

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, 1996.  
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 87-0447695  
(State or other jurisdiction of (I.R.S. Identification No.)  
incorporation or organization)

1600 West Merit Park Way, 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 the number of shares outstanding of each of the Registrant's  
classes of common stock, as of the latest practicable date.

Common Stock 6,856,756  
TITLE OR CLASS Number of Shares Outstanding at  
May 7, 1996

MERIT MEDICAL SYSTEMS, INC.

INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION	PAGE
Item 1. Financial Statements	
Consolidated Balance Sheets as of March 31, 1996 and December 31, 1995 . . . . .	1
Consolidated Statements of Operations for the three months ended March 31, 1996 and 1995. . . . .	3
Consolidated Statements of Cash Flows for the three months ended March 31, 1996 and 1995. . . . .	4
Notes to Consolidated Financial Statements . . . . .	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. . . . .	7

PART II. OTHER INFORMATION

PART I - FINANCIAL INFORMATION

ITEM 1: Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS  
MARCH 31, 1996 AND DECEMBER 31, 1995

ASSETS	March 31, 1996 (Unaudited)	December 31, 1995
<b>CURRENT ASSETS:</b>		
Cash	\$ 297,413	\$ 270,841
Trade receivables - net	6,970,406	6,727,960
Employee and related party receivables	313,431	363,266
Irish Development Agency grant receivable	238,304	544,725
Inventories	12,556,849	12,156,795
Prepaid expenses other assets	689,114	403,414
Deferred income tax assets	655,609	655,609
Total current assets	21,721,126	21,122,610
<b>PROPERTY AND EQUIPMENT:</b>		
Land	595,325	595,959
Building	878,060	782,195
Manufacturing equipment	8,203,173	7,959,952
Automobiles	139,570	174,651
Furniture and fixtures	3,078,467	3,005,093
Leasehold improvements	3,091,791	3,087,602
Construction-in-progress	2,604,952	1,465,945
Total	18,591,338	17,071,397
Less accumulated depreciation and amortization	(6,018,776)	(5,479,589)
Property and equipment - net	12,572,562	11,591,808
<b>OTHER ASSETS:</b>		
Intangible assets - net	1,555,287	1,463,885
Deposits	34,327	46,984
Prepaid royalty	257,143	278,571
Total other assets	1,846,757	1,789,440
<b>TOTAL</b>	<b>\$ 36,140,445</b>	<b>\$ 34,503,858</b>

Continued on Page 2  
See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS (Continued)  
MARCH 31, 1996 AND DECEMBER 31, 1995

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 1996 (Unaudited)	December 31, 1995
<b>CURRENT LIABILITIES:</b>		
Line of credit	\$4,613,728	\$5,871,539
Current portion of long-term debt	1,182,890	778,088
Trade payables	2,477,125	3,056,289
Accrued expenses	1,571,119	1,715,075
Advances from employees	102,102	52,863

Income taxes payable	274,545	129,785
Total current liabilities	10,221,509	11,603,639
DEFERRED INCOME TAX LIABILITIES	618,586	616,652
LONG-TERM DEBT	3,966,237	1,066,513
DEFERRED CREDITS	945,632	1,778,953
Total Liabilities	15,751,964	15,065,757
MINORITY INTEREST IN SUBSIDIARY	236,122	173,576
STOCKHOLDERS' EQUITY:		
Common stock - no par value;		
10,000,000 shares authorized;		
6,839,606 and 6,786,239 shares		
issued and outstanding at		
March 31, 1996 and December		
31, 1995, respectively	13,483,134	13,088,265
Foreign currency translation		
adjustment	(16,851)	22,631
Retained earnings	6,686,076	6,153,629
Total stockholders' equity	20,152,359	19,264,525
TOTAL	\$35,140,445	\$34,503,858

See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 1996 AND 1995 (Unaudited)

	March 31, 1996	March 31, 1995
SALES	\$12,130,015	\$9,731,477
COST OF SALES	7,012,670	5,911,529
GROSS PROFIT	5,117,345	3,819,948
OPERATING EXPENSES:		
Selling, general and administrative	3,418,032	3,041,610
Research and development	615,844	522,104
TOTAL	4,033,876	3,563,714
INCOME FROM OPERATIONS	1,083,469	256,234
OTHER EXPENSE - NET	162,614	43,206
INCOME BEFORE INCOME TAX EXPENSE	920,855	213,028
INCOME TAX EXPENSE	325,862	158,858
MINORITY INTEREST IN (INCOME ) LOSS OF SUBSIDIARY	(62,546)	9,298
NET INCOME	\$532,447	\$63,468
NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE	\$.08	\$.01

WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	6,941,491	6,722,538
---	-----------	-----------

See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 1996 AND 1995 (Unaudited)

	March 31, 1996	March 31, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 532,447	\$ 63,468
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	568,955	455,859
Losses on sales and abandonment of property and equipment	2,186	-
Deferred income taxes	1,934	-
Minority interest in income (loss) of subsidiary	62,546	(9,298)
Tax benefit attributable to appreciation of common stock options exercised	-	9,846
Changes in operating assets and liabilities:		
Trade receivables	(242,446)	(196,820)
Employee and related party receivables	49,835	(18,856)
Irish Development Agency grant receivable	(44,305)	(146,710)
Inventories	(400,054)	(19,670)
Prepaid expenses and other assets	(285,700)	(318,430)
Deposits	12,657	25,218
Trade payables	(579,164)	(256,007)
Accrued expenses	(143,956)	20,574
Advances from employees	49,239	(2,958)
Income taxes payable	144,760	153,358
Other, net	(39,482)	15,912
Total adjustments	(842,995)	(287,982)
Net cash used in operating activities	(310,548)	(224,514)

CASH FLOWS FROM INVESTING ACTIVITIES:		
Collections (advances) on construction advances receivable	-	2,184,630
Capital expenditures for:		
Property and equipment	(996,598)	(2,751,616)
Intangible assets	(92,891)	(37,779)
Proceeds from sale of property and equipment	20,119	-
Net cash used in investing activities	(1,069,370)	(604,765)

Continued on page 5

See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
FOR THE THREE MONTHS ENDED MARCH 31, 1996 AND 1995 (Unaudited)

	March 31, 1996	March 31, 1995
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds included in deferred credits	277,719	-
Proceeds from issuance of common stock	394,869	138,583
Principal payments on:		
long-term debt	(190,920)	(90,599)
line of credit	(1,257,811)	(609,850)
deferred credits	(17,367)	-

Proceeds from issuance of long-term debt	2,200,000	1,459,546
Net cash provided by financing activities	1,406,490	897,680
NET INCREASE IN CASH	26,572	68,401
CASH AT BEGINNING OF PERIOD	270,841	155,836
CASH AT END OF PERIOD	\$297,413	\$224,237

SUPPLEMENTAL DISCLOSURES OF CASH  
FLOW INFORMATION

Cash paid during the period for interest  
(including capitalized interest of  
\$34,384 and \$29,309, respectively)

\$136,695                      \$34,162

Income taxes                                      \$179,168                      \$5,500

SUPPLEMENTAL DISCLOSURE OF NONCASH  
INVESTING AND FINANCING ACTIVITIES:

During the three month period ended March 31, 1996 and 1995, the Company entered into notes payable totaling \$583,006 and \$391,435 respectively, for manufacturing equipment and furniture and fixtures.

See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation. In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of financial position of the Company as of March 31, 1996 and December 31, 1995, and the results of its operations and cash flows for the three months ended March 31, 1996 and 1995. The results of operations for the three months ended March 31, 1996 and 1995 are not necessarily indicative of the results for a full year period.

2. Inventories. Inventories at March 31, 1996 and December 31, 1995 consisted of the following:

	March 31, 1996	December 31, 1995
Raw materials	\$ 3,123,519	\$ 3,091,679
Work-in-process	4,244,921	3,337,315
Finished goods	5,188,409	5,727,801
Total	\$12,556,849	\$12,156,795

3. Income Taxes. The Company has not fully allocated income tax expense between current and deferred for the quarters ended March 31, 1996 and 1995. The effective tax rate for the quarter ended March 31, 1995 is higher than the federal statutory tax rate due to losses incurred by the Company's subsidiaries for which a tax benefit had not yet been recorded.

MERIT MEDICAL SYSTEMS, INC.

ITEM 2:

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

Operations. The Company has achieved significant increases in sales for the three months ended March 31, 1996 compared to the same period in 1995.

The following table sets forth certain operational data as a percentage of sales for the three months ended March 31, 1996 and 1995:

	Three Months Ended	
	1996	1995
Sales	100.0 %	100.0%
Gross Profit	42.2	39.3
Operating Expenses	33.3	36.6
Income From Operations	8.9	2.6
Other Expense	1.3	.4
Net Income	4.4	.7

Sales for the first quarter of 1996 increased by 25% or \$2,398,538 compared to the same period for 1995. This increase was largely attributable to a growth rate of 37% in the sales of custom kits as compared to the first quarter of 1995. When the Company's products are sold as part of a custom kit, the revenues attributable to each component are not separately reported. In the first quarter of 1996, custom kits represented 58% of total sales, up from 53% of sales for the three months ended March 31, 1995. International sales for the first quarter of 1996 represented 21% of total company sales vs 16% of sales for the comparable period in 1995. In March 1995, the Company began transitioning from sales through a dealer network in the U.K., France and Germany to a direct sales force. For the first quarter of 1996 the direct sales force accounted for \$1,174,000, an increase of 223% in these markets, which represented 45% of total international sales. For the same period a year ago sales in the U.K., France, and Germany totaled approximately \$363,000 of which \$356,000 of the sales were made through third party dealers and \$7,000 through the Company's direct sales force.

During the quarter ended March 31, 1996, the Company introduced a new line of 25 ATM inflation devices designed to meet the higher pressures demanded during stent procedures. Based on orders received during the quarter and subsequent to the end of the quarter the Company believes that these new inflation products will contribute to increase revenues and profits over the next several quarters.

Gross Profit. Gross profit as a percentage of sales increased in the first quarter of 1996 to 42.2% as compared to 39.3% in the first quarter of 1995. The increase was primarily due to continuous manufacturing efficiencies and economies of scale achieved in the Company's new facility located in South Jordan Utah, and increased direct sales in Western Europe at retail prices compared to wholesale prices to dealers. Sentir the Company's semiconductor subsidiary also contributed to the first quarter of 1996 gross margin improvement due to economies of scale on higher sales volume with margins of over 50%.

MERIT MEDICAL SYSTEMS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS (Continued)

Operating Expenses. Operating expenses decreased as a percentage of sales to 33.3% of sales in the first quarter of 1996 compared to 36.6% in the first quarter of 1995. The improvement in the current period is due primarily to economics of scale associated with increasing sales volumes and a continuous company wide focus on achieving greater individual productivity. European operating expenses as a percentage of sales improved to 57.4% of sales down from over 4,700% of sales for the first quarter of 1995. Product research and development expenses were 5.1% of sales in the first quarter of 1996 compared to 5.4% in the first quarter of 1995. Such expenses are expected to be approximately five percent of sales on an annual basis.

Income. During the quarter ended March 31, 1996, the Company reported income from operations of \$920,855 an increase of 332% from income from operations of \$213,028 for the comparable period in 1995. This increase is primarily the result of increased sales, improved gross margins and lower operating expenses as a percent of sales as discussed previously.

Liquidity and Capital Resources. At March 31, 1996, the Company's working capital was \$11,540,931 which represented a current ratio of 2.1 to 1. During 1995, the Company increased an available secured bank line of credit

to \$8,500,000 and obtained \$2.2 million in term debt which was drawn down in February of 1996. The line of credit bears interest at .25 percent over the banks prime rate and contains various conditions and restrictions. At March 31, 1996, the outstanding balance under the line of credit was \$4,613,728. Historically, the company has incurred significant expenses in connection with product development and introduction of new products. Substantial capital has also been required to finance growth in inventories and receivables. The Company's principal source of funding for these and other expenses has been the sale of equity and cash generated from operations. Based on the Company's current rate of growth and expansion plans, additional debt or equity financing may be required by the fourth quarter of 1996. There are no present commitments or arrangement for additional financing. If such financing is required and unavailable, the Company may be required to slow its growth or expansion plans, particularly in international markets.

MERIT MEDICAL SYSTEMS, INC.

PART II - OTHER INFORMATION

ITEM 6: Exhibits and Reports on Form 8-K

- (a) Exhibits - none required to be filed
- (b) Reports on Form 8-K - none

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MERIT MEDICAL SYSTEMS, INC.  
REGISTRANT

Date: May 7, 1996  
FRED P. LAMPROPOULOS  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Date: May 7, 1996  
KENT W. STANGER  
VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MERIT MEDICAL SYSTEMS, INC.'S CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT FOR THE PERIOD ENDING MARCH 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<CIK> 0000856982

<NAME> MERIT MEDICAL SYSTEMS, INC.

<PERIOD-TYPE>	3-MOS	
<FISCAL-YEAR-END>		DEC-31-1996
<PERIOD-START>		JAN-01-1996
<PERIOD-END>		MAR-31-1996
<CASH>		297413
<SECURITIES>		0
<RECEIVABLES>		7041631
<ALLOWANCES>		(71225)
<INVENTORY>		12556849
<CURRENT-ASSETS>		21721126
<PP&E>		18591338
<DEPRECIATION>		(6018776)
<TOTAL-ASSETS>		36140445
<CURRENT-LIABILITIES>		10221509
<BONDS>		3966237
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		13483134
<OTHER-SE>		6686076
<TOTAL-LIABILITY-AND-EQUITY>		20152359
<SALES>		12130015
<TOTAL-REVENUES>		12130015
<CGS>		7012670
<TOTAL-COSTS>		7012670
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		5987
<INTEREST-EXPENSE>		167869
<INCOME-PRETAX>		920855
<INCOME-TAX>		325862
<INCOME-CONTINUING>		1083469
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		532447
<EPS-PRIMARY>		.08
<EPS-DILUTED>		.08