
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): October 28, 2020



Merit Medical Systems, Inc.

(Exact name of registrant as specified in its charter)

Utah
(State or other jurisdiction of
incorporation or organization)

0-18592
(Commission
File Number)

87-0447695
(I.R.S. Employer
Identification No.)

1600 West Merit Parkway
South Jordan, Utah
(Address of principal executive offices)

84095
(Zip Code)

(801) 253-1600
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, no par value	MMSI	NASDAQ Global Select Market System

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth 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.

Item 2.02. Results of Operations and Financial Condition.

On October 28, 2020, Merit Medical Systems, Inc. (the "Company") issued a press release announcing its operating and financial results for the quarter ended September 30, 2020. The full text of the Company's press release, including unaudited financial information, is furnished herewith as Exhibit 99.1. The Company's Annual Report on Form 10-K for the year ended December 31, 2019, as amended by Amendment No. 1 to Annual Report on Form 10-K/A dated April 29, 2020, and other filings with the Securities and Exchange Commission should also be consulted for other important information about the Company.

The information in this Current Report on Form 8-K (including the exhibits attached hereto) is furnished pursuant to General Instruction B.2. of Form 8-K and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing made by the Company under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 7.01. Regulation FD Disclosure.

On October 28, 2020, the Company is scheduled to conduct a conference call for the purpose of discussing its operating and financial results for the quarter ended September 30, 2020. In connection with that call, the Company posted a slide presentation to its website. The presentation discusses the Company's operating and financial results for the quarter ended September 30, 2020. A copy of the presentation is attached herewith as Exhibit 99.2.

The Company is furnishing the information in this Item 7.01 (including Exhibit 99.2 attached hereto) pursuant to Regulation FD promulgated under the Exchange Act. Such information shall not be deemed "filed" for purposes of the Exchange Act or otherwise subject to the liabilities of that section, and is not deemed incorporated by reference into any filing under the Securities Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
99.1	Press Release, dated October 28, 2020, entitled "Merit Medical Reports Results for Third Quarter; Issues Updated 2020 Guidance," including unaudited financial information.
99.2	Conference Call Presentation.
101	The cover page from this Current Report on Form 8-K, formatted in Inline XBRL and incorporated as Exhibit 101
104	The cover page from this Current Report on Form 8-K, formatted in Inline XBRL.

SIGNATURES

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

MERIT MEDICAL SYSTEMS, INC.

Date: October 28, 2020

By: /s/ Brian G. Lloyd
Brian G. Lloyd
Chief Legal Officer and Corporate Secretary



PRESS RELEASE

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FOR IMMEDIATE RELEASE

**MERIT MEDICAL REPORTS RESULTS FOR
THIRD QUARTER; ISSUES UPDATED 2020 GUIDANCE**

- Q3 2020 worldwide revenue of \$244.0 million, up 0.4% as reported compared to Q3 2019
- Q3 2020 core revenue on a constant currency basis* down (0.1)% compared to Q3 2019
- Q3 2020 GAAP loss per share of \$(0.05), compared to \$(0.06) in Q3 2019
- Q3 2020 non-GAAP EPS* of \$0.42, compared to \$0.28 in Q3 2019

* Core revenue on a constant currency basis, non-GAAP EPS, non-GAAP net income, non-GAAP operating margin, non-GAAP gross margin and free cash flow are non-GAAP financial measures. A reconciliation of these and other non-GAAP financial measures used in this release to their most directly comparable GAAP financial measures is included under the heading "Non-GAAP Financial Measures" below.

SOUTH JORDAN, Utah, October 28, 2020 -- Merit Medical Systems, Inc. (NASDAQ: MMSI), a leading manufacturer and marketer of proprietary disposable medical devices used in interventional, diagnostic and therapeutic procedures, particularly in cardiology, radiology, oncology, critical care and endoscopy, today announced revenue of \$244.0 million for the quarter ended September 30, 2020, an increase of 0.4% compared to revenue of \$243.0 million for the quarter ended September 30, 2019. Core revenue on a constant currency basis* for the third quarter of 2020 was down (0.1)% compared to the third quarter of 2019.

Merit's GAAP gross margin for the third quarter of 2020 was 41.8%, compared to GAAP gross margin of 42.8% for the third quarter of 2019. Merit's non-GAAP gross margin* for the third quarter of 2020 was 47.0%, compared to non-GAAP gross margin* of 48.1% for the third quarter of 2019.

Merit's GAAP operating margin for the third quarter of 2020 was 0.0%, compared to GAAP operating margin of (1.2)% for the third quarter of 2019. Merit's non-GAAP operating margin* for the third quarter of 2020 was 15.0%, compared to non-GAAP operating margin* of 9.2% for the third quarter of 2019.

Merit's GAAP net loss for the third quarter of 2020 was \$(3.0) million, or \$(0.05) per share, compared to a GAAP net loss of \$(3.4) million, or \$(0.06) per share, for the third quarter of 2019. Merit's non-GAAP net income* for the third quarter of 2020

was \$24.0 million, or \$0.42 per share, compared to non-GAAP net income* of \$15.7 million, or \$0.28 per share, for the third quarter of 2019.

Merit's revenue by category for the three and nine-month periods ended September 30, 2020, compared to the corresponding periods in 2019, was as follows (unaudited, in thousands, except for percentages):

	% Change	Three Months Ended September 30,		% Change	Nine Months Ended September 30,	
		2020	2019		2020	2019
Cardiovascular						
Peripheral Intervention	3.0 %	\$ 86,778	\$ 84,265	(4.4)%	\$ 246,488	\$ 257,744
Cardiac Intervention	(7.7)%	69,089	74,859	(8.5)%	207,685	227,042
Custom Procedural Solutions	22.0 %	56,429	46,258	7.2 %	149,369	139,335
OEM	(17.0)%	24,117	29,044	(7.8)%	80,592	87,449
Total	0.8 %	236,413	234,426	(3.9)%	684,134	711,570
Endoscopy						
Endoscopy devices	(12.3)%	7,562	8,623	(14.3)%	21,737	25,360
Total	0.4 %	\$ 243,975	\$ 243,049	(4.2)%	\$ 705,871	\$ 736,930

“Our third quarter revenue results reflect better than expected performance driven by strong execution and discipline despite a fluctuating global recovery,” said Fred P. Lampropoulos, Merit’s Chairman and Chief Executive Officer. “We are particularly proud of our profitability performance in the third quarter as we leveraged strong operating expense control to drive impressive growth in our non-GAAP operating profit and our non-GAAP EPS, which increased 65% and 50%, respectively, year over year.”

“We remain focused on executing our plan to enhance the efficiency of our business in order to be better positioned for profitable growth going forward,” Lampropoulos said. “We are encouraged by the success we have achieved early in this process as evidenced by the notable improvement in our free cash flow generation this year, which has nearly doubled over our free cash flow generation in the two prior years combined. As promised, we are on track to complete the movement of more than 14 production lines and consolidate several facilities before year end.”

“We look forward to sharing more about our plans for growth and profitability in the coming years at our Foundations for Growth virtual investor event scheduled on November 10,” Lampropoulos added.

As of September 30, 2020, Merit had cash on hand of approximately \$44.6 million, long term debt obligations of approximately \$358 million, and available borrowing capacity of \$327 million, compared to cash on hand of approximately \$44.3 million, long term debt obligations of approximately \$440 million, and available borrowing capacity of \$134 million as of December 31, 2019.

Fiscal Year 2020 Financial Guidance:

The Company is updating its fiscal year 2020 revenue guidance, originally issued on February 24, 2020.

Based upon information currently available to Merit’s management, Merit estimates for the year ending December 31, 2020, absent material acquisitions, non-recurring transactions or other factors beyond Merit’s control, the following:

- Net revenue in the range of \$950.0 million to \$959.0 million, representing a decrease of approximately 3.5% to 4.5% year over year, as compared to net revenue of \$994.9 million for the twelve months ended December 31, 2019. The fiscal year 2020 revenue guidance range assumes:
 - Net revenue from the cardiovascular segment of between \$921.0 million and \$930.0 million, representing a decrease of approximately 3% to 4% year-over-year as compared to net revenue of \$961.0 million for the twelve months ended December 31, 2019.
 - Net revenue from the endoscopy segment of between \$28.6 million and \$28.9 million, representing a decrease of approximately 14.5% to 15.5% year-over-year as compared to net revenue of \$33.9 million for the twelve months ended December 31, 2019.
- GAAP net loss in the range of \$(11.8) million to \$(15.0) million, or \$(0.21) to \$(0.27) per diluted share, compared to GAAP net income of \$5.5 million, or \$0.10 per diluted share, for the twelve months ended December 31, 2019.
- Non-GAAP net income in the range of \$85.5 million to \$88.5 million, or \$1.52 to \$1.57 per diluted share, compared to non-GAAP net income of \$82.1 million, or \$1.46 per diluted share, for the twelve months ended December 31, 2019.

Merit's financial guidance for the year ending December 31, 2020 is subject to risks and uncertainties identified in this release and Merit's public filings.

CONFERENCE CALL

Merit will hold its investor conference call (conference ID 3195654) today, Wednesday, October 28, 2020, at 5:00 p.m. Eastern (4:00 p.m. Central, 3:00 p.m. Mountain, and 2:00 p.m. Pacific). The domestic telephone number is (844) 578-9672 and the international number is (508) 637-5656. A live webcast and slide deck will also be available at merit.com.

CONSOLIDATED BALANCE SHEETS

	September 30, 2020 (unaudited)	December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 44,551	\$ 44,320
Trade receivables, net	141,957	155,365
Other receivables	8,073	10,016
Inventories	209,109	225,698
Prepaid expenses and other current assets	15,579	12,497
Prepaid income taxes	3,545	3,491
Income tax refund receivables	11,812	3,151
Total current assets	<u>434,626</u>	<u>454,538</u>
Property and equipment, net	383,804	378,785
Intangible assets, net	382,815	445,312
Goodwill	353,622	353,193
Deferred income tax assets	3,857	3,788
Right-of-use operating lease assets	76,775	80,244
Other assets	35,011	41,461
Total Assets	<u><u>1,670,510</u></u>	<u><u>1,757,321</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade payables	\$ 46,634	\$ 54,623
Accrued expenses	116,927	105,184
Current portion of long-term debt	7,500	7,500
Short-term operating lease liabilities	12,981	11,550
Income taxes payable	2,005	2,799
Total current liabilities	<u>186,047</u>	<u>181,656</u>
Long-term debt	349,813	431,984
Deferred income tax liabilities	45,439	45,236
Long-term income taxes payable	347	347
Liabilities related to unrecognized tax benefits	1,990	1,990
Deferred compensation payable	15,396	14,855
Deferred credits	1,948	2,122
Long-term operating lease liabilities	69,407	72,714
Other long-term obligations	66,286	56,473
Total Liabilities	<u>736,673</u>	<u>807,377</u>
Stockholders' Equity		
Common stock	600,737	587,017
Retained earnings	342,425	368,221
Accumulated other comprehensive loss	(9,325)	(5,294)
Total Stockholders' Equity	<u>933,837</u>	<u>949,944</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 1,670,510</u></u>	<u><u>\$ 1,757,321</u></u>

CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(Unaudited, in thousands except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
NET SALES	\$ 243,975	\$ 243,049	\$ 705,871	\$ 736,930
COST OF SALES	141,961	138,913	415,857	416,194
GROSS PROFIT	102,014	104,136	290,014	320,736
OPERATING EXPENSES:				
Selling, general and administrative	72,215	86,936	217,790	245,183
Research and development	13,506	16,987	42,404	49,361
Legal settlement	—	—	18,200	—
Impairment charges	20,585	2,702	28,305	3,250
Contingent consideration expense (benefit)	(4,356)	392	884	3,573
Acquired in-process research and development	—	—	—	525
Total operating expenses	101,950	107,017	307,583	301,892
INCOME (LOSS) FROM OPERATIONS	64	(2,881)	(17,569)	18,844
OTHER INCOME (EXPENSE):				
Interest income	67	328	234	1,027
Interest expense	(2,197)	(3,415)	(8,056)	(9,295)
Other income (expense) - net	(118)	278	(1,085)	(421)
Total other expense — net	(2,248)	(2,809)	(8,907)	(8,689)
INCOME (LOSS) BEFORE INCOME TAXES	(2,184)	(5,690)	(26,476)	10,155
INCOME TAX (BENEFIT) EXPENSE	825	(2,292)	(1,255)	499
NET INCOME (LOSS)	\$ (3,009)	\$ (3,398)	\$ (25,221)	\$ 9,656
EARNINGS (LOSS) PER COMMON SHARE:				
Basic	\$ (0.05)	\$ (0.06)	\$ (0.46)	\$ 0.18
Diluted	\$ (0.05)	\$ (0.06)	\$ (0.46)	\$ 0.17
AVERAGE COMMON SHARES:				
Basic	55,505	55,152	55,386	55,029
Diluted	55,505	55,152	55,386	56,393

Non-GAAP Financial Measures

Although Merit's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), Merit's management believes that certain non-GAAP financial measures referenced in this release provide investors with useful information regarding the underlying business trends and performance of Merit's ongoing operations and can be useful for period-over-period comparisons of such operations. Non-GAAP financial measures used in this release include:

- constant currency revenue,
- core revenue,
- core revenue on a constant currency basis,
- non-GAAP gross margin,
- non-GAAP operating margin,
- non-GAAP net income,
- non-GAAP earnings per share, and
- free cash flow.

Merit's management team uses these non-GAAP financial measures to evaluate Merit's profitability and efficiency, to compare operating results to prior periods, to evaluate changes in the operating results of its operating segments, and to measure and allocate financial resources internally. However, Merit's management does not consider such non-GAAP measures in isolation or as an alternative to measures determined in accordance with GAAP.

Readers should consider non-GAAP measures used in this release in addition to, not as a substitute for, financial reporting measures prepared in accordance with GAAP. These non-GAAP financial measures generally exclude some, but not all, items that may affect Merit's net income. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by management about which items are excluded. Merit believes it is useful to exclude such items in the calculation of non-GAAP earnings per share, non-GAAP gross margin, non-GAAP operating margin, and non-GAAP net income (in each case, as further illustrated in the reconciliation tables below) because such amounts in any specific period may not directly correlate to the underlying performance of Merit's business operations and can vary significantly between periods as a result of factors such as acquisition transactions, non-cash expenses related to amortization or write-off of previously acquired tangible and intangible assets, severance expenses, expenses resulting from non-ordinary course litigation or administrative proceedings and resulting settlements, corporate transformation expenses, governmental proceedings or changes in tax or industry regulations, gains or losses on disposal of certain assets, and debt issuance costs. Merit may incur similar types of expenses in the future, and the non-GAAP financial information included in this release should not be viewed as a statement or indication that these types of expenses will not recur. Additionally, the non-GAAP financial measures used in this release may not be comparable with similarly titled measures of other companies. Merit urges investors and potential investors to review the reconciliations of its non-GAAP financial measures to the comparable GAAP financial measures, and not to rely on any single financial measure to evaluate Merit's business or results of operations.

Constant Currency Revenue

Merit's revenue on a constant currency basis is prepared by translating the current-period reported revenue of subsidiaries whose functional currency is a currency other than the U.S. dollar at the applicable foreign exchange rates in effect during the comparable prior-year period. The constant currency revenue adjustments of \$(1.2) million and \$4.3 million to reported revenue and to core revenue for the three and nine-month periods ended September 30, 2020, respectively, were calculated using the applicable average foreign exchange rates for the three and nine-month periods ended September 30, 2019, respectively.

Core Revenue and Core Revenue on a Constant Currency Basis

Merit's core revenue is defined, with respect to prior fiscal year periods, as GAAP revenue less revenue from certain dispositions. For the three and nine-month periods ended September 30, 2019, Merit's core revenue excludes revenues attributable to the disposition of the assets related to the manufacturing of Merit's Hypotube product in August 2020 (excluded September 2019 only).

With respect to current fiscal year periods, core revenue is defined as GAAP revenue, less revenue from certain acquisitions. For the three and nine-month periods ended September 30, 2020, Merit's core revenue excludes revenues attributable to the acquisition of (1) Brightwater Medical, Inc. in June 2019 (excluded through May 2020 only) and (2) Fibrovein Holdings Limited in August 2019 (excluded through July 2020 only). Core revenue on a constant currency basis is defined as core revenue (as described above) adjusted to eliminate the foreign exchange impact related to that core revenue for the relevant period, using the applicable average foreign exchange rates in effect for the comparable prior-year periods presented.

Non-GAAP Gross Margin

Non-GAAP gross margin is calculated by reducing GAAP cost of sales by amounts recorded for amortization of intangible assets, certain inventory write-offs and inventory mark-up related to acquisitions.

Non-GAAP Operating Margin

Non-GAAP operating margin is calculated by adjusting GAAP operating income (loss) for certain items which are deemed by Merit's management to be outside of core operations and vary in amount and frequency among periods, such as expenses related to new acquisitions, non-cash expenses related to amortization or write-off of previously acquired tangible and intangible assets, severance expenses, performance-based stock compensation expenses, corporate transformation expenses, expenses resulting from non-ordinary course litigation or administrative proceedings and resulting settlements, governmental proceedings or changes in industry regulations, as well as other items set forth in the tables below.

Non-GAAP Net Income

Non-GAAP net income is calculated by adjusting GAAP net income (loss) for the items set forth in the definition of non-GAAP operating margin above, as well as for expenses related to debt issuance costs, gains or losses on disposal of certain assets, changes in tax regulations, and other items set forth in the tables below.

Non-GAAP EPS

Non-GAAP EPS is defined as non-GAAP net income divided by the diluted shares outstanding for the corresponding period.

Free Cash Flow

Free cash flow is defined as cash flow from operations calculated in accordance with GAAP less capital expenditures calculated in accordance with GAAP, as set forth in the consolidated statement of cash flows.

Other Non-GAAP Financial Measure Reconciliation

The following tables set forth supplemental financial data and corresponding reconciliations of non-GAAP net income and non-GAAP earnings per share to Merit's net income and earnings per share prepared in accordance with GAAP, in each case, for the three and nine-month periods ended September 30, 2020 and 2019. The non-GAAP income adjustments referenced in the following tables do not reflect non-performance-based stock compensation expense of approximately \$3.0 million and \$2.6 million for the three-month periods ended September 30, 2020 and 2019, respectively, and approximately \$7.6 million and \$6.9 million for the nine-month periods ended September 30, 2020 and 2019, respectively.

Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income
(Unaudited, in thousands except per share amounts)

	Three Months Ended September 30, 2020			
	Pre-Tax	Tax Impact	After-Tax	Per Share Impact
GAAP net loss	\$ (2,184)	\$ (825)	\$ (3,009)	\$ (0.05)
<i>Non-GAAP adjustments:</i>				
Cost of Sales				
Amortization of intangibles	12,529	(3,229)	9,300	0.16
Inventory mark-up related to acquisitions	41	(11)	30	0.00
Operating Expenses				
Contingent consideration benefit	(4,356)	492	(3,864)	(0.07)
Impairment charges	20,585	(3,170)	17,415	0.31
Amortization of intangibles	1,893	(508)	1,385	0.02
Performance-based share-based compensation (a)	1,112	(141)	971	0.02
Corporate transformation and restructuring (b)	2,833	(743)	2,090	0.04
Acquisition-related	189	(49)	140	0.00
Medical Device Regulation expenses (c)	411	(106)	305	0.01
Other (d)	1,401	(1,933)	(532)	(0.01)
Other (Income) Expense				
Amortization of long-term debt issuance costs	151	(39)	112	0.00
(Gain) loss on disposal of business unit	(508)	131	(377)	(0.01)
Non-GAAP net income	<u>\$ 34,097</u>	<u>\$ (10,131)</u>	<u>\$ 23,966</u>	<u>\$ 0.42</u>
Diluted shares (e)				56,456

	Three Months Ended September 30, 2019			
	Pre-Tax	Tax Impact	After-Tax	Per Share Impact
GAAP net loss	\$ (5,690)	\$ 2,292	\$ (3,398)	\$ (0.06)
<i>Non-GAAP adjustments:</i>				
Cost of Sales				
Amortization of intangibles	12,725	(3,259)	9,466	0.17
Inventory mark-up related to acquisitions	55	(14)	41	0.00
Operating Expenses				
Contingent consideration expense	392	(91)	301	0.01
Impairment charges	2,702	(696)	2,006	0.04
Amortization of intangibles	2,783	(732)	2,051	0.04
Corporate transformation and restructuring (b)	2,721	(700)	2,021	0.03
Acquisition-related	1,156	(154)	1,002	0.02
Medical Device Regulation expenses (c)	83	(21)	62	0.00
Other (d)	2,558	(658)	1,900	0.03
Other (Income) Expense				
Amortization of long-term debt issuance costs	268	(69)	199	0.00
Non-GAAP net income	<u>\$ 19,753</u>	<u>\$ (4,102)</u>	<u>\$ 15,651</u>	<u>\$ 0.28</u>
Diluted shares				55,152

Note: Certain per share impacts may not sum to totals due to rounding

Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income
(Unaudited, in thousands except per share amounts)

	Nine Months Ended September 30, 2020			
	Pre-Tax	Tax Impact	After-Tax	Per Share Impact
GAAP net loss	\$ (26,476)	\$ 1,255	\$ (25,221)	\$ (0.45)
<i>Non-GAAP adjustments:</i>				
Cost of Sales				
Amortization of intangibles	38,154	(9,833)	28,321	0.50
Inventory write-off (f)	1,776	(472)	1,304	0.02
Inventory mark-up related to acquisitions	187	(48)	139	0.00
Operating Expenses				
Contingent consideration expense	884	559	1,443	0.03
Impairment charges	28,305	(4,363)	23,942	0.43
Amortization of intangibles	6,049	(1,632)	4,417	0.08
Performance-based share-based compensation (a)	2,623	(334)	2,289	0.04
Corporate transformation and restructuring (b)	6,215	(1,642)	4,573	0.08
Acquisition-related	906	(233)	673	0.01
Medical Device Regulation expenses (c)	1,013	(261)	752	0.01
Other (d)	23,477	(3,567)	19,910	0.35
Other (Income) Expense				
Amortization of long-term debt issuance costs	453	(117)	336	0.01
(Gain) loss on disposal of business unit	(508)	131	(377)	(0.01)
Non-GAAP net income	<u>\$ 83,058</u>	<u>\$ (20,557)</u>	<u>\$ 62,501</u>	<u>\$ 1.11</u>
Diluted shares (e)				56,241

	Nine Months Ended September 30, 2019			
	Pre-Tax	Tax Impact	After-Tax	Per Share Impact
GAAP net income	\$ 10,155	\$ (499)	\$ 9,656	\$ 0.17
<i>Non-GAAP adjustments:</i>				
Cost of Sales				
Amortization of intangibles	36,882	(9,444)	27,438	0.48
Inventory mark-up related to acquisitions	939	(241)	698	0.01
Operating Expenses				
Contingent consideration expense	3,573	(275)	3,298	0.06
Impairment charges	3,250	(837)	2,413	0.04
Amortization of intangibles	8,289	(2,182)	6,107	0.11
Corporate transformation and restructuring (b)	4,131	(1,063)	3,068	0.05
Acquisition-related	2,897	(589)	2,308	0.04
Medical Device Regulation expenses (c)	196	(50)	146	0.00
Other (d)	5,806	(1,494)	4,312	0.09
Other (Income) Expense				
Amortization of long-term debt issuance costs	670	(172)	498	0.01
Tax expense related to restructuring (g)	—	92	92	0.00
Non-GAAP net income	<u>\$ 76,788</u>	<u>\$ (16,754)</u>	<u>\$ 60,034</u>	<u>\$ 1.06</u>
Diluted shares				56,393

Note: Certain per share impacts may not sum to totals due to rounding

Reconciliation of Reported Operating Income (Loss) to Non-GAAP Operating Income
(Unaudited, in thousands except percentages)

	Three Months Ended September 30, 2020		Three Months Ended September 30, 2019		Nine Months Ended September 30, 2020		Nine Months Ended September 30, 2019	
	Amounts	% Sales	Amounts	% Sales	Amounts	% Sales	Amounts	% Sales
Net Sales as Reported	\$ 243,975		\$ 243,049		\$ 705,871		\$ 736,930	
GAAP Operating Income (Loss)	64	0.0 %	(2,881)	(1.2) %	(17,569)	(2.5) %	18,844	2.6 %
Cost of Sales								
Amortization of intangibles	12,529	5.1 %	12,725	5.2 %	38,154	5.4 %	36,882	5.0 %
Inventory write-off (f)	—	—	—	—	1,776	0.3 %	—	—
Inventory mark-up related to acquisitions	41	0.0 %	55	0.0 %	187	0.0 %	939	0.1 %
Operating Expenses								
Contingent consideration expense (benefit)	(4,356)	(1.8) %	392	0.2 %	884	0.1 %	3,573	0.5 %
Impairment charges	20,585	8.4 %	2,702	1.1 %	28,305	4.0 %	3,250	0.4 %
Amortization of intangibles	1,893	0.8 %	2,783	1.1 %	6,049	0.9 %	8,289	1.1 %
Performance-based share-based compensation (a)	1,112	0.5 %	—	—	2,623	0.4 %	—	—
Corporate transformation and restructuring (b)	2,833	1.2 %	2,721	1.1 %	6,215	0.9 %	4,131	0.6 %
Acquisition-related	189	0.1 %	1,156	0.5 %	906	0.1 %	2,897	0.4 %
Medical Device Regulation expenses (c)	411	0.2 %	83	0.0 %	1,013	0.1 %	196	0.0 %
Other (d)	1,401	0.6 %	2,558	1.1 %	23,477	3.3 %	5,806	0.8 %
Non-GAAP Operating Income	<u>\$ 36,702</u>	<u>15.0 %</u>	<u>\$ 22,294</u>	<u>9.2 %</u>	<u>\$ 92,020</u>	<u>13.0 %</u>	<u>\$ 84,807</u>	<u>11.5 %</u>

Note: Certain percentages may not sum to totals due to rounding

- a) Represents performance-based share-based compensation expense, including stock-settled and cash-settled awards.
- b) Includes severance related to corporate initiatives, write-offs and valuation adjustments of other long-term assets associated with restructuring activities, and other transformation costs.
- c) Represents incremental expenses incurred to comply with the Medical Device Regulation (MDR) in Europe.
- d) Represents costs incurred in responding to an inquiry from the U.S. Department of Justice, amounts to be paid in settlement of that inquiry of \$18.2 million accrued in the nine-month period ended September 30, 2020, fees associated with settlement of a shareholder dispute, acquired in-process research and development, and charges related to abandoned patents.
- e) For the three and nine-month periods ended September 30, 2020 the non-GAAP net income per diluted share calculation includes approximately 951,000 and 855,000 shares, respectively, that were excluded from the GAAP net income (loss) per diluted share calculation.
- f) Represents write-off of inventory related to the closure of the ITL Healthcare Pty Ltd. ("ITL") procedure pack operations in Australia in Q2 2020 and suspension of Merit's distribution agreement with NinePoint Medical, Inc. in Q1 2020.
- g) Net tax expense related to non-recurring tax withholdings in connection with restructuring of certain international subsidiaries.

Reconciliation of Reported Revenue to Core Revenue (Non-GAAP), Constant Currency Revenue (Non-GAAP), and Core Revenue on a Constant Currency Basis (Non-GAAP)
(Unaudited; in thousands except percentages)

	% Change	Three Months Ended September 30,		% Change	Nine Months Ended September 30,	
		2020	2019		2020	2019
Reported Revenue	0.4 %	\$ 243,975	\$ 243,049	(4.2)%	\$ 705,871	\$ 736,930
<i>Add: Impact of foreign exchange (a)</i>		(1,207)	—		4,289	—
Constant Currency Revenue	(0.1)%	\$ 242,768	\$ 243,049	(3.6)%	\$ 710,160	\$ 736,930
	% Change	Three Months Ended September 30,		% Change	Nine Months Ended September 30,	
		2020	2019		2020	2019
Reported Revenue	0.4 %	\$ 243,975	\$ 243,049	(4.2)%	\$ 705,871	\$ 736,930
<i>Less: Revenue from certain acquisitions and dispositions (b)</i>		(45)	(135)		(1,216)	(135)
Core Revenue	0.4 %	\$ 243,930	\$ 242,914	(4.4)%	\$ 704,655	\$ 736,795
<i>Add: Impact of foreign exchange (a)</i>		(1,207)	—		4,289	—
Core Revenue on a Constant Currency Basis	(0.1)%	\$ 242,723	\$ 242,914	(3.8)%	\$ 708,944	\$ 736,795

- (a) The constant currency revenue adjustments of \$(1.2) million and \$4.3 million to reported revenue and to core revenue for the three and nine months ended September 30, 2020, respectively, were calculated using the applicable average foreign exchange rates for the three and nine months ended September 30, 2019, respectively.
- (b) Merit's core revenue is defined with respect to prior fiscal year periods, as GAAP revenue, less revenue from certain dispositions. For the three and nine-month period ended September 30, 2019, Merit's core revenue excludes revenues attributable to the disposition of assets related to the manufacturing of Merit's Hypotube products in August 2020 (excluded September 2019 only). With respect to current fiscal year periods, core revenue is defined as GAAP revenue, less revenue from certain acquisitions. For the three and nine-month periods ended September 30, 2020, Merit's core revenue excludes revenues attributable to the acquisition of (1) Brightwater Medical, Inc. in June 2019 (excluded through May 2020 only) and (2) Fibroven Holdings Limited in August 2019 (excluded through July 2020 only). Core revenue on a constant currency basis is defined as core revenue (as described above) adjusted to eliminate the foreign exchange impact related to that core revenue for the relevant period, using the applicable average foreign exchange rates in effect for the comparable prior-year periods presented.

Reconciliation of Reported Gross Margin to Non-GAAP Gross Margin (Non-GAAP)
(Unaudited, as a percentage of reported revenue)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Reported Gross Margin	41.8 %	42.8 %	41.1 %	43.5 %
<i>Add back impact of:</i>				
Amortization of intangibles	5.1 %	5.2 %	5.4 %	5.0 %
Inventory write-off (a)	— %	—	0.3 %	—
Inventory mark-up related to acquisitions	0.0 %	0.1 %	0.0 %	0.2 %
Non-GAAP Gross Margin	<u>47.0 %</u>	<u>48.1 %</u>	<u>46.8 %</u>	<u>48.7 %</u>

Note: Certain percentages may not sum to totals due to rounding

(a) Represents write-off of inventory related to the closure of the ITL procedure pack operations in Australia in Q2 2020 and suspension of Merit's distribution agreement with NinePoint Medical, Inc in Q1 2020.

ABOUT MERIT

Founded in 1987, Merit Medical Systems, Inc. is a leading manufacturer and marketer of proprietary disposable medical devices used in interventional, diagnostic and therapeutic procedures, particularly in cardiology, radiology, oncology, critical care and endoscopy. Merit serves client hospitals worldwide with a domestic and international sales force and clinical support team totaling in excess of 500 individuals. Merit employs approximately 6,000 people worldwide with facilities in South Jordan, Utah; Pearland, Texas; Richmond, Virginia; Malvern, Pennsylvania; Rockland, Massachusetts; Aliso Viejo, California; Maastricht and Venlo, The Netherlands; Paris, France; Galway, Ireland; Beijing, China; Tijuana, Mexico; Joinville, Brazil; Ontario, Canada; Melbourne, Australia; Tokyo, Japan; Reading, United Kingdom; Johannesburg, South Africa; and Singapore.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Statements contained in this release which are not purely historical, including, without limitation, statements regarding Merit's forecasted plans, net sales, net income or loss (GAAP and non-GAAP), gross and operating margins (GAAP and non-GAAP), earnings per share (GAAP and non-GAAP), free cash flow, effective tax rate and other financial results, the potential impact, scope and duration of, and Merit's response to, the coronavirus (COVID-19) pandemic and the potential for recovery from that pandemic, consolidation of Merit's facilities or other expense reduction initiatives, future growth and profit expectations, or improvements in economic conditions, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to risks and uncertainties such as those described in Merit's Annual Report on Form 10-K for the year ended December 31, 2019 (as amended by Amendment No. 1 to Annual Report on Form 10-K/A, the "2019 Annual Report"), Merit's subsequent Quarterly Reports on Form 10-Q and other filings with the Securities and Exchange Commission (the "SEC"). Such risks and uncertainties include inherent risks and uncertainties relating to Merit's internal models or the projections in this release; risks and uncertainties associated with the COVID-19 pandemic and Merit's response thereto; risks relating to Merit's potential inability to successfully manage growth through acquisitions generally, including the inability to effectively integrate acquired operations or products or commercialize technology developed internally or acquired through completed, proposed or future transactions; negative changes in economic and industry conditions in the United States or other countries; expenditures relating to research, development, testing and regulatory approval or clearance of Merit's products and risks that such products may not be developed successfully or approved for commercial use; governmental scrutiny and regulation of the medical device industry, including governmental inquiries, investigations and proceedings involving Merit; litigation and other judicial proceedings affecting Merit; restrictions on Merit's liquidity or business operations resulting from its debt agreements; infringement of Merit's technology or the assertion that Merit's technology infringes the rights of other parties; actions of activist shareholders; product recalls and product liability claims; changes in customer purchasing patterns or the mix of products Merit sells; risks and uncertainties associated with Merit's information technology systems, including the potential for breaches of security and evolving regulations regarding privacy and data protection; increases in the prices of commodity components; the potential of fines, penalties or other adverse consequences if Merit's employees or agents violate the U.S.

Foreign Corrupt Practices Act or other laws or regulations; laws and regulations targeting fraud and abuse in the healthcare industry; potential for significant adverse changes in governing regulations, including reforms to the procedures for approval or clearance of Merit's products by the U.S. Food & Drug Administration or comparable regulatory authorities in other jurisdictions; changes in tax laws and regulations in the United States or other countries; termination or interruption of relationships with Merit's suppliers, or failure of such suppliers to perform; fluctuations in exchange rates; concentration of a substantial portion of Merit's revenues among a few products and procedures; development of new products and technology that could render Merit's existing or future products obsolete; market acceptance of new products; volatility in the market price of Merit's common stock; modification or limitation of governmental or private insurance reimbursement policies; changes in healthcare policies or markets related to healthcare reform initiatives; failure to comply with applicable environmental laws; changes in key personnel; work stoppage or transportation risks; introduction of products in a timely fashion; price and product competition; availability of labor and materials; fluctuations in and obsolescence of inventory; and other factors referenced in the 2019 Annual Report and other materials filed with the SEC. All subsequent forward-looking statements attributable to Merit or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Actual results will likely differ, and may differ materially, from anticipated results. Financial estimates are subject to change and are not intended to be relied upon as predictions of future operating results. Those estimates and all other forward-looking statements included in this document are made only as of the date of this document, and except as otherwise required by applicable law, Merit assumes no obligation to update or disclose revisions to estimates and all other forward-looking statements.

TRADEMARKS

Unless noted otherwise, trademarks and registered trademarks used in this release are the property of Merit Medical Systems, Inc. and its subsidiaries in the United States and other jurisdictions.

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Third Quarter 2020 Results; Updated 2020 Financial Guidance

FRED LAMPROPOULOS
Chairman & CEO

Raul Parra
CFO



CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This presentation and any accompanying management commentary include "forward-looking statements," as defined within applicable securities laws and regulations. All statements in this presentation, other than statements of historical fact, are "forward-looking statements", including without limitation estimates and statements regarding Merit's forecasted plans, net sales, net income or loss (GAAP and non-GAAP), gross and operating margins (GAAP and non-GAAP), earnings per share (GAAP and non-GAAP), free cash flow, effective tax rate and other financial results, the potential impact, scope and duration of, and Merit's response to, the coronavirus (COVID-19) pandemic, consolidation of Merit's facilities or other expense reduction initiatives, future growth and profit expectations, the consequences of existing or future regulatory approvals, or the development and commercialization of new products. In some cases, forward-looking statements can be identified by the use of terminology such as "may," "will," "likely," "expects," "plans," "anticipates," "intends," "believes," "estimates," "projects," "forecast," "potential," "plan," or other comparable terminology. Merit's future financial and operating results and condition, as well as any forward-looking statements, are subject to inherent risks and uncertainties such as those described in its Annual Report on Form 10-K for the year ended December 31, 2019 (as amended by Amendment No. 1 to Annual Report on Form 10-K/A, the "2019 Annual Report"), its subsequent Quarterly Reports on Form 10-Q, and other filings with the U.S. Securities and Exchange Commission. Such risks and uncertainties include inherent risks and uncertainties relating to Merit's internal models or the projections in this presentation; risks and uncertainties associated with the COVID-19 pandemic and Merit's response thereto; risks relating to Merit's potential inability to successfully manage growth through acquisitions generally, including the inability to effectively integrate acquired operations or products or commercialize technology developed internally or acquired through completed, proposed or future transactions; negative changes in economic and industry conditions in the United States or other countries; expenditures relating to research, development, testing and regulatory approval or clearance of Merit's products and risks that such products may not be developed successfully or approved for commercial use; governmental scrutiny and regulation of the medical device industry, including governmental inquiries, investigations and proceedings involving Merit; litigation and other judicial proceedings affecting Merit; restrictions on Merit's liquidity or business operations resulting from its debt agreements; infringement of Merit's technology or the assertion that Merit's technology infringes the rights of other parties; actions of activist shareholders; product recalls and product liability claims; changes in customer purchasing patterns or the mix of products Merit sells; risks and uncertainties associated with Merit's information technology systems, including the potential for breaches of security and evolving regulations regarding privacy and data protection; increases in the prices of commodity components; the potential of fines, penalties or other adverse consequences if Merit's employees or agents violate the U.S. Foreign Corrupt Practices Act or other laws or regulations; laws and regulations targeting fraud and abuse in the healthcare industry; potential for significant adverse changes in governing regulations, including reforms to the procedures for approval or clearance of Merit's products by the U.S. Food & Drug Administration or comparable regulatory authorities in other jurisdictions; changes in tax laws and regulations in the United States or other countries; termination or interruption of relationships with Merit's suppliers, or failure of such suppliers to perform; fluctuations in exchange rates; concentration of a substantial portion of Merit's revenues among a few products and procedures; development of new products and technology that could render Merit's existing or future products obsolete; market acceptance of new products; volatility in the market price of Merit's common stock; modification or limitation of governmental or private insurance reimbursement policies; changes in healthcare policies or markets related to healthcare reform initiatives; failure to comply with applicable environmental laws; changes in key personnel; work stoppage or transportation risks; introduction of products in a timely fashion; price and product competition; availability of labor and materials; fluctuations in and obsolescence of inventory; and other factors referenced in the 2019 Annual Report and other materials filed with the Securities and Exchange Commission.

All forward-looking statements in this presentation or subsequent forward-looking statements attributable to Merit or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Actual results will likely differ, and may differ materially, from those projected or assumed in the forward-looking statements. Financial estimates are subject to change and are not intended to be relied upon as predictions of future operating results. All forward-looking statements, including financial estimates, included in this presentation are made as of the date of this presentation, and are based on information available to Merit as of such date, and Merit assumes no obligation to update or disclose revisions to any forward-looking statement, except as required by law or regulation.

NON-GAAP FINANCIAL MEASURES

Although Merit's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), Merit's management believes that certain non-GAAP financial measures provide investors with useful information regarding the underlying business trends and performance of Merit's ongoing operations and can be useful for period-over-period comparisons of such operations. Certain financial measures included in this presentation, or which may be referenced in management's discussion of Merit's historical and future operations and financial results, have not been calculated in accordance with GAAP, and, therefore, are referenced as non-GAAP financial measures. Readers should consider non-GAAP measures used in this presentation in addition to, not as a substitute for, financial reporting measures prepared in accordance with GAAP. These non-GAAP financial measures generally exclude some, but not all, items that may affect Merit's net income. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by management about which items are excluded. Additionally, non-GAAP financial measures used in this presentation may not be comparable with similarly titled measures of other companies. Merit urges investors and potential investors to review the reconciliations of its non-GAAP financial measures to the comparable GAAP financial measures, and not to rely on any single financial measure to evaluate Merit's business or results of operations. Please refer to "Notes to Non-GAAP Financial Measures" at the end of these materials for more information.

TRADEMARKS

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Key Updates

Update on operational targets and other initiatives previously disclosed:

- \$6-10 million annualized cost savings (savings beginning in second half of 2021, based on current inventory levels): 14 product line transfers to Tijuana, Mexico and Pearland, Texas and site consolidations:
 - Update: Transfer of product lines is on track to be completed by end of 2020.
 - Update: Temecula, CA site has been closed
 - Update: Malvern, PA on track to be closed
- Closure of procedure pack manufacturing site in Melbourne, Australia (from our 2017 ITL acquisition) on track for end of 2020. Sublease of manufacturing facility in process.
 - Approximately \$9M of sales in 2020
- Executive compensation tied to free cash flow and performance relative to Russell 2000.

* See "Notes to Non-GAAP Financial Measures" below for definition of Non-GAAP measures used in this presentation

Key Updates (cont.)

Update on operational targets and other initiatives previously disclosed:

- Increased alignment between company performance and broad-based employee compensation, in line with executive compensation practices.
 - Update: Currently in the engagement and scope of project process with external advisors.
- Received IDE approval for the WRAPSODY AV Access Efficacy Study (“WAVE study”) and for a smaller study called the WRAPSODY Central Feasibility Study (“WAVE Central study”)
- R&D efforts are ongoing, and we expect to continue our track record of new product introductions
- SKU and product line optimization.
 - Update: Part of Foundations for Growth project. More details forthcoming

COVID-19 Update – Q3 2020

- Sales were up 12% sequentially over Q2, led by continued high demand for our critical care offerings, as well as improved demand for our Cianna, access, and biopsy products, which improved product mix and improved our gross margins sequentially
- Supply chain – We have not seen material disruptions in our supply chain. Vertical integration of molding and extrusion reduces supply chain risk.
- We continued production of our Cultura™ nasopharyngeal swab and transport vial, used to collect specimens for COVID-19 testing. Q3 sales were \$9.6M; \$14.1M YTD.
- We continued to manage operations in reference to market conditions through the following:
 - Controlling discretionary spending across the organization, including travel, shows and events.
 - Deferring/controlling capital and project spending.
 - Adjusting manufacturing capacity based on demand.

Foundations for Growth

Management will host an investor call, “Foundations for Growth”, on Tuesday, November 10, 2020 at 5:00 p.m. Eastern (4:00 p.m. Central, 3:00 p.m. Mountain, and 2:00 p.m. Pacific) to introduce Merit’s multi-year financial targets for growth and improved profitability and will host a question-and-answer session.

- Those who would like to participate may dial 844-578-9672 (508-637-5656 for international callers) and provide the conference ID 2887092.
- A live webcast of the call will also be available on the investor relations section of Merit’s website at www.merit.com.
- For those unable to participate, a replay of the call will be available for two weeks at 855-859-2056 (404-537-3406 for international callers); conference ID 2887092. The webcast will be archived on the investor relations section of Merit’s website at www.merit.com.

Financial Summary

GAAP

	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Revenues	\$244.0M	\$243.0M	\$705.9M	\$736.9M
Gross Margin	41.8%	42.8%	41.1%	43.5%
Operating Margin	0.0%	(1.2%)	(2.5%)	2.6%
Net Income (Loss)	(\$3.0M)	(\$3.4M)	(\$25.2M)	\$9.7M
Earnings (Loss) per Share	(\$0.05)	(\$0.06)	(\$0.46)	\$0.17

Financial Summary

Non-GAAP*

	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Revenues (Core Constant Currency) †	\$242.7M	\$242.9M	\$708.9M	\$736.8M
Gross Margin	47.0%	48.1%	46.8%	48.7%
Operating Margin	15.0%	9.2%	13.0%	11.5%
Net Income	\$24.0M	\$15.7M	\$62.5M	\$60.0M
Earnings per Share	\$0.42	\$0.28	\$1.11	\$1.06
*	See "Notes to Non-GAAP Financial Measures" below for definition of Non-GAAP measures used in this presentation			
†	Non-GAAP measure, representing net organic sales on a constant currency basis			

Revenue Breakdown – QTD

Region	Q3 2020	Q3 2019	\$ Change	% Change	CC % Change*
U.S.	\$143,109	\$144,011	\$(902)	(0.6)%	(0.6)%
APAC	50,329	48,310	2,019	4.2%	2.5%
EMEA	43,773	43,097	676	1.6%	(0.5)%
Other	6,764	7,631	(867)	(11.4)%	(4.5)%
International	100,866	99,038	1,828	1.8%	0.6%
Total	\$243,975	\$243,049	\$926	0.4%	(0.1)%

* Percent change from the prior year comparative period on a constant currency basis. See "Notes to Non-GAAP Financial Measures" below for definition of Non-GAAP measures used in this presentation

Revenue Breakdown – YTD

Region	Q3 YTD 2020	Q3 YTD 2019	\$ Change	% Change	CC % Change*
U.S.	\$402,305	\$426,730	\$(24,425)	(5.7)%	(5.7)%
APAC	147,841	149,465	(1,623)	(1.1)%	0.0%
EMEA	136,168	138,548	(2,380)	(1.7)%	(0.9)%
Other	19,557	22,187	(2,630)	(11.9)%	(5.0)%
International	303,566	310,200	(6,634)	(2.1)%	(0.8)%
Total	\$705,871	\$736,930	\$(31,058)	(4.2)%	(3.6)%

* Percent change from the prior year comparative period on a constant currency basis. See "Notes to Non-GAAP Financial Measures" below for definition of Non-GAAP measures used in this presentation

Updated 2020 Guidance

Financial Measure	Updated 2020 Guidance
Net Sales	\$950 – \$959 million
Net Income (Loss) (GAAP)	\$(11.8) – \$(15.0) million
Earnings (Loss) Per Share (GAAP)	\$(0.21) – \$(0.27)
Net Income (Non-GAAP)	\$85.5 – \$88.5 million
Earnings Per Share (Non-GAAP)	\$1.52 – \$1.57

Merit's financial guidance for the year ending December 31, 2020 is subject to risks and uncertainties identified in this presentation and in Merit's public filings

NOTES TO NON-GAAP FINANCIAL MEASURES

For additional details, please see the accompanying press release and forward-looking statement disclosure.

These presentation materials and associated commentary from Merit's management, as well as the press release issued today, use non-GAAP financial measures, including:

- constant currency revenue,
- core revenue,
- core revenue on a constant currency basis,
- non-GAAP gross margin,
- non-GAAP operating margin,
- non-GAAP net income,
- non-GAAP earnings per share, and
- free cash flow.

Merit's management team uses these non-GAAP financial measures to evaluate Merit's profitability and efficiency, to compare operating results to prior periods, to evaluate changes in the operating results of its operating segments, and to measure and allocate financial resources internally. However, Merit's management does not consider such non-GAAP measures in isolation or as an alternative to such measures determined in accordance with GAAP.

Readers should consider non-GAAP measures used in this release in addition to, not as a substitute for, financial reporting measures prepared in accordance with GAAP. These non-GAAP financial measures generally exclude some, but not all, items that may affect Merit's net income. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by management about which items are excluded. Merit believes it is useful to exclude such items in the calculation of non-GAAP earnings per share, non-GAAP gross margin, non-GAAP operating margin, and non-GAAP net income (in each case, as further illustrated in the reconciliation tables below) because such amounts in any specific period may not directly correlate to the underlying performance of Merit's business operations and can vary significantly between periods as a result of factors such as new acquisitions, non-cash expenses related to amortization or write-off of previously acquired tangible and intangible assets, severance expenses, expenses resulting from non-ordinary course litigation or administrative proceedings and resulting settlements, corporate transformation expenses, governmental proceedings or changes in tax or industry regulations, gains or losses on disposal of certain assets, and debt issuance costs. Merit may incur similar types of expenses in the future, and the non-GAAP financial information included in this release should not be viewed as a statement or indication that these types of expenses will not recur. Additionally, the non-GAAP financial measures used in this release may not be comparable with similarly titled measures of other companies. Merit urges investors and potential investors to review the reconciliations of its non-GAAP financial measures to the comparable GAAP financial measures, and not to rely on any single financial measure to evaluate Merit's business or results of operations.

NOTES TO NON-GAAP FINANCIAL MEASURES (cont.)

Constant Currency Revenue

Merit's revenue on a constant currency basis is prepared by translating the current-period reported revenue of subsidiaries whose functional currency is a currency other than the U.S. dollar at the applicable foreign exchange rates in effect during the comparable prior-year period. The constant currency revenue adjustments of \$(1.2) million and \$4.3 million to reported revenue and to core revenue for the three and nine-month periods ended September 30, 2020, respectively, were calculated using the applicable average foreign exchange rates for the three and nine-month periods ended September 30, 2019, respectively.

Core Revenue and Core Revenue on a Constant Currency Basis

Merit's core revenue is defined, with respect to prior fiscal year periods, as GAAP revenue less revenue from certain dispositions. For the three and nine-month periods ended September 30, 2019, Merit's core revenue excludes revenues attributable to the disposition of the assets related to the manufacturing of Merit's Hypotube product in August 2020 (excluded September 2019 only). With respect to current fiscal year periods, core revenue is defined as GAAP revenue, less revenue from certain acquisitions. For the three and nine-month periods ended September 30, 2020, Merit's core revenue excludes revenues attributable to the acquisition of (1) Brightwater Medical, Inc. in June 2019 (excluded through May 2020 only), and (2) Fibrovein Holdings Limited in August 2019 (excluded through July 2020 only). Core revenue on a constant currency basis is defined as core revenue (as described above) adjusted to eliminate the foreign exchange impact related to that core revenue for the relevant period, using the applicable average foreign exchange rates in effect for the comparable prior-year periods presented.

Non-GAAP Gross Margin

Non-GAAP gross margin is calculated by reducing GAAP cost of sales by amounts recorded for amortization of intangible assets, certain inventory write-offs and inventory mark-up related to acquisitions.

Non-GAAP Operating Margin

Non-GAAP operating margin is calculated by adjusting GAAP operating income (loss) for certain items which are deemed by Merit's management to be outside of core operations and vary in amount and frequency among periods, such as expenses related to new acquisitions, non-cash expenses related to amortization or write-off of previously acquired tangible and intangible assets, severance expenses, performance-based stock compensation expenses, corporate transformation expenses, expenses resulting from non-ordinary course litigation or administrative proceedings and resulting settlements, governmental proceedings or changes in industry regulations, as well as other items set forth in the tables below.

Non-GAAP Net Income

Non-GAAP net income is calculated by adjusting GAAP net income (loss) for the items set forth in the definition of non-GAAP operating margin above, as well as for expenses related to debt issuance costs, gains or losses on disposal of certain assets, changes in tax regulations, as well as other items set forth in the tables below.

Non-GAAP EPS

Non-GAAP EPS is defined as non-GAAP net income divided by the diluted shares outstanding for the corresponding period.

Free Cash Flow

Free cash flow is defined as cash flow from operations calculated in accordance with GAAP less capital expenditures calculated in accordance with GAAP, as set forth in the consolidated statement of cash flows.

Other Non-GAAP Financial Measure Reconciliation

The following tables set forth supplemental financial data and corresponding reconciliations of non-GAAP net income and non-GAAP earnings per share to Merit's net income and earnings per share prepared in accordance with GAAP, in each case, for the three and nine-month periods ended September 30, 2020 and 2019. The non-GAAP income adjustments referenced in the following tables do not reflect non-performance-based stock compensation expense of approximately \$3.0 million and \$2.6 million for the three-month periods ended September 30, 2020 and 2019, respectively, and approximately \$7.6 million and \$6.9 million for the nine-month periods ended September 30, 2020 and 2019, respectively.

Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income (Unaudited, in thousands except per share amounts)

	Three Months Ended September 30, 2020				Three Months Ended September 30, 2019			
	Pre-Tax	Tax Impact	After-Tax	Per Share Impact	Pre-Tax	Tax Impact	After-Tax	Per Share Impact
GAAP net income (loss)	\$ (2,184)	\$ (825)	\$ (3,009)	\$ (0.05)	\$ (5,690)	\$ 2,292	\$ (3,398)	\$ (0.06)
<i>Non-GAAP adjustments:</i>								
<i>Cost of Sales</i>								
Amortization of intangibles	12,529	(3,229)	9,300	0.16	12,725	(3,259)	9,466	0.17
Inventory mark-up related to acquisitions	41	(11)	30	0.00	55	(14)	41	0.00
<i>Operating expenses</i>								
Contingent consideration expense (benefit)	(4,356)	492	(3,864)	(0.07)	392	(91)	301	0.01
Impairment charges	20,585	(3,170)	17,415	0.31	2,702	(696)	2,006	0.04
Amortization of intangibles	1,893	(508)	1,385	0.02	2,783	(732)	2,051	0.04
Performance-based share-based compensation (a)	1,112	(141)	971	0.02	—	—	—	—
Corporate transformation and restructuring (b)	2,833	(743)	2,090	0.04	2,721	(700)	2,021	0.03
Acquisition-related	189	(49)	140	0.00	1,156	(154)	1,002	0.02
Medical Device Regulation expenses (c)	411	(106)	305	0.01	83	(21)	62	0.00
Other (d)	1,401	(1,933)	(532)	(0.01)	2,558	(658)	1,900	0.03
<i>Other (Income) Expense</i>								
Amortization of long-term debt issuance costs	151	(39)	112	0.00	268	(69)	199	0.00
(Gain) Loss on Disposal of Business Unit	(508)	131	(377)	(0.01)	—	—	—	—
Non-GAAP net income	\$ 34,097	\$ (10,131)	\$ 23,966	\$ 0.42	\$ 19,753	\$ (4,102)	\$ 15,651	\$ 0.28
Diluted shares (c)				56,456				55,152

Note: Certain per share impacts may not sum to totals due to rounding

Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income (Unaudited, in thousands except per share amounts)

	Nine Months Ended September 30, 2020				Nine Months Ended September 30, 2019			
	Pre-Tax	Tax Impact	After-Tax	Per Share Impact	Pre-Tax	Tax Impact	After-Tax	Per Share Impact
GAAP net income (loss)	\$ (26,476)	\$ 1,255	\$ (25,221)	\$ (0.45)	\$ 10,155	\$ (499)	\$ 9,656	\$ 0.17
Non-GAAP adjustments:								
Cost of Sales								
Amortization of intangibles	38,154	(9,833)	28,321	0.50	36,882	(9,444)	27,438	0.48
Inventory write-off (f)	1,776	(472)	1,304	0.02	—	—	—	—
Inventory mark-up related to acquisitions	187	(48)	139	0.00	939	(241)	698	0.01
Operating expenses								
Contingent consideration expense	884	559	1,443	0.03	3,573	(275)	3,298	0.06
Impairment charges	28,305	(4,363)	23,942	0.43	3,250	(837)	2,413	0.04
Amortization of intangibles	6,049	(1,632)	4,417	0.08	8,289	(2,182)	6,107	0.11
Performance-based share-based compensation (a)	2,623	(334)	2,289	0.04	—	—	—	—
Corporate transformation and restructuring (b)	6,215	(1,642)	4,573	0.08	4,131	(1,063)	3,068	0.05
Acquisition-related	906	(233)	673	0.01	2,897	(589)	2,308	0.04
Medical Device Regulation expenses (c)	1,013	(261)	752	0.01	196	(50)	146	0.00
Other (d)	23,477	(3,567)	19,910	0.35	5,806	(1,494)	4,312	0.09
Other (Income) Expense								
Amortization of long-term debt issuance costs	453	(117)	336	0.01	670	(172)	498	0.01
(Gain) Loss on Disposal of Business Unit	(508)	131	(377)	(0.01)	—	—	—	—
Tax expense related to restructuring (g)	—	—	—	—	—	92	92	—
Non-GAAP net income	\$ 83,058	\$ (20,557)	\$ 62,501	\$ 1.11	\$ 76,788	\$ (16,754)	\$ 60,034	\$ 1.06
Diluted shares (e)				56,241				56,393

Note: Certain per share impacts may not sum to totals due to rounding

Reconciliation of GAAP Operating Income (Loss) to Non-GAAP Operating Income

(Unaudited, in thousands except percentages)

	Three Months Ended September 30, 2020		Three Months Ended September 30, 2019		Nine Months Ended September 30, 2020		Nine Months Ended September 30, 2019	
	Amounts	% Sales	Amounts	% Sales	Amounts	% Sales	Amounts	% Sales
Net Sales as Reported	\$ 243,975		\$ 243,049		\$ 705,871		\$ 736,930	
GAAP Operating Income (Loss)	64	0.0 %	(2,881)	(1.2) %	(17,569)	(2.5) %	18,844	2.6 %
Cost of Sales								
Amortization of intangibles	12,529	5.1 %	12,725	5.2 %	38,154	5.4 %	36,882	5.0 %
Inventory write-off (f)	—	—	—	—	1,776	0.3 %	—	—
Inventory mark-up related to acquisitions	41	0.0 %	55	0.0 %	187	0.0 %	939	0.1 %
Operating Expenses								
Contingent consideration expense (benefit)	(4,356)	(1.8) %	392	0.2 %	884	0.1 %	3,573	0.5 %
Impairment charges	20,585	8.4 %	2,702	1.1 %	28,305	4.0 %	3,250	0.4 %
Amortization of intangibles	1,893	0.8 %	2,783	1.1 %	6,049	0.9 %	8,289	1.1 %
Performance-based share-based compensation (a)	1,112	0.5 %	—	—	2,623	0.4 %	—	—
Corporate transformation and restructuring (b)	2,833	1.2 %	2,721	1.1 %	6,215	0.9 %	4,131	0.6 %
Acquisition-related	189	0.1 %	1,156	0.5 %	906	0.1 %	2,897	0.4 %
Medical Device Regulation expenses (c)	411	0.2 %	83	0.0 %	1,013	0.1 %	196	0.0 %
Other (d)	1,401	0.6 %	2,558	1.1 %	23,477	3.3 %	5,806	0.8 %
Non-GAAP Operating Income	\$ 36,702	15.0 %	\$ 22,294	9.2 %	\$ 92,020	13.0 %	\$ 84,807	11.5 %

Note: Certain percentages may not sum to totals due to rounding

Footnotes to Reconciliations of GAAP Net Income (Loss) to Non-GAAP Net Income and GAAP Operating Income (Loss) to Non-GAAP Operating Income

- (a) Represents performance-based share-based compensation expense, including stock-settled and cash-settled awards.
- (b) Includes severance related to corporate initiatives, write-offs and valuation adjustments of other long-term assets associated with restructuring activities, and other transformation costs.
- (c) Represents incremental expenses incurred to comply with the Medical Device Regulation (MDR) in Europe.
- (d) Represents costs incurred in responding to an inquiry from the U.S. Department of Justice, amounts to be paid in settlement of that inquiry of \$18.2 million accrued in the nine-month period ended September 30, 2020, fees associated with settlement of a shareholder dispute, acquired in-process research and development, and charges related to abandoned patents.
- (e) For the three and nine-month periods ended September 30, 2020 the non-GAAP net income per diluted share calculation includes approximately 951,000 and 855,000 shares, respectively, that were excluded from the GAAP net income (loss) per diluted share calculation.
- (f) Represents write-off of inventory related to the closure of the ITL Healthcare Pty Ltd. ("ITL") procedure pack operations in Australia in Q2 2020 and suspension of Merit's distribution agreement with NinePoint Medical, Inc. in Q1 2020.
- (g) Net tax expense related to non-recurring tax withholdings in connection with restructuring of certain international subsidiaries.

Reconciliation of Reported Revenue to Core Revenue (Non-GAAP), Constant Currency Revenue (Non-GAAP), and Core Revenue on a Constant Currency Basis (Non-GAAP)
(Unaudited, in thousands except percentages)

	% Change	Three Months Ended September 30,		% Change	Nine Months Ended September 30,	
		2020	2019		2020	2019
Reported Revenue	0.4 %	\$ 243,975	\$ 243,049	(4.2) %	\$ 705,871	\$ 736,930
Add: Impact of foreign exchange (a)		(1,207)	—		4,289	—
Constant Currency Revenue	(0.1) %	\$ 242,768	\$ 243,049	(3.6) %	\$ 710,160	\$ 736,930

	% Change	Three Months Ended September 30,		% Change	Nine Months Ended September 30,	
		2020	2019		2020	2019
Reported Revenue	0.4 %	\$ 243,975	\$ 243,049	(4.2) %	\$ 705,871	\$ 736,930
Less: Revenue from certain acquisitions and dispositions (b)		(45)	(135)		(1,216)	(135)
Core Revenue	0.4 %	\$ 243,930	\$ 242,914	(4.4) %	\$ 704,655	\$ 736,795
Add: Impact of foreign exchange (a)		(1,207)	—		4,289	—
Core Revenue on a Constant Currency Basis	(0.1) %	\$ 242,723	\$ 242,914	(3.8) %	\$ 708,944	\$ 736,795

(a) The constant currency revenue adjustments of \$(1.2) million and \$4.3 million to reported revenue and to core revenue for the three and nine months ended September 30, 2020, respectively, were calculated using the applicable average foreign exchange rates for the three and nine months ended September 30, 2019, respectively.

(b) Merit's core revenue is defined (a) with respect to prior fiscal year periods, as GAAP revenue, less revenue from certain dispositions. For the three and nine-month period ended September 30, 2019, Merit's core revenue excludes revenues attributable to the disposition of assets related to the manufacturing of Merit's Hypotube products in August 2020 (excluded September 2019 only). With respect to current fiscal year periods, core revenue is defined as GAAP revenue, less revenue from certain acquisitions. For the three and nine-month periods ended September 30, 2020, Merit's core revenue excludes revenues attributable to the acquisition of (1) Brightwater Medical, Inc. in June 2019 (excluded through May 2020 only) and (2) Fibroven Holdings Limited in August 2019 (excluded through July 2020 only). Core revenue on a constant currency basis is defined as core revenue (as described above) adjusted to eliminate the foreign exchange impact related to that core revenue for the relevant period, using the applicable average foreign exchange rates in effect for the comparable prior-year periods presented.

Reconciliation of Reported Gross Margin to Non-GAAP Gross Margin

(Unaudited, as a percentage of reported revenue)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Reported Gross Margin	41.8 %	42.8 %	41.1 %	43.5 %
<i>Add back impact of:</i>				
Amortization of intangibles	5.1 %	5.2 %	5.4 %	5.0 %
Inventory write-off (a)	— %	—	0.3 %	—
Inventory mark-up related to acquisitions	0.0 %	0.1 %	0.0 %	0.2 %
Non-GAAP Gross Margin	47.0 %	48.1 %	46.8 %	48.7 %

Note: Certain percentages may not sum to totals due to rounding

(a) Represents write-off of inventory related to the announced closure of the ITL procedure pack operations in Australia in Q2 2020 and suspension of Merit's distribution agreement with NinePoint Medical, Inc. in Q1 2020.

