

In re Merit Medical Systems, Inc. Securities Litigation

COURT: Central District of California, Southern Division
CASE NUMBER: 8:19-cv-02326-DOC-ADS
CLASS PERIOD: 02/26/2019 - 10/30/2019
CASE CONTACTS: Jonathan D. Uslaner, Michael D. Blatchley, Lauren M. Cruz, Brenna Nelinson

This is a securities fraud class action on behalf of a class of persons and entities who purchased common stock of Merit Medical Systems, Inc. (“Merit” or the “Company”) between February 26, 2019 and October 30, 2019, inclusive. On February 24, 2020, the Honorable David O. Carter appointed Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge as co-Lead Plaintiff and BLB&G as co-Lead Counsel for the Class.

The complaint alleges that during the Class Period, Defendants made false and misleading statements and/or failed to disclose adverse information concerning Merit’s business and prospects. Specifically, Defendants failed to disclose that: (a) the integrations of Cianna and Vascular Insights, including their products, sales people, and R&D facilities, had caused operational disruptions and reduced sales and were months behind schedule; (b) sales of acquired company products had slowed substantially due to pre-acquisition pipeline fill, in particular for Vascular Insights products which, as late as July 2019, had zero orders during fiscal 2019; and (c) in light of the foregoing, the Company’s reported financial guidance for fiscal 2019 and 2020 was made without a reasonable basis. As a result of Defendants’ material misrepresentations and omissions, Merit stock traded at artificially inflated prices of more than \$62 per share.

On July 25, 2019, Merit announced disappointing second quarter 2019 financial results and cut its fiscal 2019 sales and earnings per share outlook. Defendants attributed the reductions to a variety of factors, including “slower than anticipated conversion and uptake of acquired products.” On this news, the Company’s stock price declined more than 25%. Then, on October 30, 2019, the Company announced its third quarter 2019 financial results, reporting adjusted earnings per share well below consensus estimates, and slashed fiscal 2019 revenue and earnings per share guidance by 20%. Furthermore, Defendants stated that, in addition to the fiscal 2019 guidance cut, “2020 guidance [was] off the table” until they had reasonable confidence in their forecasting ability, and reported significant operational issues in all aspects of Merit’s business, conceding that many of these failures were due to their “own overestimation and forecasting.” Following these disclosures, Merit’s stock price declined more than 29%, from a close of \$29.11 per share on October 30, 2019, to a close of \$20.66 per share on October 31, 2019.