

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,<br>2006 | December 31,<br>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,<br>2006 | December 31,<br>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>       |                       |                      |