



Edgar Filing: MERIT MEDICAL SYSTEMS INC - Form 10-Q

Non-Accelerated Filer

Smaller Reporting Company

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

Indicate the number of shares outstanding of each of the 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)

	June 30, 2013 (unaudited)	December 31, 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 13,143	\$ 9,719
Trade receivables — net of allowance for uncollectible accounts — 2013 — \$1,035 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
<b>PROPERTY AND EQUIPMENT:</b>		
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
<b>OTHER ASSETS:</b>		
<b>Intangible assets:</b>		
Developed technology — net of accumulated amortization — 2013 — \$12,668 and 2012 — \$8,146	83,749	87,332
Other — net of accumulated amortization — 2013 — \$16,473 and 2012 — \$14,034	28,954	30,799
Goodwill	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)

	June 30, 2013 (unaudited)	December 31, 2012
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$34,622	\$34,637
Accrued expenses	23,501	27,269
Current portion of long-term debt	10,000	10,000
Advances from employees	686	551
Income taxes payable	999	547
Total current liabilities	69,808	73,004
<b>LONG-TERM DEBT</b>	<b>246,828</b>	<b>227,566</b>
<b>DEFERRED INCOME TAX LIABILITIES</b>	<b>2,338</b>	<b>2,373</b>
<b>LIABILITIES RELATED TO UNRECOGNIZED TAX BENEFITS</b>	<b>2,938</b>	<b>2,938</b>
<b>DEFERRED COMPENSATION PAYABLE</b>	<b>6,603</b>	<b>5,956</b>
<b>DEFERRED CREDITS</b>	<b>2,989</b>	<b>2,980</b>
<b>OTHER LONG-TERM OBLIGATIONS</b>	<b>7,331</b>	<b>8,915</b>
Total liabilities	338,835	323,732
<b>STOCKHOLDERS' EQUITY:</b>		
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 shares issued at June 30, 2013 and December 31, 2012, respectively	173,974	172,341
Retained earnings	214,841	210,418
Accumulated other comprehensive income (loss)	734	(1,182 )
Total stockholders' equity	389,549	381,577
<b>TOTAL</b>	<b>\$728,384</b>	<b>\$705,309</b>
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		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
NET SALES	\$109,875	\$100,532	\$213,823	\$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	31,557	30,211	63,685	59,758
Research and development	8,648	6,591	17,756	13,032
Acquired in-process research and development	—	2,000	—	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	74	71	131	119
Interest expense	(1,842	) (112	) (3,381	) (224
Other income (expense)	(7	) 633	(70	) 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,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	\$3,752	\$		