

Meridian Bioscience, Inc. VIVO (NAS)

Last Close	Industry	Sector
19.69 USD	Diagnostic Substances	Health Care

Profile

Pricing data through 15 Apr 2010

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Meridian Bioscience Inc. was incorporated in Ohio in 1976. It is a fully-integrated life science Company whose businesses are (i) the development, manufacture, sale and distribution of diagnostic test kits, mainly for certain respiratory, gastrointestinal, viral and parasitic infectious diseases, (ii) the manufacture and distribution of bulk antigens, antibodies, and reagents used by researchers and other diagnostic manufacturers and (iii) the contract development and manufacture of proteins and other biologicals for use by biopharmaceutical and biotechnology companies engaged in research for new drugs and vaccines. Operating segments are US Diagnostics, European Diagnostics, and Life Science.

US Diagnostics operating segment's business, in addition to diagnostic test kits, products also include transport media that store and preserve specimen samples from patient collection to laboratory testing. Products includes: ImmunoCard (r) Toxins A&B, Premier™ Toxins A&B, and Premier™Platinum HpSA (r) PLUS. European Diagnostics operating segment's sales and distribution network consists of direct sales forces in Belgium, France, Holland, and Italy, and independent distributors in other European countries, Africa and the Middle East.

The European Diagnostics operating segment's sales and distribution network consists of direct sales forces in Belgium, France, Holland, and Italy, and independent distributors in other European countries, Africa and the Middle East. The European Diagnostics operating segment maintains a distribution center in Milan, Italy. The main markets and customers for this operating segment are hospitals and laboratories.

The Life Science operating segment's business focuses on the development, manufacture, sale, and distribution of bulk antigens, antibodies, and reagents used by researchers and other diagnostic companies, as well as the contract manufacturing of proteins and other biologicals used by biopharmaceutical and biotechnology companies engaged in research for new drugs and vaccines. The Life Science operating segment consists of manufacturing operations in

Memphis, Tennessee; Saco, Maine; and Boca Raton, Florida; the sale and distribution of bulk antigens, antibodies and bioresearch reagents domestically and abroad; and contract research and development and manufacturing services. The Life Science operating segment consists of Meridian's Viral Antigens, BIODESIGN and OEM Concepts businesses. Competitors include: divisions of Abbott Laboratories Inc., Becton, Dickinson and Company, Thermo Fisher and Siemens, Quidel Corporation and Inverness Medical Innovations.

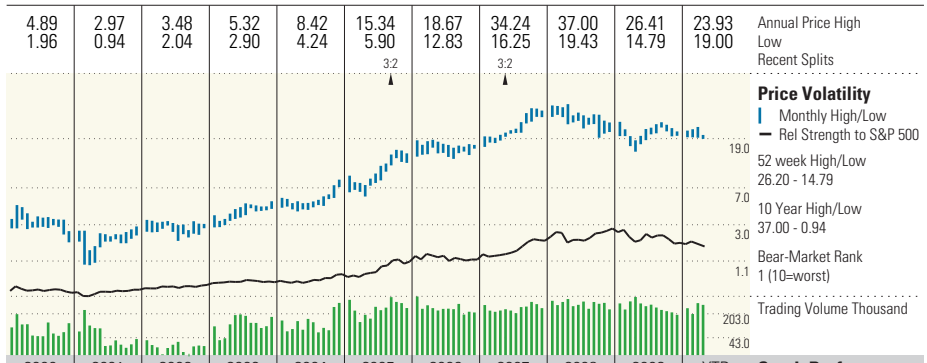
Meridian Bioscience, Inc. VIVO

Sales USD Mil 156 **Mkt Cap USD Mil** 800 **Industry** Diagnostic Substances **Sector** Health Care

Meridian Bioscience manufactures disposable immunodiagnostic test kits used for the rapid diagnosis of infectious diseases. Its products aid in the diagnosis of gastrointestinal infections, mononucleosis, ulcers, urinary-tract infections, respiratory infections, and strep throat. Other test kits are used to diagnose fungal infections that affect patients with cancer, AIDS, and other immunosuppressive conditions. The company sells its test products primarily to hospitals, laboratories, physicians' offices, outpatient clinics, nursing homes,

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Cincinnati, OH 45244
Phone: 1 513 271-3700
Website: <http://www.meridianbioscience.com>
Employees: 422

Morningstar Rating **Last Price** 19.69 **Fair Value** **Uncertainty** **Economic Moat™** **Stewardship Grade**
per share prices in USD



Growth Rates	Compound Annual				
	1 Yr	3 Yr	5 Yr	10 Yr	
Revenue %	6.2	11.0	13.3	10.6	
Operating Income %	10.0	22.0	27.2	15.2	
Earnings/Share %	8.1	20.8	24.6	27.4	
Dividends %	22.6	31.9	30.2	22.0	
Book Value/Share %	6.6	12.1	28.2	12.7	
Stock Total Return %	16.3	2.6	27.9	19.8	
+/- Industry	-32.9	4.6	26.4	26.5	
+/- Market	-25.9	8.5	26.7	22.3	

Profitability Analysis	Current	5 Yr Avg	Ind	Mkt
	Return on Equity %	24.7	23.5	-20.4
Return on Assets %	22.3	18.8	-10.8	7.2
Fixed Asset Turns	7.8	6.6	3.9	6.7
Inventory Turns	2.4	2.6	3.1	12.4
Revenue/Employee USD K	370.7	329.9*	—	766.0
Gross Margin %	60.7	60.8	63.3	41.5
Operating Margin %	32.2	27.9	-6.5	12.2
Net Margin %	21.5	19.2	-18.7	8.2
Free Cash Flow/Rev %	22.7	18.0	—	0.1
R&D/Rev %	5.4	0.1	—	10.7

Financial Position	09-09 USD Mil		12-09 USD Mil	
	Cash	54	58	23
Inventories	23	27	27	18
Receivables	27	18	117	116
Current Assets	117	116	20	21
Fixed Assets	20	21	17	17
Intangibles	17	17	156	155
Total Assets	156	155	8	6
Payables	8	6	—	—
Short-Term Debt	—	—	17	13
Current Liabilities	17	13	—	—
Long-Term Debt	—	—	18	14
Total Liabilities	18	14	138	140
Total Equity	138	140		

Valuation Analysis	Current	5 Yr Avg	Ind	Mkt
	Price/Earnings	24.1	34.3	—
Forward P/E	20.3	—	—	14.5
Price/Cash Flow	20.5	31.3	90.9	7.5
Price/Free Cash Flow	22.8	36.5	—	18.3
Dividend Yield %	3.6	—	—	1.7
Price/Book	5.7	7.4	4.8	2.3
Price/Sales	5.2	6.7	5.3	1.4
PEG Ratio	1.2	—	—	1.6

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD	Stock Performance
-28.6	27.1	18.9	57.0	71.9	74.9	24.1	86.6	-13.5	-12.7	-7.8	Total Return %
-18.5	40.1	42.3	30.6	62.9	71.9	10.5	83.1	25.0	-36.1	-16.5	+/- Market
-50.0	62.6	73.1	6.8	57.4	71.2	24.6	71.2	25.1	-34.8	-22.1	+/- Industry
4.9	4.2	4.1	3.5	2.3	1.6	1.9	1.4	2.2	3.2	3.6	Dividend Yield %
72	88	101	155	264	525	642	1200	1027	875	800	Market Cap USD Mil

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TTM	Financials
57	57	59	66	80	93	108	123	140	148	156	Revenue USD Mil
70.5	54.3	58.5	58.1	57.4	59.0	59.7	60.9	61.9	62.6	60.7	Gross Margin %
10	-13	10	13	15	20	27	35	44	49	50	Oper Income USD Mil
17.8	-22.1	16.9	19.4	18.4	21.7	24.8	28.5	31.8	32.9	32.2	Operating Margin %
7	-10	5	7	9	13	18	27	30	33	34	Net Income USD Mil
0.22	-0.31	0.15	0.21	0.27	0.35	0.45	0.66	0.74	0.80	0.82	Earnings Per Share USD
0.10	0.11	0.12	0.15	0.17	0.20	0.28	0.40	0.53	0.65	0.68	Dividends USD
32	32	33	33	34	36	40	40	41	41	41	Shares Mil
0.87	0.70	0.76	0.87	1.09	2.23	2.51	2.93	3.26	3.46	3.46	Book Value Per Share USD
5	9	11	12	13	18	22	27	30	32	39	Oper Cash Flow USD Mil
-4	-2	-4	-2	-2	-3	-3	-3	-5	-4	-4	Cap Spending USD Mil
1	7	8	11	10	16	19	23	25	29	36	Free Cash Flow USD Mil

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TTM	Profitability
9.1	-13.6	7.7	10.7	13.5	14.0	15.8	21.1	21.6	21.7	22.3	Return on Assets %
20.2	-34.5	21.3	27.1	30.4	21.5	20.5	25.7	25.0	24.6	24.7	Return on Equity %
12.5	-18.2	8.5	10.7	11.5	13.5	16.9	21.7	21.6	22.1	21.5	Net Margin %
0.73	0.75	0.90	1.00	1.17	1.03	0.94	0.97	1.00	0.98	1.04	Asset Turnover
2.3	2.9	2.7	2.4	2.1	1.3	1.3	1.2	1.1	1.1	1.1	Financial Leverage

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	12-09	Financial Health
23	16	15	18	19	50	61	77	83	100	103	Working Capital USD Mil
27	20	20	22	16	3	2	—	—	—	—	Long-Term Debt USD Mil
37	23	24	27	33	84	95	113	128	138	140	Total Equity USD Mil
0.74	1.06	0.97	0.78	0.52	0.03	0.02	—	—	—	—	Debt/Equity

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TTM	Valuation
—	—	19.3	21.3	28.3	34.8	33.0	43.1	33.9	26.4	24.1	Price/Earnings
—	—	1.0	1.0	1.5	2.0	2.0	2.6	3.1	1.4	1.2	P/E vs. Market
1.3	1.6	1.6	2.3	3.4	4.9	5.8	9.6	7.5	5.7	5.2	Price/Sales
2.5	3.8	4.0	5.3	7.1	6.0	6.5	10.3	7.8	6.2	5.7	Price/Book
15.0	8.2	7.4	14.6	21.1	27.8	27.8	40.3	38.0	22.4	20.5	Price/Cash Flow

Quarterly Results						
Revenue USD Mil	Mar 09	Jun 09	Sep 09	Dec 09	Rev Growth %	Mar 09
Most Recent Period	33.3	38.2	42.5	42.5	—	Mar 09
Prior Year Period	36.3	33.1	36.5	34.3	—	Jun 09
Most Recent Period	-8.2	15.6	16.4	23.8	—	Sep 09
Prior Year Period	13.0	11.1	12.6	1.3	—	Dec 09
Earnings Per Share USD	Mar 09	Jun 09	Sep 09	Dec 09	—	Mar 09
Most Recent Period	0.18	0.21	0.22	0.22	—	Jun 09
Prior Year Period	0.18	0.19	0.19	0.20	—	Sep 09

Industry Peers by Market Cap				
	Mkt Cap USD Mil	Rev USD Mil	P/E	ROE%
Meridian Bioscience,	800	156	24.1	24.7
Human Genome Science	6173	276	—	2.2
Idexx Laboratories	3534	1032	30.3	25.7

Major Fund Holders		
	% of shares	
T. Rowe Price Small-Cap Stock	3.69	
Brown Capital Mgmt Small Co Instl	2.16	
Neuberger Berman Genesis Inv	1.56	

*3Yr Avg data is displayed in place of 5Yr Avg

TTM data based on rolling quarterly data if available; otherwise most recent annual data shown.



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Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
NA	NA	NA	NA	NA

*Report date represents the date on which the owner's common shares held was audited.

Fund Ownership

Top Owners	Morningstar Rating	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
T. Rowe Price Small-Cap Stock	QQQ	3.69	0.62	75	31 Dec 2009
Brown Capital Mgmt Small Co Instl	QQQQQ	2.16	2.75	138	31 Dec 2009
Neuberger Berman Genesis Inv	QQQQQ	1.56	0.14	0	31 Dec 2009
Vanguard Small Cap Index	QQQ	1.37	0.07	37	31 Dec 2009
Vanguard Total Stock Mkt Idx	QQQ	1.00	0.01	14	31 Dec 2009

Concentrated Holders

Virtus Small-Cap Sustainable Growth I	QQQ	0.03	4.56	-11	30 Sep 2009
RBC Enterprise S	QQQ	0.44	2.98	0	30 Sep 2009
Brown Capital Mgmt Small Co Instl	QQQQQ	2.16	2.75	138	31 Dec 2009
Dividend Growth Trust Rising Div Gr A	QQQQQ	0.15	2.27	0	31 Dec 2009

Institutional Transactions

Top 5 Buyers	Morningstar Rating	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
Brown Capital Mgmt Small Co Instl	QQQQQ	2.16	2.75	138	31 Dec 2009
TCW Small Cap Growth I	QQQ	0.49	0.98	82	31 Jan 2010
T. Rowe Price Small-Cap Stock	QQQ	3.69	0.62	75	31 Dec 2009
Vanguard Small Cap Index	QQQ	1.37	0.07	37	31 Dec 2009
Boston Trust Small Cap	QQQQQ	0.20	2.22	17	30 Sep 2009

Top 5 Sellers

Vanguard Explorer Inv	QQQQ	0.47	0.05	-220	31 Dec 2009
Century Small Cap Select Instl	QQQQ	0.43	1.15	-180	31 Dec 2009
LKCM Small Cap Equity Instl	QQQQ	0.51	0.78	-70	31 Dec 2009
Columbia Small Cap Growth II Z	QQQ	0.17	0.39	-60	31 Dec 2009

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Industry Focus: Diagnostics & Medical Research

CROs Close out Tough 2010

09 April 2010

Lauren Migliore
Stock Analyst

Slow growth persists among CROs, but we see a rebound on the horizon.

We think executives at contract research organizations were happy to put 2009 safely behind them. The industry witnessed a perfect storm last year as harsh economic conditions, frozen credit markets, persistent uncertainty with health reform, and megamergers among the industry's largest drugmakers conspired to create one of the worst operating environments in CRO history. This macroeconomic uncertainty has led drugmakers to postpone or cancel planned clinical trials, resulting in a worldwide slowdown in drug development spending and significant capacity underutilization. Excess capacity has given drug companies significant bargaining power, allowing clients to shorten lead time and exert pricing pressure that has subsequently affected gross margins. Accordingly, CROs have attempted to stem top-line declines with cost-cutting and restructuring initiatives, although the impact of these efforts is limited by the high fixed cost nature of the business.

In the fourth quarter, most firms continued to see year-over-year declines in revenue growth and operating profitability. Pharmaceutical Product Development (PPDI) was hit

especially hard this past quarter as three large contract cancellations ate away at 60% of the firm's new business authorization. A notable exception this quarter was Parexel (PRXL), which saw both revenue and margin improvement thanks to strong business wins and persistent cost control. Encouragingly, many firms also saw a rebound in their book/bill ratios--including many ratios rising above 1.0, indicating that growth may soon return to the CRO industry.

Fourth-Quarter Revenue and Profitability Overview by Company

Early-Stage Players:

Covance (CVD): Covance turned in another quarter of solid financial performance. The firm's early development segment saw a resurgence in growth for toxicology, which helped offset weak performance in clinical pharmacology. Covance's late-stage segment demonstrated another period of stellar performance. However, the firm's operating margin declined sequentially from the firm's record third-quarter level primarily due to the hiring of new staff and a shift in the mix of central laboratory kits. Encouragingly, Covance achieved record net orders for the quarter, and the firm's book/bill ratio remained above 1.0 (at 1.33 for the quarter), a promising sign for future growth opportunities.

Charles River Laboratories (CRL): The slowdown in drug-development spending once again significantly affected Charles River Laboratories' earnings. Net sales fell from the year-ago fourth quarter as higher sales in research models and services were offset by the firm's preclinical testing segment. Despite this decline, Charles River's fourth-quarter results held up relatively well to market conditions, especially given the firm's focus on early-stage testing, as cost-control measures have prevented top-line declines from falling straight to the bottom line.

CRO Overview					
Company/Ticker	YOY Sales Growth 4Q 2009 (%)	Book/Bill ¹ 4Q 2009	4Q 2009 (%)	Operating Margins 4Q 2008 (%)	Δ (bps)
Charles River Laboratories CRL*	-5.2	—	10.8	15.6	-480
Covance CVD	10.6	1.3	11.3	14.5	-320
ICON ICLR	3.3	1	13.1	12.0	110
Kendle KNDL	-11.5	0.8	9.0	10.0	-100
Pharmaceutical Product Development PPDI	-1.6	0.6	9.6	19.5	-990
Parexel PRXL ²	3.2	1.4	6.6	2.8	380
WuXi PharmaTech WX*	14.6	—	18.4	5.9	1,250

Sources: Morningstar estimates and company reports

¹ Net new business authorizations/current sales

² Second quarter of fiscal year 2010

* Firms do not provide book/bill metrics due to faster turnaround time associated with early-stage testing

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Industry Focus: Diagnostics & Medical Research

WuXi PharmaTech WX : Despite diminished worldwide demand, WuXi PharmaTech's earnings came in very strong. The firm's fourth-quarter revenue increased year over year due to strong growth in laboratory services, partially offset by a decline in manufacturing revenue. Top-line growth helped WuXi expand its gross margin this quarter, and lower selling, general, and administrative costs allowed operating income to rise well above that of fourth quarter 2008.

Late-Stage Players:

Pharmaceutical Product Development PPD : PPD's fourth-quarter results marked another period of top- and bottom-line deterioration. While this negative revenue growth came in lower than the full-year decline, diluted earnings per share still fell from significantly from the same period last year as PPD struggled to cover costs with a shrinking revenue base. Alarmingly, the firm witnessed \$284.9 million in contract cancellations this quarter, more than 60% of new authorizations. We would seriously consider lowering our fair value estimate if we see evidence that the firm will continue to hemorrhage business going forward.

ICON ICLR : ICON's fourth-quarter results held up relatively well to the industry's soft demand. Net revenue increased from the comparable period in 2008, helping operating income expand as the firm was able to trim selling and administrative costs. Encouragingly, ICON's book/bill ratio rose to 1.0, reversing the sequential declines seen in this ratio earlier in the year. Despite these promising events, ICON's stock price fell following its earnings release as investors registered their disappointment with the firm's projections for 2010.

Parexel PRXL : Parexel reported excellent results in its second fiscal quarter of 2010. Service revenue increased slightly from the year-ago period on growth in the firm's clinical research and consulting and medical communications segments. Similarly, the firm's operating margin rose on a year-over-year basis, and we expect continued margin expansion in future quarters as restructuring initiatives take

hold. Significantly, the firm grew its backlog and posted a net book/bill ratio of 1.4 for the quarter, up from 0.9 in the first fiscal quarter.

Kendle KNDL : Net revenue for the quarter fell and cancellations spiked as the firm lost business due to drug failure and pipeline reprioritization from its largest biopharmaceuticals clients. Kendle's net book/bill ratio remained at 0.8, indicating that growth prospects will remain rare in the near term. Although revenue took a significant hit in the fourth quarter, the firm's operating margin showed some resistance, falling only 100 basis points on an adjusted basis from the prior-year period as Kendle kept direct costs in check.

Despite Continued Uncertainty, CROs Are Set to Rebound

In their 2010 guidance, CROs projected that demand would soon return to the industry, although most companies were hesitant to offer overly optimistic forecasts while so much uncertainty remained in the system. Most firms project stagnant near-term revenue growth as slow bookings in prior quarters make their way into future financial statements. However, market demand should soon pick up, in our opinion, spurred by the completion of several large pharma mergers, increased partnering activities and outsourcing penetration, resumed funding to smaller biotech clients, and improved commitment from drugmakers to move compounds through trials. We remain cautiously optimistic about 2010 and the long-run opportunities for these firms, especially as macroeconomic conditions stabilize and Big Pharma firms look to replenish their pipelines. We see a rebound on the horizon and project CROs, which offer superior efficiency to in-house development, will take a larger share of drug development spending over time.