of 21%.

9. Bank Credit Arrangements

In anticipation of the acquisition of the business of GenePOC (see Note 3), on May 24, 2019 the Company entered into a credit facility agreement with a commercial bank. The credit facility, which expires in May 2024, makes available to the Company a revolving credit facility in an aggregate principal amount not to exceed $125,000, with outstanding principal amounts bearing interest at a fluctuating rate tied to, at the Company's option, either the federal funds rate or LIBOR. As of June 30, 2019, we have made two draws on the credit facility and have an outstanding principal balance of $75,824. The proceeds from these draws were used to repay and settle the outstanding principal and interest due on our previously-existing term loan and, along with cash on-hand, fund the GenePOC acquisition closing payment. In light of the recent execution date of the credit facility and interest being determined on a variable rate basis, the fair value of the borrowings under the credit facility at June 30, 2019 approximates the current carrying value reflected in the accompanying Condensed Consolidated Balance Sheet.

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The revolving credit facility is collateralized by the business assets of the Company's U.S. subsidiaries and requires compliance with financial covenants that limit the amount of debt obligations and require a minimum level of coverage of fixed charges, as defined in the credit facility agreement. As of June 30, 2019, the Company is in compliance with all covenants.

In connection with the term loan repayment, the Company also settled the interest rate swap entered into to limit exposure to volatility in the term loan's LIBOR interest rate. At the time of settlement, the Company received a cash payment in an amount equal to the $563 then-current fair value of the interest rate swap. Accordingly, there is no balance for the interest rate swap reflected within the accompanying Condensed Consolidated Balance Sheet as of June 30, 2019. At September 30, 2018, there was an asset balance of $1,722 related to the interest rate swap. The corresponding fair value amount reflected within a separate component of other comprehensive income in the accompanying Condensed Consolidated Statements of Comprehensive Income, as a result of the interest rate swap having been designated as an effective cash flow hedge, will be released ratably into income through March 31, 2021, the interest rate swap's original term. The interest rate swap balance reflected within other comprehensive income at June 30, 2019 and September 30, 2018 totaled $538 and $1,722, respectively.

10. Reportable Segments and Major Customers Information

Meridian was formed in 1976 and functions as a fully-integrated life science company with principal businesses in: (i) the development, manufacture, sale and distribution of diagnostic test kits, primarily for certain gastrointestinal and respiratory infectious diseases, and elevated blood lead levels; and (ii) the manufacture and distribution of bulk antigens, antibodies, PCR/qPCR reagents, nucleotides, competent cells, and bioresearch reagents used by researchers and other diagnostic manufacturers.

Our reportable segments are Diagnostics and Life Science. The Diagnostics segment consists of manufacturing operations for infectious disease products in Cincinnati, Ohio and Quebec City, Canada, manufacturing operations for blood chemistry products in Billerica, Massachusetts (near Boston), and the sale and distribution of diagnostics products domestically and abroad. This segment's products are used by hospitals, reference labs and physician offices to detect infectious diseases and elevated lead levels in blood.

The Life Science segment consists of manufacturing operations in Memphis, Tennessee; Boca Raton, Florida; London, England; and Luckenwalde, Germany, and the sale and distribution of bulk antigens, antibodies, PCR/qPCR reagents, nucleotides, competent cells, and bioresearch reagents domestically and abroad, including a sales and business development facility in Beijing, China to further pursue revenue opportunities in Asia. This segment's products are used by manufacturers and researchers in a variety of applications (e.g., in-vitro medical device manufacturing, microRNA

detection, next-gen sequencing, plant genotyping, and mutation detection, among others).

Amounts due from two Diagnostics distributor customers accounted for 11% and 12% of consolidated accounts receivable at June 30, 2019 and September 30, 2018, respectively. Revenues from these two distributor customers accounted for 18% and 28% of the Diagnostics segment third-party revenues during the three months ended June 30, 2019 and 2018, respectively, and 26% and 29% during the nine month periods ended June 30, 2019 and 2018, respectively. These distributors represented 12% and 19% of consolidated revenues for the fiscal 2019 and 2018 third quarters, respectively, and 18% and 21% for the fiscal 2019 and fiscal 2018 year-to-date nine month periods, respectively.

Within our Life Science segment, two diagnostic manufacturing customers accounted for 22% and 17% of the segment's third-party revenues during the three months ended June 30, 2019 and 2018, respectively, and 25% and 18% during the nine months ended June 30, 2019 and 2018, respectively.

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Segment information for the interim periods is as follows:

	Diagnostics	Life Science	Corporate(1)	Eliminations(2)	Total
Three Months Ended June 30, 2019					
Net revenues -					
Third-party	$ 33,118	$ 15,322	$ —	$ —	$ 48,440
Inter-segment	146	44	—	(190)	—
Operating income	5,078	4,289	(2,926)	23	6,464
Goodwill (June 30, 2019)	70,943	19,164	—	—	90,107
Other intangible assets, net (June 30, 2019)	61,401	600	—	—	62,001
Total assets (June 30, 2019)	252,575	69,242	—	619	322,436
Three Months Ended June 30, 2018					
Net revenues -					
Third-party	$ 36,368	$ 15,369	$ —	$ —	$ 51,737
Inter-segment	80	96	—	(176)	—
Operating income	8,591	3,706	(3,646)	84	8,735
Goodwill (September 30, 2018)	35,213	19,424	—	—	54,637
Other intangible assets, net (September 30, 2018)	22,068	1,045	—	—	23,113
Total assets (September 30, 2018)	180,978	70,341	—	58	251,377
Nine Months Ended June 30, 2019					
Net revenues -					
Third-party	$ 103,283	$ 46,885	$ —	$ —	$ 150,168
Inter-segment	398	273	—	(671)	—
Operating income	20,455	14,781	(8,450)	64	26,850
Nine Months Ended June 30, 2018					
Net revenues -					
Third-party	$ 113,640	$ 46,831	$ —	$ —	$ 160,471
Inter-segment	281	363	—	(644)	—
Operating income	25,701	10,286	(11,744)	231	24,474

(1) Includes Restructuring and Litigation Costs of $1,080 and $1,832 in the three months ended June 30, 2019 and 2018, respectively, and $2,272 and $6,028 in the nine months ended June 30, 2019 and 2018, respectively.
(2) Eliminations consist of inter-segment transactions.

Transactions between segments are accounted for at established intercompany prices for internal and management purposes, with all intercompany amounts eliminated in consolidation.

11. Litigation Matters

On November 15, 2017, Barbara Forman filed a class action complaint in the United States District Court for the Southern District of Ohio naming Meridian, its Chief Executive Officer and Chief Financial Officer (in their capacities as such) as defendants. An amended complaint was filed on April 16, 2018 and the Company believes the essential elements of the amended complaint are the same. The complaint and the amended complaint are hereafter referred to as the "Complaint". The Complaint seeks compensatory damages and attorneys' fees. On February 13, 2019 the Court granted Meridian's motion to dismiss and dismissed the Complaint in its entirety. Plaintiff filed a Motion to Reconsider, Set Aside, Alter, Amend, or Vacate the Judgment of dismissal on March 13, 2019. Meridian opposed the Plaintiff's motion on April 3, 2019 and the Plaintiff filed a reply on April 17, 2019. On May 20, 2019, the Court granted Plaintiffs' motion. On June 24, 2019, the parties submitted a joint motion advising the Court that the parties had reached a tentative agreement to resolve the matter and were seeking an extension of all deadlines and a stay pending finalization of the settlement

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documents. We expect the settlement to be fully funded by insurance, and accordingly, no provision for litigation losses has been included within either of the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2019 or June 30, 2018.

On December 6, 2017, Michael Edelson filed a derivative complaint in the United States District Court for the Southern District of Ohio naming Meridian, its Chief Executive Officer, Chief Financial Officer and certain members of Meridian's Board of Directors and Audit Committee (in their capacities as such) as defendants. The complaint alleges that Meridian made false and misleading representations concerning certain of Magellan's lead test systems at or around the time of Meridian's acquisition of Magellan and subsequent thereto, and the complaint alleges that certain members of the Board of Directors and Audit Committee breached their fiduciary duties in their oversight of the Company's public disclosures and corporate governance matters. The complaint seeks compensatory damages, equitable relief relating to corporate governance matters and attorneys' fees. The case was stayed by agreement of the parties pending resolution of the motion to dismiss the class action described above. The motion to dismiss the class action was resolved as noted above and no action has been taken to reinstate the derivative action. The parties are currently negotiating a possible resolution of this litigation but no settlement has been reached. We are unable to determine or predict the ultimate outcome or estimate the range of possible losses, if any. Accordingly, no provision for litigation losses has been included within either of the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2019 or June 30, 2018.

Approximately $10 and $50 of expense for attorneys' fees related to the above two class action matters is included within the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2019, respectively, with approximately $85 and $630 of related expense being reflected within the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2018, respectively. The Company maintains an insurance policy covering these matters, which has a $500 deductible.

On April 17, 2018, Magellan received a subpoena from the United States Department of Justice ("DOJ") regarding its LeadCare product line. The subpoena outlines documents to be produced, and the Company is cooperating with the DOJ in this matter. The Company maintains rigorous policies and procedures to promote compliance with applicable regulatory agencies and requirements, and is working with the DOJ to promptly respond to the subpoena, including responding to additional information requests and executing a tolling agreement to extend the statute of limitations. However, the Company cannot predict when the investigation will be resolved, the outcome of the investigation, or its potential impact on the Company. Approximately $170 and $1,270 of expense for attorneys' fees related to this matter is included within the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2019, respectively, with approximately $270 of related expense being reflected within the accompanying Condensed Consolidated Statements of Operations for both the three and nine months ended June 30, 2018.

On October 9, 2018, the Company and DiaSorin Inc. entered into a strategic collaboration to sell DiaSorin's *Helicobacter pylori* stool antigen test to detect *H. pylori* for use on its automated LIAISON platform under the Meridian brand name worldwide. The new collaboration results in the termination of all pending legal disputes between the two parties and will expand the previous agreement between DiaSorin and Meridian, which focused on the sale, by DiaSorin, of co-developed products in major countries in continental Europe. Approximately $0 and $50 of expense for attorneys' fees related to this matter is included within the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2019, respectively, and approximately $815 and $2,470 of related expense is included within the accompanying Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2018, respectively.

12. FDA Matters Related to LeadCare

As previously disclosed, on June 29, 2017, the FDA, in connection with its Safety Notification related to Magellan's LeadCare testing systems for venous blood samples, issued to Magellan its Form 483, Inspectional Observations. The FDA issued a related Warning Letter on October 23, 2017. As also previously disclosed, on April 17, 2018, Magellan received a subpoena from the United States Department of Justice ("DOJ") regarding its LeadCare product line. The subpoena outlines documents to be produced, and we continue to cooperate with the DOJ in this matter, including responding to additional information requests and executing a tolling agreement to extend the statute of limitations.

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Magellan submitted 510(k) applications in December 2018, seeking to reinstate venous blood sample-types for its LeadCare® II, LeadCare® Plus™ and LeadCare Ultra® testing systems. In the second fiscal quarter of 2019 the FDA informed Magellan that each of these 510(k) applications has been put on Additional Information hold. On July 15, 2019, we provided responses to FDA's requests for Additional Information. The timing and outcome of FDA's further review of these 510(k)s is not clear. Further, while Magellan's LeadCare testing systems remain cleared for marketing by the FDA and permitted for use with capillary blood samples, the FDA advised that it has commissioned a third-party study of Magellan's LeadCare testing systems using both venous and capillary blood samples. According to the FDA, the results of the field study will be used in conjunction with other information to determine whether further action by FDA or the Centers for Disease Control and Prevention is necessary to protect the public health. Meridian intends to fully cooperate with the FDA as FDA completes its third-party study and continues to work to complete remediation actions at Magellan's blood–chemistry manufacturing facility to the FDA's full and complete satisfaction.

While we remain confident in the performance of the Magellan LeadCare testing systems, there can be no assurance that FDA will allow us to reinstate use of our LeadCare testing systems with venous blood samples, or that the ongoing investigation and study of the DOJ and FDA, respectively, or future exercise of their respective enforcement, regulatory, discretionary or other powers will not result in findings or alleged violations of federal laws that could lead to enforcement actions, proceedings or litigation and the imposition of damages, fines, penalties, restitution, other monetary liabilities, sanctions, settlements or changes to our business practices, product offerings or operations that could have a material adverse effect on our business, financial condition or results of operations; or eliminate altogether our ability to operate our lead testing business, or on terms substantially similar to those on which we currently operate.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Refer to "Forward-Looking Statements" following the Table of Contents in front of this Form 10-Q. In the discussion that follows, all dollar amounts

are in thousands (both tables and text), except per share data.

Following is a discussion and analysis of the financial statements and other statistical data that management believes will enhance the understanding of Meridian's financial condition, changes in financial condition and results of operations. Unless otherwise noted, increases or decreases are measured over the corresponding period of the prior fiscal year. This discussion should be read in conjunction with the financial statements and notes thereto beginning on page 1.

QUARTERLY HIGHLIGHTS

The third quarter of fiscal 2019 was highlighted by the two following major developments (each referencing the related footnote within the accompanying Condensed Consolidated Financial Statements):

- Completed on June 3, 2019 the previously announced acquisition of the business of GenePOC, Inc. of Quebec City, Quebec, Canada, including its revogene™ molecular diagnostics platform, for a currently-estimated total purchase price of approximately $77,502 (see Note 3, *"Acquisition of Business of GenePOC"*). GenePOC currently has four FDA-cleared assays for *C. difficile*, Group A *Strep*, Group B *Strep* and Carbapenemase.
- Entered into a credit facility agreement with a commercial bank on May 24, 2019, which makes available to the Company a revolving credit facility in an aggregate principal amount not to exceed $125,000. We have made two draws totaling $75,824 on the facility as of June 30, 2019 (see Note 9, *"Bank Credit Arrangements"*).

RESULTS OF OPERATIONS

Three Months Ended June 30, 2019

Net earnings for the third quarter of fiscal 2019 decreased 26% to $5,079, or $0.12 per diluted share, from net earnings for the third quarter of fiscal 2018 of $6,825, or $0.16 per diluted share. The fiscal 2019 third quarter results include $2,452 of costs associated with acquisition and restructuring activities, and litigation costs, while the fiscal 2018 third quarter results include $2,081 of costs associated with restructuring activities and litigation costs, along with certain one-time tax effects of the U.S. tax reform act enacted in December 2017. These items had a combined impact on net earnings of $1,881, or $0.04 per diluted share, in the fiscal 2019 quarter and $897, or $0.02 per diluted share, in the fiscal 2018 quarter (see "USE OF NON-GAAP MEASURES" below). Consolidated revenues for the third quarter of fiscal 2019 totaled $48,440, a decrease of 6% compared to the third quarter of fiscal 2018 (5% decrease on a constant-currency basis).

Revenues for the Diagnostics segment for the third quarter of fiscal 2019 decreased 9% compared to the third quarter of fiscal 2018 (8% on a constant-currency basis), comprised of a 21% decrease in molecular assay products and a 6% decrease in immunoassay and blood chemistry assay products. With a 9% decrease in its molecular reagents products and a 5% increase in its immunological reagents products, revenues for our Life Science segment were flat during the third quarter of fiscal 2019 compared to the third quarter of fiscal 2018. On a constant-currency basis, revenues for the Life Science segment increased 1%.

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The third quarter Diagnostics revenues primarily reflect decreased revenues for our gastrointestinal assays, while Life Science revenues reflect a return to revenue growth in the China market and softness within the Americas region, particularly in our distribution channel.

Nine Months Ended June 30, 2019

For the nine month period ended June 30, 2019, net earnings were $20,279, or $0.47 per diluted share. The year-to-date fiscal 2019 results include $4,516 of costs associated with acquisition and restructuring activities, and litigation costs, while the comparable fiscal 2018 results include $8,475 of costs associated with restructuring activities and litigations costs, along with certain one-time tax effects of the U.S. tax reform act enacted in December 2017. These items had a combined impact on net earnings of $3,464, or $0.08 per diluted share, in the fiscal 2019 year-to-date period and $4,711, or $0.11 per diluted share, in the comparable fiscal 2018 period (see "USE OF NON-GAAP MEASURES" below). Consolidated revenues decreased 6% to $150,168 for the first nine months of fiscal 2019 compared to the same period of the prior year (5% on a constant-currency basis). On an operating segment basis, Diagnostics revenues decreased 9% (8% in constant-currency) and Life Science revenues were flat (2% increase in constant-currency).

USE OF NON-GAAP MEASURES

We have supplemented our reported GAAP financial information with information on operating expenses, operating income, net earnings, basic earnings per share and diluted earnings per share excluding the effects of: (i) acquisition-related costs (fiscal 2019); (ii) restructuring costs (fiscal 2019 and 2018); (iii) litigation costs (fiscal 2019 and 2018); and (iv) certain one-time tax effects of the tax reform act (fiscal 2018) – each of which is a non-GAAP measure. We have provided in the tables below reconciliations to the operating expenses, operating income, net earnings, basic earnings per share and diluted earnings per share amounts reported under U.S. Generally Accepted Accounting Principles. We believe that this information is useful to those who read our financial statements and evaluate our operating results because:

1) These measures help to appropriately evaluate and compare the results of operations from period to period by removing the impacts of these non-routine items; and

2) These measures are used by our management for various purposes, including evaluating performance against incentive bonus achievement targets, comparing performance from period to period in presentations to our board of directors, and as a basis for strategic planning and forecasting.

Revenue reported on a constant-currency basis is also a non-GAAP measure and is calculated by applying current period average foreign currency exchange rates to each of the prior comparable periods. Management analyzes revenue on a constant-currency basis to better measure the comparability of results between periods. Because changes in foreign currency exchange rates have a non-operating impact on revenue, management

believes that evaluating revenue changes on a constant-currency basis provides an additional and meaningful assessment of revenue to both management and investors.

These non-GAAP measures may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations, in that they do not reflect all amounts associated with our results as determined in accordance with U.S. GAAP. Therefore, these measures should only be used to evaluate our results in conjunction with corresponding GAAP measures.

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	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Operating Expenses -				
U.S. GAAP basis	$21,795	$23,227	$ 62,319	$74,067
Acquisition-related costs	(473)	—	(1,445)	—
Restructuring costs	(1,801)	(913)	(1,701)	(5,105)
Litigation costs	(178)	(1,168)	(1,370)	(3,370)
Adjusted Operating Expenses	$19,343	$21,146	$ 57,803	$65,592
Operating Income -				
U.S. GAAP basis	$ 6,464	$ 8,735	$ 26,850	$24,474
Acquisition-related costs	473	—	1,445	—
Restructuring costs	1,801	913	1,701	5,105
Litigation costs	178	1,168	1,370	3,370
Adjusted Operating Income	$ 8,916	$10,816	$ 31,366	$32,949
Net Earnings -				
U.S. GAAP basis	$ 5,079	$ 6,825	$ 20,279	$18,415
Acquisition-related costs (1)	363	—	1,108	—
Restructuring costs (1)	1,381	685	1,305	3,737
Litigation costs (1)	137	864	1,051	2,467
One-time benefit from tax law change	—	(652)	—	(2,347)
Repatriation transition tax	—	—	—	854
Adjusted Net Earnings	$ 6,960	$ 7,722	$ 23,743	$23,126
Net Earnings per Basic Common Share -				
U.S. GAAP basis	$ 0.12	$ 0.16	$ 0.48	$ 0.44
Acquisition-related costs	0.01	—	0.03	—
Restructuring costs	0.03	0.02	0.03	0.09
Litigation costs	—	0.02	0.02	0.06
One-time benefit from tax law change	—	(0.02)	—	(0.06)
Repatriation transition tax	—	—	—	0.02
Adjusted Basic EPS	$ 0.16	$ 0.18	$ 0.56	$ 0.55
Net Earnings per Diluted Common Share -				
U.S. GAAP basis	$ 0.12	$ 0.16	$ 0.47	$ 0.43
Acquisition-related costs	0.01	—	0.03	—
Restructuring costs	0.03	0.02	0.03	0.09
Litigation costs	—	0.02	0.02	0.06
One-time benefit from tax law change	—	(0.02)	—	(0.05)
Repatriation transition tax	—	—	—	0.02
Adjusted Diluted EPS (2)	$ 0.16	$ 0.18	$ 0.55	$ 0.54

(1) These acquisition-related costs, restructuring costs, and litigation costs are net of the following income tax effects: $110, $420 and $41, respectively, for the three months ended June 30, 2019; $0, $228 and $304, respectively, for the three months ended June 30, 2018; $337, $396 and $319, respectively, for the fiscal 2019 year-to-date period; and $0, $1,368 and $903, respectively, for the fiscal 2018 year-to-date period. These tax effects were calculated using the effective tax rates of the jurisdictions in which the costs were incurred.

(2) Net Earnings per Diluted Common Share for the fiscal 2018 year-to-date period does not sum to the Adjusted EPS amounts due to rounding.

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REVENUE OVERVIEW

Our reportable segments are Diagnostics and Life Science, with products sold and distributed in the countries comprising North and Latin America (the "Americas"); Europe, Middle East and Africa ("EMEA"); and other countries outside of the Americas and EMEA (rest of the world, or "ROW"). A full description of our segments is set forth in Note 10, *"Reportable Segments and Major Customers Information"* of the accompanying Condensed Consolidated Financial Statements.

Revenues for the Diagnostics segment, in the normal course of business, may be affected from quarter to quarter by buying patterns of major distributors, seasonality and the severity of seasonal diseases and outbreaks, and foreign currency exchange rates. Revenues for the Life Science segment, in the normal course of business, may be affected from quarter to quarter by buying patterns of major customers, and foreign currency exchange rates.

See the "Revenue Disaggregation" section of Note 2, *"Significant Accounting Policies"* of the accompanying Condensed Consolidated Financial Statements for detailed revenue disaggregation information.

Following is a discussion of the revenues generated by each of these product platforms/types and disease states:

Diagnostics Products

Gastrointestinal Assays

During the third quarter and first nine months of fiscal 2019, revenues from our gastrointestinal products, which include tests for *C. difficile*, *H. pylori* and certain foodborne pathogens, among others, totaled $17,232 and $52,024, respectively. These revenue levels represent 15% and 13% decreases for this product category from the fiscal 2018 quarterly and year-to-date periods, respectively. Our *C. difficile* products continue to experience pressure as a result of competition, particularly our alethia™ product, which experienced volume declines impacting both the quarterly and year-to-date periods. For our stool antigen *H. pylori* products, we have executed multi-year supply agreements with a number of customers, including our two largest reference laboratory customers, to secure volume, albeit at lower selling prices. As a consequence of this strategy, such products experienced price declines for the quarterly and year-to-date periods. We continue to believe there are ongoing benefits to be realized from our partnerships with managed care companies in promoting: (i) the health and economic benefits of a test and treat strategy; (ii) changes in policies that discourage the use of traditional serology methods and promote the utilization of active infection testing methods; and (iii) physician behavior movement away from serology-based testing and toward direct antigen testing.

The patents for our *H. pylori* products, owned by us, expired in May 2016 in the U.S. and in May 2017 in countries outside the U.S. We expect competition with respect to our *H. pylori* products to continue to increase in the near future, and such competition may have an adverse impact on our selling prices for these products, or our ability to retain business at prices acceptable to us, and consequently, adversely affect our future results of operations and liquidity, including revenues and gross profit. Our product development pipeline includes new product initiatives for the detection of *H. pylori*, and early in the first quarter of fiscal 2019 we entered into a strategic collaboration with DiaSorin to sell *H. pylori* tests (see Note 11, *"Litigation Matters"* of the accompanying Condensed Consolidated Financial Statements). We are unable to provide assurances that we will be successful with any strategy or that any strategy will prevent an adverse effect on our future results of operations and liquidity, including revenues and gross profit.

Respiratory Illness Assays

Including tests for Group A Strep, Mycoplasma pneumonia, influenza, and Pertussis, among others, our respiratory illness product revenues decreased 1% and 7% in the third quarter and first nine months of fiscal 2019, respectively.

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Blood Chemistry Assays

Revenues from our sale of products to test for elevated levels of lead in blood decreased 5% during the third quarter of fiscal 2019 to a total of $4,750, and were flat for the fiscal year-to-date period at $13,510. In late December 2018, the documents to reinstate our venous blood claims removed in fiscal 2017 were submitted to the FDA, and in March 2019, we were informed by the FDA that each of the submitted 510(k) applications has been put on Additional Information (AI) hold. Further, while our LeadCare testing systems remain cleared for marketing by the FDA for use with capillary blood samples, the FDA advised that it has commissioned a third-party study of the LeadCare testing systems using both venous and capillary blood samples. According to the FDA, the results of the field study will be used in conjunction with other information to determine whether further action by FDA and CDC is necessary to protect the public health. We intend to fully cooperate with the FDA as it completes its third-party study and continue to work to complete remediation actions at our blood–chemistry manufacturing facility to the FDA's full and complete satisfaction. We remain confident in the performance of the LeadCare products and believe that they serve a critical role in promoting the public health.

See Note 11, *"Litigation Matters"* of the accompanying Condensed Consolidated Financial Statements for additional information related to the Company's LeadCare product line.

Life Science Products

During the third quarter of fiscal 2019, revenues from our Life Science segment remained flat compared to the fiscal 2018 third quarter, with revenues from molecular reagent sales decreasing 9% and revenues from immunological reagent sales increasing 5%. Life Science segment revenues also remained flat for the first nine months of fiscal 2019, reflecting a 2% decrease in revenues from molecular reagent sales being offset by a 2% increase in immunological reagent sales. Our Life Science segment's revenue growth was slightly impacted by the movement in currency exchange rates since the fiscal 2018 periods, with revenues increasing 1% and 2% on a constant-currency basis over the third quarter and first nine months of fiscal 2018, respectively. Our Life Science segment was also impacted by buying patterns of certain IVD manufacturing customers in China, with such sales totaling approximately $2,750 and $5,100 during the third quarter and first nine months of fiscal 2019, respectively – representing an increase of approximately 14% over the comparable fiscal 2018 quarterly period and a 14% decrease from the fiscal 2018 year-to-date period.

Significant Customers

Revenue concentrations related to certain customers within our Diagnostics and Life Science segments are set forth in Note 10, *"Reportable Segments and Major Customers Information"* of the accompanying Condensed Consolidated Financial Statements.

Gross Profit

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
Gross Profit	$28,259	$31,962	(12)%	$89,169	$98,541	(10)%
Gross Profit Margin	58%	62%	4 points	59%	61%	2 points

The gross profit margin decreases experienced in fiscal 2019 result primarily from the impact of the previously-noted pricing changes within our *H. pylori* product line, along with the combined effects of mix of products sold and operating segment mix.

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Operating Expenses – Segment Detail

	Three Months Ended June 30, 2019				
	Research & Development	Selling & Marketing	General & Administrative	Other	Total Operating Expenses
Fiscal 2018:					
Diagnostics	$ 3,479	$ 6,011	$ 4,570	$ 249	$ 14,309
Life Science	785	2,491	1,996	—	5,272
Corporate	—	—	1,814	1,832	3,646
Total Expenses (2018 Quarter)	$ 4,264	$ 8,502	$ 8,380	$2,081	$ 23,227
Fiscal 2019:					
Diagnostics	$ 3,855	$ 5,525	$ 4,483	$1,372	$ 15,235
Life Science	739	1,222	1,673	—	3,634
Corporate	—	—	1,846	1,080	2,926
Total Expenses (2019 Quarter)	$ 4,594	$ 6,747	$ 8,002	$2,452	$ 21,795

	Nine Months Ended June 30, 2019				
	Research & Development	Selling & Marketing	General & Administrative	Other	Total Operating Expenses
Fiscal 2018:					
Diagnostics	$ 10,904	$ 18,537	$ 14,472	$2,447	$ 46,360
Life Science	2,255	7,426	6,282	—	15,963
Corporate	—	—	5,716	6,028	11,744
Total Expenses (2018 Year-to-Date)	$ 13,159	$ 25,963	$ 26,470	$8,475	$ 74,067
Fiscal 2019:					
Diagnostics	$ 10,141	$ 17,048	$ 13,507	$2,219	$ 42,915
Life Science	2,153	4,173	4,603	25	10,954
Corporate	—	—	6,178	2,272	8,450
Total Expenses (2019 Year-to-Date)	$ 12,294	$ 21,221	$ 24,288	$4,516	$ 62,319

Operating Expenses – Comparisons to Prior Year Periods

	Three Months Ended June 30, 2019				
	Research & Development	Selling & Marketing	General & Administrative	Other	Total Operating Expenses
2018 Expenses	$ 4,264	$ 8,502	$ 8,380	$2,081	$ 23,227
% of Revenues	8%	16%	16%	4%	45%
Fiscal 2019 Increases/(Decreases):					
Diagnostics	376	(486)	(87)	1,123	926
Life Science	(46)	(1,269)	(323)	—	(1,638)
Corporate	—	—	32	(752)	(720)
2019 Expenses	$ 4,594	$ 6,747	$ 8,002	$2,452	$ 21,795
% of Revenues	9%	14%	17%	5%	45%
% Increase/(Decrease)	8%	(21)%	(5)%	18%	(6)%

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	Nine Months Ended June 30, 2019				
	Research & Development	Selling & Marketing	General & Administrative	Other	Total Operating Expenses
2018 Expenses	$ 13,159	$ 25,963	$ 26,470	$ 8,475	$ 74,067
% of Revenues	8%	16%	16%	5%	46%
Fiscal 2019 Increases/(Decreases):					
Diagnostics	(763)	(1,489)	(965)	(228)	(3,445)
Life Science	(102)	(3,253)	(1,679)	25	(5,009)

Corporate	—	—	462	(3,756)	(3,294)
2019 Expenses	$ 12,294	$ 21,221	$ 24,288	$ 4,516	$ 62,319
% of Revenues	8%	14%	16%	3%	41%
% Decrease	(7)%	(18)%	(8)%	(47)%	(16)%

Total operating expenses decreased during both the third quarter and first nine months of fiscal 2019 compared to the respective fiscal 2018 periods, with overall decreases in spending in all of our segments, reflecting the following:

1) Decreased year-to-date Research & Development costs due primarily to the timing of product development projects and the clinical trials for our cCMV test in fiscal 2018, while the quarterly increase reflects the addition of the GenePOC business;

2) Decreased Selling & Marketing costs due to: (i) the effects of the fiscal 2018 organization streamlining initiatives; and (ii) lower sales commissions resulting from the decrease in sales levels;

3) Decreased General & Administrative costs due to: (i) the effects of the fiscal 2018 organization streamlining initiatives; and (ii) lower Quality System remediation costs related to our blood-lead manufacturing facility; and

4) Decreased restructuring & litigation costs, along with the effects of the current year acquisition-related costs (reflected within "Other" in the above tables).

Operating Income

Operating income decreased 26% to $6,464 for the third quarter of fiscal 2019, and increased 10% to $26,850 for the first nine months of fiscal 2019, as a result of the factors discussed above, including the costs associated with acquisition and restructuring activities, and litigation costs.

Income Taxes

The effective rate for income taxes was 22% and 23% for the fiscal 2019 third quarter and nine month year-to-date period, respectively, compared to 21% and 22% during the corresponding fiscal 2018 periods. These rates reflect the combined effect of the various components of the tax reform act (see Note 8, *"Income Taxes"* of the accompanying Condensed Consolidated Financial Statements) including: (i) the lowering of the applicable tax rate; (ii) the accompanying re-measurement of deferred tax balances at the lower rate; and (iii) the various foreign income-related items, such as the repatriation transition tax and the tax related to Foreign Derived Intangible Income.

Liquidity and Capital Resources

Comparative Cash Flow Analysis

Our cash flow and financing requirements are determined by analyses of our anticipated operating and capital spending needs, expected debt service costs, and consideration of potential acquisitions.

We have an investment policy that guides the holdings of our investment portfolio, which presently consists of institutional money market mutual funds. Our objectives in managing the investment portfolio are to: (i) preserve capital; (ii) provide sufficient liquidity to meet working capital requirements and fund strategic objectives such as acquisitions; and (iii) capture a market rate of return commensurate with market conditions and our policy's investment eligibility criteria. As we look forward, we will continue to manage the holdings of our investment portfolio with preservation of capital being the primary objective.

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Considering the various worldwide geo-political and geo-economic conditions, we do not expect macroeconomic conditions to have a significant impact on our liquidity needs, financial condition or results of operations, although no assurances can be made in this regard. We intend to continue to fund our working capital requirements from current cash flows from operating activities and cash on hand. If needed, we also have an additional source of liquidity through our $125,000 bank revolving credit facility. Our liquidity needs may change if overall economic conditions worsen and/or liquidity and credit within the financial markets tightens for an extended period of time, and such conditions impact the collectability of our customer accounts receivable, impact credit terms with our vendors, or disrupt the supply of raw materials and services.

As of June 30, 2019, our cash and equivalents balance is $55,192 or $2,738 lower than at the end of the fiscal 2018 third quarter, and $10,905 lower than at the end of the fiscal 2019 second quarter. These decreases are primarily due to cash on hand used to fund the acquisition of the GenePOC business. Net cash flows from operating activities and cash on hand are anticipated to be adequate to fund working capital requirements and capital expenditures during the next 12 months.

Capital Resources

As described in Note 9, *"Bank Credit Arrangements"* of the accompanying Condensed Consolidated Financial Statements, on May 24, 2019, in connection with the acquisition of the GenePOC business, we executed a new five-year $125,000 revolving credit facility to replace our previously-existing $30,000 credit facility. The new credit facility is secured by substantially all of our assets and includes certain restrictive financial covenants. To-date, we have drawn down $75,824 on this new facility, using the proceeds to repay our previously-existing term loan and, along with cash on-hand, fund the acquisition of the GenePOC business.

Our capital expenditures are estimated to range between approximately $4,000 to $5,000 for fiscal 2019, with the actual amount dependent upon actual operating results and the phasing of certain projects. Such expenditures may be funded with cash and equivalents on hand, operating cash flows, and/or availability under the revolving credit facility discussed above.

We do not utilize special-purpose financing vehicles or have undisclosed off-balance sheet arrangements.

Also, as noted in previous filings, our Board of Directors has suspended the declaration and payment of quarterly dividends to invest in new product development activities for the revogene™ molecular diagnostics platform, among other investments in the business, and to preserve our capital resources and liquidity for general corporate purposes.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's exposure to market risk since September 30, 2018.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of June 30, 2019. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of June 30, 2019.

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Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 11, *"Litigation Matters"* of the accompanying Condensed Consolidated Financial Statements.

ITEM 1A. RISK FACTORS

There have been no material changes from risk factors as previously disclosed in the Company's fiscal 2018 Annual Report on Form 10-K and subsequent quarterly reports on Form 10-Q in response to Item 1A to Part I of Form 10-K.

ITEM 6. EXHIBITS

The following exhibits are being filed or furnished as a part of this Quarterly Report on Form 10-Q:

31.1	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)
31.2	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from Meridian Bioscience Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed with the SEC on August 7, 2019, formatted in Inline XBRL includes: (i) Condensed Consolidated Statements of Operations for the three and nine months ended June 30, 2019 and 2018; (ii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended June 30, 2019 and 2018; (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended June 30, 2019 and 2018; (iv) Condensed Consolidated Balance Sheets as of June 30, 2019 and September 30, 2018; (v) Condensed Consolidated Statements of Shareholders' Equity for the three and nine months ended June 30, 2019 and 2018; and (vi) the Notes to Condensed Consolidated Financial Statements

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MERIDIAN BIOSCIENCE, INC.

Date: August 7, 2019

By: /s/ Bryan T. Baldasare
Bryan T. Baldasare
Interim Chief Financial Officer and Chief Accounting Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a)

I, Jack Kenny, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Meridian Bioscience, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

/s/ Jack Kenny
Jack Kenny
Chief Executive Officer

Exhibit 31.2

Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a)

I, Bryan T. Baldasare, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Meridian Bioscience, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

/s/ Bryan T. Baldasare
Bryan T. Baldasare
Interim Chief Financial Officer

Exhibit 32

Meridian Bioscience, Inc.

Certification of Chief Executive Officer and Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing with the Securities and Exchange Commission of the Quarterly Report of Meridian Bioscience, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2019 (the "Report"), the undersigned officers of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jack Kenny
Jack Kenny
Chief Executive Officer
August 7, 2019

/s/ Bryan T. Baldasare
Bryan T. Baldasare
Interim Chief Financial Officer
August 7, 2019