

MERIT MEDICAL SYSTEMS INC  
Form 10-Q  
November 08, 2006

## 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 SEPTEMBER 30, 2006.

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 0-18592

### MERIT MEDICAL SYSTEMS, INC.

(Exact name of Registrant as specified in its charter)

**Utah**

(State or other jurisdiction of incorporation or organization)

**87-0447695**

(I.R.S. Identification No.)

**1600 West Merit Parkway, South Jordan, UT, 84095**

(Address of Principal Executive Offices)

**(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  No

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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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**

Title or class

**27,432,850**

Number of Shares  
Outstanding at November 2, 2006

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**MERIT MEDICAL SYSTEMS, INC.**

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## Part I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2006 AND DECEMBER 31, 2005

(In Thousands - Unaudited)

	September 30, 2006	December 31, 2005
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 7,005	\$ 4,645
Trade receivables - less allowances of \$498 and \$767, respectively	23,317	25,433
Employee receivables	164	116
Other receivables	293	108
Inventories	37,752	32,080
Prepaid expenses and other assets	1,568	1,023
Deferred income tax assets	28	28
Income tax refunds receivable	19	977
<b>Total current assets</b>	<b>70,146</b>	<b>64,410</b>
<b>PROPERTY AND EQUIPMENT:</b>		
Land and land improvements	7,877	6,232
Building	42,557	42,283
Manufacturing equipment	53,266	46,457
Furniture and fixtures	17,164	16,255
Leasehold improvements	7,654	6,658
Construction-in-progress	7,874	7,374
<b>Total</b>	<b>136,392</b>	<b>125,259</b>
Less accumulated depreciation and amortization	(44,581)	(39,641)
<b>Property and equipment net</b>	<b>91,811</b>	<b>85,618</b>
<b>OTHER ASSETS:</b>		
Other intangibles - less accumulated amortization of \$1,824 and \$1,483, respectively	4,298	3,342
Goodwill	8,090	6,415
Other assets	2,659	2,363
Deferred income tax assets	7	
Deposits	96	99
<b>Total other assets</b>	<b>15,150</b>	<b>12,219</b>
<b>TOTAL ASSETS</b>	<b>\$ 177,107</b>	<b>\$ 162,247</b>

See notes to consolidated financial statements.



## MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2006 AND DECEMBER 31, 2005

(In Thousands - Unaudited)

	September 30, 2006	December 31, 2005
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$ 1	\$ 2
Trade payables	11,270	10,254
Accrued expenses	8,827	8,549
Advances from employees	211	316
Deferred income tax liabilities	812	1,141
Income taxes payable	1,541	455
<b>Total current liabilities</b>	<b>22,662</b>	<b>20,717</b>
<b>DEFERRED INCOME TAX LIABILITIES</b>	<b>4,134</b>	<b>4,166</b>
<b>LONG-TERM DEBT</b>	<b>3</b>	<b>2</b>
<b>DEFERRED COMPENSATION PAYABLE</b>	<b>2,594</b>	<b>2,363</b>
<b>DEFERRED CREDITS</b>	<b>2,280</b>	<b>2,415</b>
<b>OTHER LONG-TERM OBLIGATION</b>	<b>62</b>	<b>100</b>
<b>Total liabilities</b>	<b>31,735</b>	<b>29,763</b>
<b>STOCKHOLDERS EQUITY:</b>		
Preferred stock 5,000 shares authorized as of September 30, 2006, no shares issued		
Common stock no par value; 50,000 shares authorized; 27,399 and 27,163 shares issued at September 30, 2006 and December 31 2005, respectively	51,707	48,198
Retained earnings	93,916	84,668
Accumulated other comprehensive loss	(251	) (382 )
<b>Total stockholders equity</b>	<b>145,372</b>	<b>132,484</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 177,107</b>	<b>\$ 162,247</b>

See notes to consolidated financial statements.

## MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

(In Thousands Except Share Data and Unaudited)

	Three Months Ended September 30, 2006		Nine Months Ended September 30, 2006	
	2006	2005	2006	2005
NET SALES	\$ 46,697	\$ 41,224	\$ 139,858	\$ 123,903
COST OF SALES	28,629	24,422	85,743	71,379
GROSS PROFIT	18,068	16,802	54,115	52,524
OPERATING EXPENSES:				
Selling, general, and administrative	10,813	10,010	33,577	29,043
Research and development	2,119	1,788	6,221	5,082
Total operating expenses	12,932	11,798	39,798	34,125
INCOME FROM OPERATIONS	5,136	5,004	14,317	18,399
OTHER INCOME (EXPENSE):				
Interest income	69	99	179	424
Other income (expense)	20	(13)	(45)	(54)
Other income net	89	86	134	370
INCOME BEFORE INCOME TAXES	5,225	5,090	14,451	18,769
INCOME TAX EXPENSE	1,900	1,763	5,203	6,686
NET INCOME	\$ 3,325	\$ 3,327	\$ 9,248	\$ 12,083
EARNINGS PER COMMON SHARE:				
Basic	\$ .12	\$ .12	\$ .34	\$ .45
Diluted	\$ .12	\$ .12	\$ .33	\$ .43
AVERAGE COMMON SHARES:				
Basic	27,363,182	27,008,936	27,273,873	26,748,957
Diluted	28,286,928	28,112,012	28,115,865	27,811,053

See notes to consolidated financial statements.

**MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005**

(In Thousands and Unaudited)

**Nine Months Ended  
September 30,**