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 SEPTEMBER 30, 2009.

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 x 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 o No o

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 o	Accelerated Filer x
Non-Accelerated Filer o	Smaller Reporting Company 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 x

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

Common Stock	**28,087,311**
Title or class	Number of Shares Outstanding at November 2, 2009

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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, 2009 AND DECEMBER 31, 2008

(In thousands - unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,763	$ 34,030
Trade receivables - net of allowances of $650 and $505, respectively	31,812	27,749
Employee receivables	171	126
Other receivables	465	818
Inventories	48,036	38,358
Prepaid expenses and other assets	1,832	985
Deferred income tax assets	2,783	2,782
Income tax refunds receivable	667	607
Total current assets	91,529	105,455
PROPERTY AND EQUIPMENT:		
Land and land improvements	9,776	7,992
Building	50,000	49,793
Manufacturing equipment	75,019	68,184
Furniture and fixtures	15,550	16,689
Leasehold improvements	10,122	9,868
Construction-in-progress	11,476	7,599
Total	171,943	160,125
Less accumulated depreciation	(60,749)	(56,186)
Property and equipment net	111,194	103,939
OTHER ASSETS:		
Other intangibles - net of accumulated amortization of $4,720 and $3,122, respectively	25,899	6,913
Goodwill	32,849	13,048
Other assets	3,030	2,325
Deferred income tax assets	38	23
Deposits	92	73

Total other assets		61,908		22,382
TOTAL ASSETS	$	264,631	$	231,776

See notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2009 AND DECEMBER 31, 2008

(In thousands - unaudited)

	September 30, 2009	December 31, 2008
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 13,570	$ 10,622
Other payables	7,000	
Accrued expenses	13,213	9,973
Advances from employees	405	211
Income taxes payable	1,472	366
Total current liabilities	35,660	21,172
DEFERRED INCOME TAX LIABILITIES	8,788	8,771
LIABILITIES RELATED TO UNRECOGNIZED TAX POSITIONS	2,681	2,818
DEFERRED COMPENSATION PAYABLE	3,048	2,348
DEFERRED CREDITS	1,903	1,994
OTHER LONG-TERM OBLIGATIONS	461	368
Total liabilities	52,541	37,471
STOCKHOLDERS EQUITY:		
Preferred stock 5,000 shares authorized as of September 30, 2009 and December 31, 2008; no shares issued		
Common stock no par value; 100,000 shares authorized; 28,059 and 28,093 shares issued at September 30, 2009 and December 31, 2008, respectively	62,012	61,689
Retained earnings	150,137	132,674
Accumulated other comprehensive loss	(59)	(58)
Total stockholders equity	212,090	194,305
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 264,631	$ 231,776

See notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

(In thousands, except earnings per common share - unaudited)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
NET SALES	$ 66,759	$ 58,153	$ 189,967	$ 169,147
COST OF SALES	38,224	34,469	108,481	99,369
GROSS PROFIT	28,535	23,684	81,486	69,778
OPERATING EXPENSES:				
Selling, general, and administrative	16,780	14,329	47,896	40,240
Research and development	3,292	2,186	8,264	6,756
Total operating expenses	20,072	16,515	56,160	46,996
INCOME FROM OPERATIONS	8,463	7,169	25,326	22,782
OTHER INCOME (EXPENSE):				
Interest income	14	183	164	495
Other income (expense) - net	(43)	46	3	25
Other income (expense) - net	(29)	229	167	520
INCOME BEFORE INCOME TAXES	8,434	7,398	25,493	23,302
INCOME TAX EXPENSE	2,349	2,198	8,030	7,967
NET INCOME	$ 6,085	$ 5,200	$ 17,463	$ 15,335
EARNINGS PER COMMON SHARE:				
Basic	$ .22	$ .19	$ .62	$ .55
Diluted	$ .21	$ .18	$ .61	$ .54
AVERAGE COMMON SHARES:				
Basic	27,970	27,900	27,983	27,669
Diluted	28,690	28,812	28,555	28,482

See notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

(In thousands - unaudited)

	Nine Months Ended September 30, 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 17,463	$ 15,335
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,980	7,680
Losses on sales and/or abandonment of property and equipment	217	541
Write-off of a certain patent and trademarks	158	76
Amortization of deferred credits	(92)	(82)
Purchase of trading investments	(339)	(290)
Net unrealized (gains)/losses on trading investments	(365)	343
Deferred income taxes	(21)	(1,272)
Stock-based compensation	880	630
Excess tax benefit attributable to appreciation of common stock options exercised	(761)	(2,147)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Trade receivables	(2,910)	119
Employee receivables	(39)	21
Other receivables	352	431
Inventories	(7,736)	(4,131)
Prepaid expenses and other assets	(596)	(196)
Income tax refund receivable	(59)	(813)
Deposits	(19)	5
Trade payables	3,102	472
Accrued expenses	2,605	1,795
Advances from employees	187	137
Income taxes payable	1,859	1,690
Liabilities related to unrecognized tax positions	(137)	(1,227)
Deferred compensation payable	700	(55)
Other long-term obligations	75	(53)
Total adjustments	6,041	3,674
Net cash provided by operating activities	23,504	19,009
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for:		
Purchase of marketable securities available for sale		(1,030)
Property and equipment	(15,059)	(10,126)
Patents and trademarks	(1,005)	(329)
Proceeds from the sale of property and equipment	23	25
Cash paid in acquisitions	(35,242)	(2,113)
Net cash used in investing activities	(51,283)	(13,573)

See notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

(In thousands - unaudited)

	Nine Months Ended September 30, 2009		2008
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	$	1,410	$ 5,782
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		761	2,147
Net cash (used in) provided by financing activities		(557)	7,929
EFFECT OF EXCHANGE RATES ON CASH		69	142
NET (DECREASE)INCREASE IN CASH AND CASH EQUIVALENTS		(28,267)	13,507
CASH AND CASH EQUIVALENTS:			
Beginning of period		34,030	17,574
End of period	$	5,763	$ 31,081
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION Cash paid during the period for:			
Interest	$	40	$ 14
Income taxes	$	6,380	$ 9,613
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Property and equipment purchases in accounts payable	$	1,694	$ 2,463
Accrued purchase price	$	7,000	$ 1,500

During the nine months ended September 30, 2009, 23,829 shares of Merit s common stock were surrendered in exchange for Merit s recording of payroll tax liabilities in the amount of approximately $254,000, related to the exercise of stock options. The shares were valued based upon the closing price of the Merit s common stock on the surrender date.

During the nine months ended September 30, 2009, 21,556 shares of the Merit s common stock, with a value of approximately $230,000 were surrendered in exchange for the exercise of stock options.

See notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. **Basis of Presentation**. The interim consolidated financial statements of Merit Medical Systems, Inc. (Merit, we or us) for the three and nine-month periods ended September 30, 2009 and 2008 are not audited. Our consolidated financial statements are prepared in accordance with the requirements for unaudited interim periods, and consequently, do not include all disclosures required to be made in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of our financial position as of September 30, 2009, and our results of operations and cash flows for the three and nine-month periods ended September 30, 2009 and 2008. The results of operations for the three and nine-month periods ended September 30, 2009 are not necessarily indicative of the results for a full-year period. These interim consolidated financial statements should be read in conjunction with the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission (the SEC).

2. **Inventories**. Inventories are stated at the lower of cost or market. Inventories at September 30, 2009 and December 31, 2008 consisted of the following (in thousands):

	September 30, 2009	December 31, 2008
Finished goods	$ 20,173	$ 17,818
Work-in-process	8,570	4,790
Raw materials	19,293	15,750
Total	$ 48,036	$ 38,358

3. **Reporting Comprehensive Income.** Comprehensive income for the three and nine-month periods ended September 30, 2009 and 2008 consisted of net income and foreign currency translation adjustments. As of September 30, 2009 and December 31, 2008, the cumulative effect of such adjustments decreased stockholders equity by approximately $59,000 and approximately $58,000, respectively. Comprehensive income for the three and nine-month periods ended September 30, 2009 and 2008 has been computed as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net income	$ 6,085	$ 5,200	$ 17,463	$ 15,335
Foreign currency translation gains(losses)	(6)	(83)	1	74
Unrealized depreciation on marketable securities available for sale		(83)		(83)
Comprehensive income	$ 6,079	$ 5,034	$ 17,464	$ 15,326

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4. Stock-based Compensation. Stock-based compensation expense for the three and nine-month periods ended September 30, 2009 and 2008 has been categorized as follows (in thousands):

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Cost of sales	$ 61	$ 48	$ 154	$ 45
Research and development	16	13	43	23
Selling, general and administrative	228	232	683	562
Stock-based compensation	$ 305	$ 293	$ 880	$ 630

The excess income tax benefit created from the exercises of stock options was approximately $339,000 and $761,000 for the three and nine-month periods ended September 30, 2009, respectively, and approximately $1.8 million and $2.1 million for the three and nine-month periods ended September 30, 2008, respectively. As of September 30, 2009, the total remaining unrecognized compensation cost related to non-vested stock options, net of expected forfeitures, was approximately $4.3 million and is expected to be recognized over a weighted average period of 3.6 years. During the nine months ended September 30, 2009 and 2008, we granted 140,000 and 499,000 stock awards, respectively. We use the Black-Scholes methodology to value the stock compensation expense for options. In applying the Black-Scholes methodology to the option grants, we used the following assumptions:

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Risk-free interest rate	2.70%	3.24-3.55%
Expected option life	6.0 years	4.2-6 years
Expected price volatility	42.40%	38-41.66%

We estimate the average risk-free interest rate using the U.S. Treasury rate in effect as of the date of grant, based on the expected term of the stock option. We estimate the expected term of the stock options using the historical exercise behavior of employees. We estimate the expected price volatility using a weighted average of daily historical volatility of our stock price over the corresponding expected option life and implied volatility based on recent trends of the daily historical volatility.

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5. Shares Used in Computing Net Income Per Share. The following table sets forth the computation of the number of shares used in calculating basic and diluted net income per share (in thousands, except earnings per common share):

	Three Months			Nine Months		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Ended September 30, 2009:						
Basic EPS	$ 6,085	27,970	$ 0.22	$ 17,463	27,983	$ 0.62
Effect of dilutive stock options and warrants		720			572	
Diluted EPS	$ 6,085	28,690	$ 0.21	$ 17,463	28,555	$ 0.61
Weighted-average shares under stock options excluded from the calculation of common stock equivalents as the impact was antidilutive		529			1,305	
Ended September 30, 2008:						
Basic EPS	$ 5,200	27,900	$ 0.19	$ 15,335	27,669	$ 0.55
Effect of dilutive stock options and warrants		912			813	
Diluted EPS	$ 5,200	28,812	$ 0.18	$ 15,335	28,482	$ 0.54
Weighted-average shares under stock options excluded from the calculation of common stock equivalents as the impact was antidilutive		449			797	

6. Acquisitions. On June 2, 2009, we entered into an asset purchase agreement with Hatch Medical, L.L.C., a Georgia limited liability company (Hatch), to purchase assets associated with the EN Snare® foreign body retrieval system. We paid Hatch $14 million in June 2009 and have accrued an additional $7 million in other payables, which is payable on December 31, 2009. Our consolidated financial statements for the three and nine-month periods ended September 30, 2009 reflect royalty income subsequent to the acquisition date of approximately $431,000 and $574,000, respectively, and a net income of approximately $115,000 and $158,000, respectively, related to our Hatch acquisition. We are in the process of finalizing our valuation of tangible and intangible assets, and residual goodwill acquired in the transaction. The purchase price allocation will be completed no later than one year from the date of acquisition, and may change as more detailed analyses are completed and additional information about fair value of assets and liabilities becomes available. The purchase price was preliminarily allocated as follows (in thousands):

Assets Acquired	
Intangibles	
Developed technology	8,100
Customer lists	590
Non-compete	240
Trademark	650
Goodwill	11,420
Total assets acquried	21,000
Liabilities Assumed	None
Net assets acquired	$ 21,000

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We intend to amortize the developed technology over 11 years, customer lists on an accelerated basis over seven months, a non-compete covenant over seven years and a trademark over 15 years.

On March 9, 2009, we entered into an asset purchase agreement with Alveolus, Inc., a North Carolina corporation (Alveolus), to purchase their non-vascular interventional stents used for esophageal, tracheobronchial, and biliary stenting procedures. We paid Alveolus $19.1 million in March 2009. The gross amount of trade receivables we acquired from Alveolus is approximately $1.0 million, of which $49,000 was expected to be uncollectible. Our consolidated financial statements for the three and nine-month periods ended September 30, 2009 reflect sales subsequent to the acquisition date of approximately $2.1 million and $4.4 million, respectively, and a net loss of approximately ($709,000) and ($1.8 million), respectively, related to our acquisition of the Alveolus assets. We are in the process of finalizing our valuation of certain tangible and intangible assets, and residual goodwill associated with the acquisition. Slight changes have been made to the assets acquired and liabilities assumed during the six-month period ended September 30, 2009, but we do not believe those changes are material to our financial statements. We intend to complete the purchase price allocation no later than one year from the date of acquisition, and that allocation may change as more detailed analyses are completed and additional information about fair value of the acquired assets and liabilities becomes available. The purchase price was preliminarily allocated as follows (in thousands):

Assets Acquired		
Inventories	$	1,728
Trade receivable		974
Other assets		241
Property and equipment		547
Intangibles		
Developed technology		5,700
Trademarks		1,400
Customer lists		1,100
In-process research and development		400
Goodwill		8,041
Total assets acquired		20,131
Liabilities Assumed		
Accounts payable		467
Other liabilities		572
Total liabilities assumed		1,039
Net assets acquired	$	19,092

We intend to amortize the developed technology and trademarks over 15 years and customer lists on an accelerated basis over seven years. We intend to amortize the in-process research and development over 15 years, which will begin if the resulting product is successfully launched in the market. The acquired trademarks are scheduled to renew in 3.77 years (based on a weighted-average, from September 30, 2009 until the trademark renewal date). While U.S. trademarks can be renewed indefinitely, we currently estimate that we will generate cash flow from the acquired trademarks for a period of 15 years from the acquisition date.

On March 3, 2009, we paid $500,000 to GMA Company, Ltd (GMA) representing the final payment due on our distribution agreement. The total amount paid to GMA under this agreement was approximately $2.0 million and was allocated as a distribution agreement and we anticipate that it will be amortized over an estimated life of 11 years.

On February 19, 2009, we entered into an asset purchase and supply agreement with Biosearch Medical Products, Inc., a New Jersey corporation (Biosearch), to purchase a bipolar coagulation probe and grafted biliary stents. We paid $1.1 million in February 2009 and paid an additional $500,000 in June 2009. Our financial statements for the three and nine-month periods ended September 30, 2009 reflect sales subsequent to the acquisition date of approximately $596,000 and $1.1 million, respectively, and net income of approximately $127,000 and $218,000, respectively, related to the Biosearch acquisition.

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We are in the process of finalizing our valuation of tangible and intangible assets, and residual goodwill. We intend to complete the purchase price allocation no later than one year from the date of acquisition, and may change that allocation as more detailed analyses are completed and additional information about fair value of assets and liabilities becomes available. The purchase price was preliminarily allocated as follows (in thousands):

Assets Acquired		
Inventories	$	214
Propery and equipment		31
Intangibles		
Developed technology		380
Customer lists		660
Non-compete		25
Goodwill		290
Total assets acquried		1,600
Liabilities Assumed		None
Net assets acquired	$	1,600

We intend to amortize developed technology over 15 years, customer lists on an accelerated basis over eight years, and a non-compete covenant over seven years.

The goodwill arising from the acquisitions discussed above consists largely of the synergies and economies of scale we hope to achieve from combining the acquired operations with our historical operations. The goodwill recognized from these acquisitions is expected to be deductible for income tax purposes.

The following table summarizes our unaudited consolidated result of operations for the three and nine-month periods ended September 30, 2009 and 2008, as well as the unaudited pro forma consolidated results of operations as though the Hatch, Alveolus and Biosearch acquisitions had occurred on January 1, 2008:

	Three Months Ended September 30, 2009				Three Months Ended September 30, 2008			
	As Reported		**Pro Forma**		**As Reported**		**Pro Forma**	
Sales	$	66,759	$	66,759	$	58,153	$	60,962
Net income		6,085		6,085		5,200		4,601
Earnings per common share:								
Basic	$	.22	$	.22	$	.19	$	