MERIT MEDICAL SYSTEMS INC

Form 10-Q August 09, 2013 Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013.

OR

o 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 0-18592

MERIT MEDICAL SYSTEMS, INC.

(Exact name of Registrant as specified in its charter)

Utah 87-0447695

(State or other jurisdiction of incorporation or

organization)

(I.R.S. Identification No.)

1600 West Merit Parkway, South Jordan, UT, 84095 (Address of Principal Executive Offices, including Zip Code)

(801) 253-1600

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Sections 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 ý No o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ý No o

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

Large Accelerated Filer x

Accelerated Filer o

Non-Accelerated Filer o

Smaller Reporting Company o

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

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

Common Stock 42,597,016

Title or class

Number of Shares

Outstanding at August 8, 2013

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PART I - FINANCIAL STATEMENTS

ITEM 1. FINANCIAL STATEMENTS

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2013 AND DECEMBER 31, 2012
(In thousands)

(in thousands)		
	June 30, 2013	December 31,
		2012
ASSETS	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash aquivalents	\$13,143	\$9,719
Trade receivables — net of allowance for uncollectible accounts — 2013 — \$1,03	5 and	·
2012 — \$892	58,416	53,402
Employee receivables	192	169
Other receivables	2,493	2,672
Inventories	81,560	84,599
Prepaid expenses	4,761	4,133
Prepaid income taxes	1,242	1,250
Deferred income tax assets	4,982	4,976
Income tax refund receivable	511	1,076
Total current assets	167,300	161,996
PROPERTY AND EQUIPMENT:		
Land and land improvements	17,979	17,346
Buildings	126,562	81,223
Manufacturing equipment	126,592	117,601
Furniture and fixtures	31,412	26,307
Leasehold improvements	14,098	13,236
Construction-in-progress	43,054	74,643
Total property and equipment	359,697	330,356
Less accumulated depreciation	(103,679	(95,553)
Property and equipment — net	256,018	234,803
OTHER ASSETS:		
Intangible assets:	1 2012	
Developed technology — net of accumulated amortization — 2013 — \$12,668 and	a 83,749	87,332
\$8,146 Other pat of accumulated emertication 2012 \$16,473 and 2012 \$14,03	2429 054	20.700
Other — net of accumulated amortization — 2013 — \$16,473 and 2012 — \$14,03 Goodwill		30,799
	175,108	175,108
Deferred income tax assets	4,237	4,237
Other assets	13,018	11,034

Total other assets 305,066 308,510

TOTAL \$728,384 \$705,309

See condensed notes to consolidated financial statements. (Continued)

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS JUNE 30, 2013 AND DECEMBER 31, 2012 (In thousands)

(In thousands) LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2013 (unaudited)	December 31, 2012	
CURRENT LIABILITIES: Trade payables Accrued expenses Current portion of long-term debt Advances from employees Income taxes payable	\$34,622 23,501 10,000 686 999	\$34,637 27,269 10,000 551 547	
Total current liabilities	69,808	73,004	
LONG-TERM DEBT	246,828	227,566	
DEFERRED INCOME TAX LIABILITIES	2,338	2,373	
LIABILITIES RELATED TO UNRECOGNIZED TAX BENEFITS	2,938	2,938	
DEFERRED COMPENSATION PAYABLE	6,603	5,956	
DEFERRED CREDITS	2,989	2,980	
OTHER LONG-TERM OBLIGATIONS	7,331	8,915	
Total liabilities	338,835	323,732	
STOCKHOLDERS' EQUITY: Preferred stock — 5,000 shares authorized as of June 30, 2013 and December 31, 2012; no shares issued	_	_	
Common stock — no par value; 100,000 shares authorized; 42,586 and 42,489 sha issued at June 30, 2013 and December 31, 2012, respectively	res 173,974	172,341	
Retained earnings Accumulated other comprehensive income (loss)	214,841 734	210,418 (1,182)
Total stockholders' equity	389,549	381,577	
TOTAL	\$728,384	\$705,309	
See condensed notes to consolidated financial statements.		(Concluded)	

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2012 (In thousands, except per common share amounts - unaudited)

	Three Months Ended June 30,		Six Months Endo	ed
NET SALES	2013 \$109,875	2012 \$100,532	2013 \$213,823	2012 \$196,150
COST OF SALES	62,890	53,508	123,845	104,956
GROSS PROFIT	46,985	47,024	89,978	91,194
OPERATING EXPENSES: Selling, general, and administrative Research and development Acquired in-process research and development	31,557 8,648 —	30,211 6,591 2,000	63,685 17,756 —	59,758 13,032 2,175
Total operating expenses	40,205	38,802	81,441	74,965
INCOME FROM OPERATIONS	6,780	8,222	8,537	16,229
OTHER INCOME (EXPENSE): Interest income Interest expense Other income (expense)	74 (1,842) (7)			119 (224 607
Other income (expense) — net	(1,775)	592	(3,320)	502
INCOME BEFORE INCOME TAXES	5,005	8,814	5,217	16,731
INCOME TAX EXPENSE	1,253	2,719	794	4,888
NET INCOME	\$3,752	\$6,095	\$4,423	\$11,843
EARNINGS PER COMMON SHARE: Basic	\$0.09	\$0.14	\$0.10	\$0.28
Diluted	\$0.09	\$0.14	\$0.10	\$0.28
AVERAGE COMMON SHARES: Basic	42,562	42,048	42,541	42,028
Diluted	42,670	42,469	42,753	42,457

See condensed notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2012 (In thousands - unaudited)

Three Months
Ended
June 30,
2013
2012
\$3,752
\$Six Months Ended
June 30,
2013
2012
2013
2012

Net income