MERIT MEDICAL SYSTEMS INC

Form 10-Q August 07, 2017 Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017.

OR

o 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 87-0447695

(State or other jurisdiction of incorporation or organization) (I.R.S. Identification No.)

1600 West Merit Parkway, South Jordan, UT 84095

(Address of Principal Executive Offices, including Zip Code)

(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 ý No o

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 ý No o

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

Large Accelerated Accelerated Filer o

Non-Accelerated Filer o

Smaller Reporting Company o

Company o

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Common Stock 50,129,418

Title or class

Number of Shares

Outstanding at August 1, 2017

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2017 AND DECEMBER 31, 2016 (In thousands)

ASSETS	June 30, 2017 (unaudited)	December 31, 2016
CURRENT ASSETS:		
Cash and cash equivalents	\$37,675	\$19,171
Trade receivables — net of allowance for uncollectible accounts — 2017 — \$1,514 and 201	6	
\$1,587	103,689	80,521
Employee receivables	148	198
Other receivables	5,560	5,445
Inventories	136,684	120,695
Prepaid expenses and other assets	9,105	6,226
Prepaid income taxes	2,656	2,525
Deferred income tax assets	_	8,219
Income tax refund receivables	43	423
Total current assets	295,560	243,423
PROPERTY AND EQUIPMENT:		
Land and land improvements	19,680	19,379
Buildings	143,059	139,119
Manufacturing equipment	188,329	178,110
Furniture and fixtures	46,795	43,433
Leasehold improvements	30,778	30,413
Construction-in-progress	31,975	28,180
Total property and equipment	460,616	438,634
Less accumulated depreciation	(175,413) (162,061)
Property and equipment — net	285,203	276,573
OTHER ASSETS:		
Intangible assets:		
Developed technology — net of accumulated amortization — 2017 — \$62,108 and 2016 —	\$15527,85425	135,358
Other — net of accumulated amortization — 2017 — \$33,111 and 2016 — \$30,048	53,681	47,339
Goodwill	226,829	211,927
Deferred income tax assets	1,997	171
Other assets	31,056	28,012

Total other assets 471,088 422,807

TOTAL \$1,051,851 \$942,803

See condensed notes to consolidated financial statements. (continued)

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2017 AND DECEMBER 31, 2016 (In thousands)

June 30,	December
2017	31, 2016

LIABILITIES AND STOCKHOLDERS' EQUITY(unaudited)

CURRENT LIABILITIES:

Trade payables	\$ 36,671	\$ 30,619
Accrued expenses	59,185	44,947
Current portion of long-term debt	16,969	10,000
Advances from employees	192	572
Income taxes payable	1,910	2,193