

MERIT MEDICAL SYSTEMS INC
Form 10-Q
August 06, 2009
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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 JUNE 30, 2009.

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, including Zip Code)

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(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 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 No

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

Large Accelerated Filer

Accelerated Filer

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
Title or class

27,964,296
Number of Shares
Outstanding at August 3, 2009

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CONSOLIDATED BALANCE SHEETS

JUNE 30, 2009 AND DECEMBER 31, 2008

(In thousands - unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,873	\$ 34,030
Trade receivables - net of allowances of \$621 and \$505, respectively	30,454	27,749
Employee receivables	139	126
Other receivables	460	818
Inventories	46,308	38,358
Prepaid expenses and other assets	1,959	985
Deferred income tax assets	2,781	2,782
Income tax refunds receivable	651	607
Total current assets	87,625	105,455
PROPERTY AND EQUIPMENT:		
Land and land improvements	7,992	7,992
Building	49,903	49,793
Manufacturing equipment	73,640	68,184
Furniture and fixtures	15,113	16,689
Leasehold improvements	9,906	9,868
Construction-in-progress	9,219	7,599
Total	165,773	160,125
Less accumulated depreciation	(58,260)	(56,186)
Property and equipment net	107,513	103,939
OTHER ASSETS:		
Other intangibles - net of accumulated amortization of \$3,986 and \$3,122, respectively	26,503	6,913
Goodwill	32,567	13,048
Other assets	2,730	2,325
Deferred income tax assets	36	23
Deposits	91	73

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Total other assets	61,927	22,382
TOTAL ASSETS	\$ 257,065	\$ 231,776

See notes to consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

JUNE 30, 2009 AND DECEMBER 31, 2008

(In thousands - unaudited)

	June 30, 2009	December 31, 2008
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 14,304	\$ 10,622
Other payables	7,000	
Accrued expenses	12,182	9,973
Advances from employees	428	211
Income taxes payable	2,161	366
Total current liabilities	36,075	21,172
DEFERRED INCOME TAX LIABILITIES	8,789	8,771
LIABILITIES RELATED TO UNRECOGNIZED TAX POSITIONS	2,818	2,818
DEFERRED COMPENSATION PAYABLE	2,736	2,348
DEFERRED CREDITS	1,931	1,994
OTHER LONG-TERM OBLIGATIONS	386	368
Total liabilities	52,735	37,471
STOCKHOLDERS EQUITY:		
Preferred stock 5,000 shares authorized as of June 30, 2009 and December 31, 2008; no shares issued		
Common stock no par value; 100,000 shares authorized; 27,943 and 28,093 shares issued at June 30, 2009 and December 31 2008, respectively	60,343	61,689
Retained earnings	144,052	132,674
Accumulated other comprehensive loss	(65)	(58)
Total stockholders equity	204,330	194,305
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 257,065	\$ 231,776

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(In thousands, except per common share - unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
NET SALES	\$ 64,837	\$ 57,441	\$ 123,208	\$ 110,994
COST OF SALES	36,694	32,939	70,257	64,900
GROSS PROFIT	28,143	24,502	52,951	46,094
OPERATING EXPENSES:				
Selling, general, and administrative	16,287	12,839	31,116	25,911
Research and development	2,893	2,654	4,972	4,570
Total operating expenses	19,180	15,493	36,088	30,481
INCOME FROM OPERATIONS	8,963	9,009	16,863	15,613
OTHER INCOME (EXPENSE):				
Interest income	28	162	150	312
Other (expense) income	(6)	(16)	46	(21)
Other income - net	22	146	196	291
INCOME BEFORE INCOME TAXES	8,985	9,155	17,059	15,904
INCOME TAX EXPENSE	3,144	3,337	5,681	5,769
NET INCOME	\$ 5,841	\$ 5,818	\$ 11,378	\$ 10,135
EARNINGS PER COMMON SHARE:				
Basic	\$.21	\$.21	\$.41	\$.37
Diluted	\$.21	\$.21	\$.40	\$.36
AVERAGE COMMON SHARES:				
Basic	27,924	27,603	27,990	27,547
Diluted	28,427	28,325	28,487	28,311

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(In thousands - unaudited)

	Six Months Ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 11,378	\$ 10,135
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,710	5,113
Losses on sales and/or abandonment of property and equipment	201	209
Write-off of a certain patent and trademarks	72	77
Amortization of deferred credits	(63)	(53)
Purchase of trading investments	(221)	(180)
Net unrealized (gains)/losses on trading investments	(185)	90
Deferred income taxes		(1,277)
Stock-based compensation	575	337
Excess tax benefit attributable to appreciation of common stock options exercised	(422)	(310)
Changes in operating assets and liabilities net of effects from acquisitions:		
Trade receivables	(1,662)	1,664
Employee receivables	(11)	18
Other receivables	344	377
Inventories	(5,725)	(2,006)
Prepaid expenses and other assets	(731)	(347)
Income tax refund receivable	(41)	(38)
Deposits	(18)	
Trade payables	3,509	1,301
Accrued expenses	1,656	1,254
Advances from employees	210	66
Income taxes payable	2,212	411
Current liabilities related to unrecognized tax positions		(1,023)
Deferred compensation payable	388	144
Other long-term obligations	(1)	(49)
Total adjustments	5,797	5,778
Net cash provided by operating activities	17,175	15,913
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for:		
Property and equipment	(8,358)	(7,931)
Patents and trademarks	(782)	(139)
Proceeds from the sale of property and equipment	15	25
Cash paid in acquisitions	(35,241)	(1,509)
Net cash used in investing activities	(44,366)	(9,554)

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(In thousands - unaudited)

	Six Months Ended June 30,	
	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	\$ 385	\$ 2,148
Additions to long-term debt	10,000	
Payment on long-term debt	(10,000)	
Payment of taxes related to an exchange of common stock	(254)	
Common stock repurchased and retired	(2,474)	
Excess tax benefits from stock-based compensation	422	310
Net cash (used in) provided by financing activities	(1,921)	2,458
EFFECT OF EXCHANGE RATES ON CASH	(45)	365
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(29,157)	9,182
CASH AND CASH EQUIVALENTS:		
Beginning of period	34,030	17,574
End of period	\$ 4,873	\$ 26,756
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION Cash paid during the period for:		