

MERIT MEDICAL SYSTEMS INC

Form 10-Q

May 09, 2011

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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 MARCH 31, 2011.

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, or a smaller public company. . See the definitions 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

36,275,218
Number of Shares
Outstanding at May 5, 2011

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CONSOLIDATED BALANCE SHEETS

MARCH 31, 2011 AND DECEMBER 31, 2010

(In thousands)

	March 31, 2011 (unaudited)	December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,465	\$ 3,735
Trade receivables - net of allowances of \$492 and \$593, respectively	41,031	37,362
Employee receivables	161	110
Other receivables	1,267	1,242
Inventories	60,353	60,597
Prepaid expenses and other assets	3,988	2,541
Deferred income tax assets	4,651	4,647
Income tax refunds receivable	472	2,067
Total current assets	115,388	112,301
PROPERTY AND EQUIPMENT:		
Land and land improvements	12,579	12,586
Building	50,399	50,274
Manufacturing equipment	94,176	92,839
Furniture and fixtures	19,091	18,313
Leasehold improvements	12,360	12,121
Construction-in-progress	21,903	13,775
Total	210,508	199,908
Less accumulated depreciation	(74,926)	(71,853)
Property and equipment net	135,582	128,055
OTHER ASSETS:		
Intangibles - net of accumulated amortization of \$10,573 and \$8,996, respectively	56,828	57,184
Goodwill	58,659	58,675
Deferred income tax assets	4,296	4,140
Other assets	9,664	9,125

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Total other assets		129,447		129,124
TOTAL ASSETS	\$	380,417	\$	369,480

See condensed notes to consolidated financial statements.

(Continued)

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CONSOLIDATED BALANCE SHEETS

MARCH 31, 2011 AND DECEMBER 31, 2010

(In thousands)

	March 31, 2011 (unaudited)	December 31, 2010
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 18,229	\$ 20,092
Accrued expenses	18,914	18,890
Advances from employees	329	307
Income taxes payable	945	887
Total current liabilities	38,417	40,176
LONG-TERM DEBT	82,564	81,538
DEFERRED INCOME TAX LIABILITIES	1,507	1,267
LIABILITIES RELATED TO UNRECOGNIZED TAX BENEFITS	3,527	3,527
DEFERRED COMPENSATION PAYABLE	4,477	4,258
DEFERRED CREDITS	1,736	1,763
OTHER LONG-TERM OBLIGATIONS	1,375	1,336
Total liabilities	133,603	133,865
STOCKHOLDERS EQUITY:		
Preferred stock 5,000 shares authorized as of March 31, 2011 and December 31, 2010; no shares issued		
Common stock no par value; 100,000 shares authorized; 35,892 and 35,496 shares issued at March 31, 2011 and December 31, 2010, respectively	71,138	67,091
Retained earnings	174,303	167,664
Accumulated other comprehensive income	1,373	860
Total stockholders equity	246,814	235,615
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 380,417	\$ 369,480

See condensed notes to consolidated financial statements.

(Concluded)

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(In thousands, except earnings per common share - unaudited)

	Three Months Ended March 31,	
	2011	2010
NET SALES	\$ 86,631	\$ 67,432
COST OF SALES	46,846	38,997
GROSS PROFIT	39,785	28,435
OPERATING EXPENSES:		
Selling, general and administrative	24,591	19,032
Research and development	4,984	3,057
Total operating expenses	29,575	22,089
INCOME FROM OPERATIONS	10,210	6,346
OTHER INCOME (EXPENSE):		
Interest income	2	8
Interest expense	(425)	(35)
Other income	11	11
Total other expense - net	(412)	(16)
INCOME BEFORE INCOME TAXES	9,798	6,330
INCOME TAX EXPENSE	3,159	1,822
NET INCOME	\$ 6,639	\$ 4,508
EARNINGS PER COMMON SHARE:		
Basic	\$.19	\$.13
Diluted	\$.18	\$.13
AVERAGE COMMON SHARES:		
Basic	35,593	35,226
Diluted	36,254	35,948

See condensed notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(In thousands - unaudited)

	Three Months Ended March 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 6,639	\$ 4,508
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,794	3,290
Losses on sales and/or abandonment of property and equipment	4	108
Write-off of certain patents and trademarks	14	24
Amortization of deferred credits	(27)	(29)
Purchase of trading investments	(111)	(141)
Net unrealized gains on trading investments	(163)	(33)
Deferred income taxes	93	1
Stock-based compensation	335	304
Tax benefit attributable to appreciation of common stock options exercised	(1,055)	
Changes in operating assets and liabilities, net of effects from acquisitions:		
Trade receivables	(3,316)	(4,101)
Employee receivables	(47)	11
Other receivables	17	171
Inventories	245	353
Prepaid expenses and other assets	(1,402)	(451)
Income tax refund receivable	(107)	16
Other assets	22	
Trade payables		