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UNITED STATES
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 June 30, 2022

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 incorporation or organization)	(IRS Employer Identification No.)

1600 West Merit Parkway, South Jordan, Utah 84095
(Address of principal executive offices, including zip code)

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

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

Title of each class	**Trading Symbol**	**Name of exchange on which registered**
Common Stock, no par	MMSI	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 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 filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☐ 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. ☐

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

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

Title or class	**Shares outstanding as of August 3, 2022**
Common Stock, no par	56,764,012

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS	June 30, 2022	December 31, 2021
	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 63,003	$ 67,750
Trade receivables — net of allowance for credit losses — 2022 — $7,738 and 2021 — $6,767	158,801	152,301
Other receivables	10,627	17,763
Inventories	233,154	221,922
Prepaid expenses and other current assets	23,050	16,149
Prepaid income taxes	3,532	3,550
Income tax refund receivables	464	2,777
Total current assets	492,631	482,212
Property and equipment:		
Land and land improvements	25,163	25,287
Buildings	188,550	190,044
Manufacturing equipment	286,257	277,976
Furniture and fixtures	62,620	61,446
Leasehold improvements	48,813	46,341
Construction-in-progress	54,409	51,182
Total property and equipment	665,812	652,276
Less accumulated depreciation	(294,361)	(280,618)
Property and equipment — net	371,451	371,658
Other assets:		
Intangible assets:		
Developed technology — net of accumulated amortization — 2022 — $254,031 and 2021 — $234,016	254,557	276,833
Other — net of accumulated amortization — 2022 — $66,591 and 2021 — $65,053	39,671	42,436
Goodwill	359,692	361,741
Deferred income tax assets	5,861	6,080
Right-of-use operating lease assets	64,353	65,913
Other assets	43,303	41,421
Total other assets	767,437	794,424
Total assets	$ 1,631,519	$ 1,648,294

See condensed notes to consolidated financial statements. (continued)

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2022	December 31, 2021
	(unaudited)	
Current liabilities:		
Trade payables	$ 59,441	$ 55,624
Accrued expenses	111,955	159,014
Current portion of long-term debt	10,313	8,438
Short-term operating lease liabilities	10,444	10,668
Income taxes payable	3,437	2,536
Total current liabilities	195,590	236,280
Long-term debt	235,703	234,397
Deferred income tax liabilities	31,195	31,503
Long-term income taxes payable	347	347
Liabilities related to unrecognized tax benefits	932	932
Deferred compensation payable	15,562	18,111
Deferred credits	1,762	1,815
Long-term operating lease liabilities	59,646	61,526
Other long-term obligations	17,475	23,584
Total liabilities	558,212	608,495
Commitments and contingencies		
Stockholders' equity:		
Preferred stock — 5,000 shares authorized as of June 30, 2022 and December 31, 2021; no shares issued	—	—
Common stock, no par value; shares authorized — 2022 and 2021 - 100,000; issued and outstanding as of June 30, 2022 - 56,745 and December 31, 2021 - 56,570	651,926	641,533
Retained earnings	432,100	406,257
Accumulated other comprehensive loss	(10,719)	(7,991)
Total stockholders' equity	1,073,307	1,039,799
Total liabilities and stockholders' equity	$ 1,631,519	$ 1,648,294

See condensed notes to consolidated financial statements. (concluded)

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts - unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net sales	$ 294,976	$ 280,325	$ 570,391	$ 529,238
Cost of sales	159,909	156,186	314,417	293,205
Gross profit	135,067	124,139	255,974	236,033
Operating expenses:				
Selling, general and administrative	85,487	91,563	169,502	172,587
Research and development	18,466	17,593	35,853	33,867
Impairment charges	—	4,283	1,672	4,283
Contingent consideration expense	1,187	1,805	3,787	2,207
Acquired in-process research and development	6,671	—	6,671	—
Total operating expenses	111,811	115,244	217,485	212,944
Income from operations	23,256	8,895	38,489	23,089
Other income (expense):				
Interest income	96	92	201	564
Interest expense	(1,348)	(1,386)	(2,350)	(2,923)
Other expense — net	(1,303)	(736)	(1,468)	(1,171)
Total other expense — net	(2,555)	(2,030)	(3,617)	(3,530)
Income before income taxes	20,701	6,865	34,872	19,559
Income tax expense	5,403	1,949	9,029	3,685
Net income	$ 15,298	$ 4,916	$ 25,843	$ 15,874
Earnings per common share				
Basic	$ 0.27	$ 0.09	$ 0.46	$ 0.28
Diluted	$ 0.27	$ 0.09	$ 0.45	$ 0.28
Weighted average shares outstanding				
Basic	56,691	56,061	56,642	55,890
Diluted	57,600	57,277	57,565	57,128

See condensed notes to consolidated financial statements.

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands - unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	$ 15,298	$ 4,916	$ 25,843	$ 15,874
Other comprehensive income (loss):				
Cash flow hedges	6,425	999	9,332	3,920
Income tax benefit (expense)	(1,572)	(248)	(2,284)	(972)
Foreign currency translation adjustment	(8,979)	1,800	(9,772)	(2,662)
Income tax benefit (expense)	60	(203)	(4)	332
Total other comprehensive income (loss)	(4,066)	2,348	(2,728)	618
Total comprehensive income	$ 11,232	$ 7,264	$ 23,115	$ 16,492

See condensed notes to consolidated financial statements.

MERIT MEDICAL SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands - unaudited)

	Common Stock		Retained	Accumulated Other	
	Shares	Amount	Earnings	Comprehensive Income (Loss)	Total
Balance — January 1, 2022	56,570	$ 641,533	$ 406,257	$ (7,991)	$ 1,039,799
Net income			10,545		10,545
Other comprehensive income				1,338	1,338
Stock-based compensation expense		4,212			4,212
Options exercised	52	1,320			1,320
Issuance of common stock under Employee Stock Purchase Plan	5	320			320
Shares issued from time-vested restricted stock units	44	—			—
Shares surrendered in exchange for payment of payroll tax liabilities	(16)	(1,015)			(1,015)
Balance — March 31, 2022	56,655	646,370	416,802	(6,653)	1,056,519
Net income			15,298		15,298
Other comprehensive loss				(4,066)	(4,066)
Stock-based compensation expense		3,952			3,952
Options exercised	58	1,303			1,303
Issuance of common stock under Employee Stock Purchase Plan	6	301			301
Shares issued from time-vested restricted stock units	26	—			—
Balance — June 30, 2022	56,745	$ 651,926	$ 432,100	$ (10,719)	$ 1,073,307

See condensed notes to consolidated financial statements.

(continued)

MERIT MEDICAL SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands - unaudited)

	Common Stock		Retained	Accumulated Other	
	Shares	Amount	Earnings	Comprehensive Income (Loss)	Total
Balance — January 1, 2021	55,623	$ 606,224	$ 357,803	$ (5,452)	$ 958,575
Net income			10,958		10,958
Other comprehensive loss				(1,730)	(1,730)
Stock-based compensation expense		3,310			3,310
Options exercised	291	5,897			5,897
Issuance of common stock under Employee Stock Purchase Plan	5	263			263
Shares issued from time-vested restricted stock units	25	—			—
Shares surrendered in exchange for payment of payroll tax liabilities	(9)	(488)			(488)
Shares surrendered in exchange for exercise of stock options	(2)	(93)			(93)
Balance — March 31, 2021	55,933	615,113	368,761	(7,182)	976,692
Net income			4,916		4,916
Other comprehensive income				2,348	2,348
Stock-based compensation expense		2,765			2,765
Options exercised	253	5,455			5,455
Issuance of common stock under Employee Stock Purchase Plan	4	258			258
Shares issued from time-vested restricted stock units	34	—			—
Balance — June 30, 2021	56,224	$ 623,591	$ 373,677	$ (4,834)	$ 992,434

See condensed notes to consolidated financial statements. (concluded)

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands - unaudited)

	Six Months Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 25,843	$ 15,874
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,902	42,417
Loss on disposition of business	1,254	—
Loss on sale or abandonment of property and equipment	112	242
Write-off of certain intangible assets and other long-term assets	1,733	4,368
Acquired in-process research and development	6,671	—
Amortization of right-of-use operating lease assets	5,121	6,074
Adjustments and payments related to contingent consideration liability	1,999	2,207
Amortization of deferred credits	(54)	(54)
Amortization of long-term debt issuance costs	302	302
Stock-based compensation expense	9,093	6,732
Changes in operating assets and liabilities, net of acquisitions and divestitures:		
Trade receivables	(9,472)	(7,833)
Other receivables	6,457	(793)
Inventories	(14,766)	3,185
Prepaid expenses and other current assets	(2,155)	(3,823)
Income tax refund receivables	(4)	(9)
Other assets	1,768	(685)
Trade payables	3,713	5,639
Accrued expenses	(20,966)	9,206
Income taxes payable	1,114	(860)
Deferred compensation payable	(2,549)	247
Operating lease liabilities	(5,609)	(6,259)
Other long-term obligations	287	263
Total adjustments	24,951	60,566
Net cash, cash equivalents, and restricted cash provided by operating activities	50,794	76,440
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for:		
Property and equipment	(16,763)	(12,817)
Intangible assets	(912)	(1,469)
Proceeds from the sale of property and equipment	59	884
Payments from disposition of business	(971)	—
Cash paid in acquisitions, net of cash acquired	(4,712)	(1,858)
Net cash, cash equivalents, and restricted cash used in investing activities	$ (23,299)	$ (15,260)

See condensed notes to consolidated financial statements.

(continued)

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands - unaudited)

	Six Months Ended June 30, 2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	$ 3,244	$ 11,780
Proceeds from issuance of long-term debt	127,688	32,657
Payments on long-term debt	(124,563)	(91,535)
Contingent payments related to acquisitions	(32,798)	(489)
Payment of taxes related to an exchange of common stock	(1,015)	(488)
Net cash, cash equivalents, and restricted cash used in financing activities	(27,444)	(48,075)
Effect of exchange rates on cash, cash equivalents, and restricted cash	(2,564)	(349)
Net increase (decrease) in cash, cash equivalents and restricted cash	(2,513)	12,756
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Beginning of period	67,750	56,916
End of period	$ 65,237	$ 69,672
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO THE CONSOLIDATED BALANCE SHEETS:		
Cash and cash equivalents	63,003	69,672
Restricted cash reported in prepaid expenses and other current assets	2,234	—
Total cash, cash equivalents and restricted cash	$ 65,237	$ 69,672
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest (net of capitalized interest of $302 and $234, respectively)	$ 2,317	$ 2,923
Income taxes	7,863	4,611
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment purchases in accounts payable	$ 3,555	$ 1,014
Acquisition purchases in other long-term obligations	(3,526)	—
Merit common stock surrendered (0 and 2 shares, respectively) in exchange for exercise of stock options	—	93
Right-of-use operating lease assets obtained in exchange for operating lease liabilities	4,746	361

See condensed notes to consolidated financial statements. (concluded)

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation and Other Items. The interim consolidated financial statements of Merit Medical Systems, Inc. ("Merit," "we" or "us") for the three and six-month periods ended June 30, 2022 and 2021 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 ("U.S. GAAP"). In the opinion of our 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 June 30, 2022 and December 31, 2021, and our results of operations and cash flows for the three and six-month periods ended June 30, 2022 and 2021. The results of operations for the three and six-month periods ended June 30, 2022 and 2021 are not necessarily indicative of the results for a full-year period. Amounts presented in this report are rounded, while percentages and earnings per share amounts presented are calculated from the underlying amounts. These interim consolidated financial statements should be read in conjunction with the financial statements and risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Annual Report on Form 10-K").

2. Recently Issued Financial Accounting Standards. In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides temporary optional expedients and exceptions in accounting for modifications of contracts that reference the London interbank offered rate ("LIBOR") or another reference rate expected to be discontinued as a result of reference rate reform. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which amended the scope of ASU 2020-04. ASU 2020-04 and ASU 2021-01 became effective as of March 12, 2020, and **t**he provisions of these updates may be applied prospectively to transactions through December 31, 2022, when reference rate reform activity is expected to be completed. As of June 30, 2022, we had not modified any contracts as a result of reference rate reform. We are currently assessing the anticipated impact of these standards on our consolidated financial statements.

We currently believe that all other issued and not yet effective accounting standards are not materially relevant to our financial statements.

3. Revenue from Contracts with Customers. We recognize revenue when a customer obtains control of promised goods. The amount of revenue recognized reflects the consideration we expect to receive in exchange for these goods. Our revenue recognition policies have not changed from those disclosed in Note 1 to our consolidated financial statements in Item 8 of the 2021 Annual Report on Form 10-K.

Disaggregation of Revenue

Our revenue is disaggregated based on reporting segment, product category and geographical region. We design, develop, manufacture and market medical products for interventional and diagnostic procedures. For financial reporting purposes, we report our operations in two operating segments: cardiovascular and endoscopy. Our cardiovascular segment consists of four product categories: peripheral intervention, cardiac intervention, custom procedural solutions, and original equipment manufacturer ("OEM"). Within these product categories, we sell a variety of products, including cardiology and radiology devices (which assist in diagnosing and treating coronary arterial disease, peripheral vascular disease and other non-vascular diseases), as well as embolotherapeutic, cardiac rhythm management, electrophysiology, critical care, breast cancer localization and guidance, biopsy, and interventional oncology and spine devices. Our endoscopy segment consists of gastroenterology and pulmonology devices which assist in the palliative treatment of expanding esophageal, tracheobronchial and biliary strictures caused by malignant tumors.

The following tables present revenue from contracts with customers by reporting segment, product category and geographical region for the three and six-month periods ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30, 2022			Three Months Ended June 30, 2021		
	United States	International	Total	United States	International	Total
Cardiovascular						
Peripheral Intervention	$ 65,795	$ 45,160	$ 110,955	$ 63,235	$ 42,365	$ 105,600
Cardiac Intervention	33,909	55,665	89,574	33,217	52,436	85,653
Custom Procedural Solutions	27,318	21,775	49,093	27,392	21,244	48,636
OEM	30,048	7,000	37,048	27,420	4,983	32,403
Total	157,070	129,600	286,670	151,264	121,028	272,292
Endoscopy						
Endoscopy Devices	7,604	702	8,306	7,507	526	8,033
Total	$ 164,674	$ 130,302	$ 294,976	$ 158,771	$ 121,554	$ 280,325

	Six Months Ended June 30, 2022			Six Months Ended June 30, 2021		
	United States	International	Total	United States	International	Total
Cardiovascular						
Peripheral Intervention	$ 127,895	$ 88,833	$ 216,728	$ 120,101	$ 78,413	$ 198,514
Cardiac Intervention	62,458	108,603	171,061	62,468	97,922	160,390
Custom Procedural Solutions	53,873	41,482	95,355	52,284	41,773	94,057
OEM	57,844	12,618	70,462	50,310	10,027	60,337
Total	302,070	251,536	553,606	285,163	228,135	513,298
Endoscopy						
Endoscopy Devices	15,596	1,189	16,785	14,980	960	15,940
Total	$ 317,666	$ 252,725	$ 570,391	$ 300,143	$ 229,095	$ 529,238

4. Acquisitions. On April 30, 2022, we acquired the Restore Endosystems Bifurcated Stent System pursuant to the terms of a unit purchase agreement we executed with all of the members of Restore Endosystems, LLC (“Restore Endosystems”). Subject to the terms and conditions of the unit purchase agreement, we paid $3 million in cash at closing. We also accrued $3.5 million of other long-term obligations, which represents the fair value of two separate $2 million payments which are payable no later than two and four years following the closing of the acquisition, respectively, or earlier upon the achievement of specified milestones. We will impute interest on these liabilities with the passage of time. We have accounted for this transaction as an asset purchase and recorded $6.5 million of acquired in-process research and development expense, because the technological feasibility of the underlying research and development project has not yet been reached and such technology has no identified future alternative use as of the date of acquisition.

During April 2022, we paid $1.4 million to acquire shares of series A preferred stock of Fluidx Medical Technology, Inc. ("Fluidx"), owner of certain technology proposed to be used in the development of embolic and adhesive agents for use in arterial, venous, vascular graft and cardiovascular applications inside and outside the heart and related appendages. We had previously purchased, and continue to hold, $4.7 million of participating preferred shares of Fluidx. Our investments have been recorded as equity investments accounted for at cost and reflected within other assets in the accompanying consolidated balance sheets because we are not able to exercise significant influence over the operations of Fluidx. Our total current investment in Fluidx represents an ownership of approximately 17% of its outstanding capital stock.

5. Inventories. Inventories at June 30, 2022 and December 31, 2021 consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Finished goods	$ 122,401	$ 132,403
Work-in-process	34,402	22,160
Raw materials	76,351	67,359
Total inventories	$ 233,154	$ 221,922

6. Goodwill and Intangible Assets. The change in the carrying amount of goodwill for the six-month period ended June 30, 2022 is detailed as follows (in thousands):

	2022
Goodwill balance at January 1	$ 361,741
Effect of foreign exchange	(2,049)
Goodwill balance at June 30	$ 359,692

Total accumulated goodwill impairment losses aggregated to $8.3 million as of June 30, 2022 and December 31, 2021. We did not have any goodwill impairments for the six-month periods ended June 30, 2022 and 2021. The total goodwill balances as of June 30, 2022 and December 31, 2021 were related to our cardiovascular segment.

Other intangible assets at June 30, 2022 and December 31, 2021 consisted of the following (in thousands):

	June 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents	$ 27,182	$ (9,254)	$ 17,928
Distribution agreements	3,250	(2,613)	637
License agreements	11,036	(6,697)	4,339
Trademarks	30,217	(16,556)	13,661
Customer lists	34,577	(31,471)	3,106
Total	$ 106,262	$ (66,591)	$ 39,671

	December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents	$ 26,349	$ (8,315)	$ 18,034
Distribution agreements	3,250	(2,519)	731
License agreements	12,663	(7,768)	4,895
Trademarks	30,242	(15,256)	14,986
Customer lists	34,985	(31,195)	3,790
Total	$ 107,489	$ (65,053)	$ 42,436

Aggregate amortization expense for the three and six-month periods ended June 30, 2022 was $12.1 million and $24.2 million, respectively. Aggregate amortization expense for the three and six-month periods ended June 30, 2021 was $12.4 million and $24.9 million, respectively.

We evaluate long-lived assets, including amortizing intangible assets, for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. We perform the impairment analysis at the asset group for which the lowest level of identifiable cash flows is largely independent of the cash flows of other assets and liabilities. We determine the fair value of our amortizing assets based on estimated future cash flows discounted back to their present value using a discount rate that reflects the risk profiles of the underlying activities. During the three-month period ended June 30, 2022, we did not identify indicators of impairment in any intangible assets based on our qualitative assessment. During the six-month period ended June 30, 2022, we identified indicators of impairment associated with certain acquired intangible assets based on our qualitative assessment, which led us to complete an interim quantitative impairment assessment. The primary indicator of impairment was our divestiture on April 30, 2022 of the STD Pharmaceutical Products Limited (“STD Pharmaceutical”) business acquired in our August 2019 acquisition of Fibrovein Holdings Limited. We recorded an impairment charge for the carrying value of $1.7 million of intangible assets during the six months ended June 30, 2022, all of which pertained to our cardiovascular segment.

During the three-month period ended June 30, 2021, we identified indicators of impairment associated with certain acquired intangible assets based on our qualitative assessment, which led us to complete an interim quantitative impairment assessment. During the three-month period ended June 30, 2021, the primary indicator of impairment was our planned discontinuance of the Advocate™ Peripheral Angioplasty Balloon product line, sold under our license agreements with ArraVasc Limited (“ArraVasc”). We recorded an impairment charge for the remaining carrying value of ArraVasc intangible assets of approximately $1.6 million during the three months ended June 30, 2021, all of which pertained to our cardiovascular segment.

Estimated amortization expense for developed technology and other intangible assets for the next five years consisted of the following as of June 30, 2022 (in thousands):

Year Ending December 31,	Estimated Amortization Expense
Remaining 2022	$ 24,013
2023	46,920
2024	43,995
2025	42,213
2026	31,670

7. Income Taxes. Our provision for income taxes for the three-month periods ended June 30, 2022 and 2021 was a tax expense of $5.4 million and $1.9 million, respectively, which resulted in an effective tax rate of 26.1% and 28.4%, respectively. Our provision for income taxes for the six-month periods ended June 30, 2022 and 2021 was a tax expense of $9.0 million and $3.7 million, respectively, which resulted in an effective tax rate of 25.9% and 18.8%, respectively. The increase in the income tax expense and the corresponding change in the effective income tax rate for the three and six-month periods ended June 30, 2022, when compared to the prior-year periods, was primarily due to decreased benefit from discrete items such as share-based compensation and deferred compensation. Our effective tax rate differs from the U.S. statutory rate primarily due to the impact of global intangible low-taxed income (“GILTI”) inclusions, state income taxes, foreign taxes, other non-deductible permanent items and discrete items (such as share-based compensation).

8. Revolving Credit Facility and Long-Term Debt. Principal balances outstanding under our long-term debt obligations as of June 30, 2022 and December 31, 2021 consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Term loans	$ 129,375	$ 133,125
Revolving credit loans	116,875	110,000
Less unamortized debt issuance costs	(234)	(290)
Total long-term debt	246,016	242,835
Less current portion	10,313	8,438
Long-term portion	$ 235,703	$ 234,397

Third Amended and Restated Credit Agreement

On July 31, 2019, we entered into a Third Amended and Restated Credit Agreement (the "Third Amended Credit Agreement"). The Third Amended Credit Agreement is a syndicated loan agreement with Wells Fargo Bank, National Association and other parties. The Third Amended Credit Agreement amended and restated in its entirety our previously outstanding Second Amended and Restated Credit Agreement and all amendments thereto. The Third Amended Credit Agreement provides for a term loan of $150 million and a revolving credit commitment of up to an aggregate amount of $600 million, inclusive of sub-facilities for multicurrency borrowings, standby letters of credit and swingline loans. On July 31, 2024, all principal, interest and other amounts outstanding under the Third Amended Credit Agreement are payable in full. At any time prior to the maturity date, we may repay any amounts owing under all term loans and revolving credit loans in whole or in part, without premium or penalty, other than breakage fees (as defined in the Third Amended Credit Agreement).

Revolving credit loans denominated in dollars and term loans made under the Third Amended Credit Agreement bear interest, at our election, at either the Base Rate or the Eurocurrency Rate (as such terms are defined in the Third Amended Credit Agreement) plus the Applicable Margin (as defined in the Third Amended Credit Agreement). Revolving credit loans denominated in an Alternative Currency (as defined in the Third Amended Credit Agreement) bear interest at the Eurocurrency Rate plus the Applicable Margin. Swingline loans bear interest at the Base Rate plus the Applicable Margin (as defined in the Third Amended Credit Agreement). Interest on each Base Rate loan is due and payable on the last business day of each calendar quarter; interest on each Eurocurrency Rate loan is due and payable on the last day of each interest period applicable thereto, and if such interest period extends over three months, at the end of each three-month interval during such interest period.

The Third Amended Credit Agreement is collateralized by substantially all our assets. The Third Amended Credit Agreement contains affirmative and negative covenants, representations and warranties, events of default and other terms customary for loans of this nature. In particular, the Third Amended Credit Agreement requires that we maintain certain financial covenants, as follows:

	Covenant Requirement
Consolidated Total Leverage Ratio [1]	4.0 to 1.0
Consolidated Interest Coverage Ratio [2]	3.0 to 1.0
Facility Capital Expenditures [3]	$50 million

(1) Maximum Consolidated Total Net Leverage Ratio (as defined in the Third Amended Credit Agreement) as of any fiscal quarter end.

(2) Minimum ratio of Consolidated EBITDA (as defined in the Third Amended Credit Agreement and adjusted for certain expenditures) to Consolidated Interest Expense (as defined in the Third Amended Credit Agreement) for any period of four consecutive fiscal quarters.

(3) Maximum level of the aggregate amount of all Facility Capital Expenditures (as defined in the Third Amended Credit Agreement) in any fiscal year.

We believe we were in compliance with all covenants set forth in the Third Amended Credit Agreement as of June 30, 2022.

As of June 30, 2022, we had outstanding borrowings of $246.3 million and issued letter of credit guarantees of $1.9 million under the Third Amended Credit Agreement, with additional available borrowings of approximately $481 million, based on the maximum net leverage ratio and the aggregate revolving credit commitment pursuant to the Third Amended Credit Agreement. Our interest rate as of June 30, 2022 was a fixed rate of 2.71% with respect to $75 million of the principal amount, as a result of an interest rate swap (see Note 9), and a variable floating rate of 2.67% with respect to $171.3 million of the principal amount. Our interest rate as of December 31, 2021 was a fixed rate of 2.71% on $75 million as a result of an interest rate swap and a variable floating rate of 1.10% on $168.1 million. The foregoing fixed rates do not reflect potential future changes in the applicable margin.

Future minimum principal payments on our long-term debt, as of June 30, 2022, were as follows (in thousands):

Years Ending December 31,	Future Minimum Principal Payments
Remaining 2022	$ 4,688
2023	11,250
2024	230,312
Total future minimum principal payments	$ 246,250

9. Derivatives.

General. Our earnings and cash flows are subject to fluctuations due to changes in interest rates and foreign currency exchange rates, and we seek to mitigate a portion of the risks attributable to those fluctuations by entering into derivative contracts. The derivative instruments we use are interest rate swaps and foreign currency forward contracts. We recognize derivative instruments as either assets or liabilities at fair value in the accompanying consolidated balance sheets, regardless of whether or not hedge accounting is applied. We report cash flows arising from our hedging instruments consistent with the classification of cash flows from the underlying hedged items. Accordingly, cash flows associated with our derivative contracts are classified as operating activities in the accompanying consolidated statements of cash flows.

We formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment initially and on an ongoing basis. For qualifying hedges, the change in fair value is deferred in accumulated other comprehensive income, a component of stockholders' equity in the accompanying consolidated balance sheets, and recognized in earnings at the same time the hedged item affects earnings. Changes in the fair value of derivative instruments not designated as hedging instruments are recorded in earnings throughout the term of the derivative.

Interest Rate Risk. Our debt bears interest at variable interest rates. Therefore, we are subject to variability in the cash payable for interest expense. In order to mitigate a portion of the risk attributable to such variability, we use a hedging strategy to reduce the variability of cash flows in the interest payments associated with a portion of the variable-rate debt outstanding under our Third Amended Credit Agreement that varies in accordance with changes in the benchmark interest rate.

Derivative Instruments Designated as Cash Flow Hedges

On December 23, 2019, we entered into a pay-fixed, receive-variable interest rate swap with a notional amount of $75 million with Wells Fargo to fix the one-month LIBOR rate at 1.71% for the period from July 6, 2021 to July 31, 2024. The variable portion of the interest rate swap is tied to the one-month LIBOR rate (the benchmark interest rate). On a monthly basis, the interest rates under both the interest rate swap and the underlying debt reset, the swap is settled with the counterparty, and interest is paid.

On June 30, 2022 and December 31, 2021, our interest rate swap qualified as a cash flow hedge. The fair value of our interest rate swap on June 30, 2022 was an asset of $2.0 million, which was partially offset by ($0.5) million in deferred taxes. The fair value of our interest rate swap on December 31, 2021 was a liability of ($1.4) million, partially offset by $0.4 million in deferred taxes.

Foreign Currency Risk. We operate on a global basis and are exposed to the risk that our financial condition, results of operations, and cash flows could be adversely affected by changes in foreign currency exchange rates. To reduce the potential effects of foreign currency exchange rate movements on net earnings, we enter into derivative financial instruments in the form of foreign currency exchange forward contracts with major financial institutions. Our policy is to enter into foreign currency derivative contracts with maturities of up to two years. We are exposed to foreign currency exchange rate risk with respect to transactions and balances denominated in various currencies, with our most significant exposure related to transactions and balances denominated in Chinese Renminbi and Euros, among others. We do not use derivative financial instruments for trading or speculative purposes. We do not believe we are subject to any credit risk contingent features related to our derivative contracts, and we seek to manage counterparty risk by allocating derivative contracts among several major financial institutions.

Derivative Instruments Designated as Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the gain or loss on the derivative instrument is temporarily reported as a component of other comprehensive income and then reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings. We entered into forward contracts on various foreign currencies to manage the risk associated with forecasted exchange rates which impact revenues, cost of sales, and operating expenses in various international markets. The objective of the hedges is to reduce the variability of cash flows associated with the forecasted purchase or sale of the associated foreign currencies.

We enter into approximately 100 cash flow foreign currency hedges every month. As of June 30, 2022 and December 31, 2021, we had entered into foreign currency forward contracts, which qualified as cash flow hedges, with aggregate notional amounts of $103.4 million and $123.0 million, respectively.

Derivative Instruments Not Designated as Cash Flow Hedges

We forecast our net exposure in various receivables and payables to fluctuations in the value of various currencies, and we enter into foreign currency forward contracts to mitigate that exposure. We enter into approximately 50 foreign currency fair value hedges every month. As of June 30, 2022 and December 31, 2021, we had entered into foreign currency forward contracts related to those balance sheet accounts with aggregate notional amounts of $94.0 million and $86.0 million, respectively.

Balance Sheet Presentation of Derivative Instruments. As of June 30, 2022 and December 31, 2021, all derivative instruments, both those designated as hedging instruments and those that were not designated as hedging instruments, were recorded at fair value on a gross basis on our consolidated balance sheets. We are not subject to any master netting agreements.

The fair value of derivative instruments on a gross basis was as follows on the dates indicated (in thousands):

Fair Value of Derivative Instruments Designated as Hedging Instruments	**Balance Sheet Location**	**June 30, 2022**	**December 31, 2021**
Assets			
Interest rate swaps	Other assets (long-term)	$ 2,029	$ —
Foreign currency forward contracts	Prepaid expenses and other assets	3,977	1,326
Foreign currency forward contracts	Other assets (long-term)	801	179
(Liabilities)			
Interest rate swaps	Other long-term obligations	—	(1,447)
Foreign currency forward contracts	Accrued expenses	(1,295)	(2,288)
Foreign currency forward contracts	Other long-term obligations	(106)	(502)

Fair Value of Derivative Instruments Not Designated as Hedging Instruments	**Balance Sheet Location**	**June 30, 2022**	**December 31, 2021**
Assets			
Foreign currency forward contracts	Prepaid expenses and other assets	$ 2,246	$ 736
(Liabilities)			
Foreign currency forward contracts	Accrued expenses	(1,040)	(856)

Income Statement Presentation of Derivative Instruments.

Derivative Instruments Designated as Cash Flow Hedges

Derivative instruments designated as cash flow hedges had the following effects, before income taxes, on other comprehensive income ("OCI"), accumulated other comprehensive income ("AOCI"), and net earnings in our consolidated statements of income, consolidated statements of comprehensive income and consolidated balance sheets (in thousands):

	Amount of Gain/(Loss) Recognized in OCI Three Months Ended June 30,			**Consolidated Statements of Income Three Months Ended June 30,**		**Amount of Gain/(Loss) Reclassified from AOCI Three Months Ended June 30,**	
Derivative instrument	**2022**	**2021**	**Location in statements of income**	**2022**	**2021**	**2022**	**2021**
Interest rate swaps	$ 689	$ (84)	*Interest expense*	$ (1,348)	$ (1,386)	$ (179)	$ (447)
Foreign currency forward contracts	5,492	(632)	*Revenue*	294,976	280,325	198	(1,572)
			Cost of sales	(159,909)	(156,186)	(263)	304

	Amount of Gain/(Loss) Recognized in OCI Six Months Ended June 30,			**Consolidated Statements of Income Six Months Ended June 30,**		**Amount of Gain/(Loss) Reclassified from AOCI Six Months Ended June 30,**	
Derivative instrument	**2022**	**2021**	**Location in statements of income**	**2022**	**2021**	**2022**	**2021**
Interest rate swaps	$ 3,003	$ 638	*Interest expense*	$ (2,350)	$ (2,923)	$ (473)	$ (880)
Foreign currency forward contracts	5,222	(116)	*Revenue*	570,391	529,238	(188)	(3,172)
			Cost of sales	(314,417)	(293,205)	(446)	654

As of June 30, 2022, $3.2 million, or $2.4 million after taxes, was expected to be reclassified from AOCI to earnings in revenue and cost of sales over the succeeding twelve months. As of June 30, 2022, $1.0 million, or $0.8 million after taxes, was expected to be reclassified from AOCI to earnings in interest expense over the succeeding twelve months.

Derivative Instruments Not Designated as Hedging Instruments

The following gains/(losses) from these derivative instruments were recognized in our consolidated statements of income for the periods presented (in thousands):

		Three Months Ended June 30,		Six Months Ended June 30,	
Derivative Instrument	**Location in statements of income**	**2022**	**2021**	**2022**	**2021**
Foreign currency forward contracts	Other expense — net	$ 1,290	$ (977)	$ 178	$ (748)

10. Commitments and Contingencies.

Litigation. In the ordinary course of business, we are involved in various proceedings, legal actions and claims. These proceedings, actions and claims may involve product liability, intellectual property, contract disputes, employment, governmental inquiries, audits or proceedings, or other matters, including those more fully described below. The outcomes of these matters will generally not be known for prolonged periods of time. In certain proceedings, the claimants may seek damages as well as other compensatory and equitable relief that could result in the payment of significant claims and settlements and/or the imposition of injunctions or other equitable relief. For legal matters for which our management had sufficient information to reasonably estimate our future obligations, a liability representing management's best estimate of the probable loss, or the minimum of the range of probable losses when a best estimate within the range is not known, is recorded. The estimates are based on consultation with legal counsel, previous settlement experience, settlement strategies and the potential availability of insurance coverage. If actual outcomes are less favorable than those estimated by management, additional expense may be incurred, which could unfavorably affect our financial position, results of operations and cash flows. The ultimate cost to us with respect to such proceedings, actions and claims could be materially different than the amount of the current estimates and accruals and could have a material adverse effect on our financial position, results of operations and cash flows.

Shareholder Derivative Action

On June 3, 2021, Steffen Maute filed a complaint, derivatively on behalf of Merit, against Merit (as a nominal defendant), our Chief Executive Officer, our Chief Financial Officer, our former President of Europe, Middle East and Africa ("EMEA,") and certain of our directors in the United States District Court for the District of Utah (Case No. 2:21-cv-00346-DBP). The derivative complaint alleges that the individual defendants violated their fiduciary duties owed to Merit and were unjustly enriched at the expense of and to the detriment of Merit between February 2019 and October 2019, and seeks unspecified damages, costs, and professional fees. We intend to vigorously defend against the lawsuit. The proceeding was stayed until February 19, 2022, subject to the right of either party to seek to lift or extend the stay. The stay has expired, however, the parties have been engaged in mediation in an attempt to resolve the dispute. The parties have negotiated a tentative agreement to settle the dispute; however, that agreement is not final and remains subject to court approval. As currently proposed, the settlement would result in an expense to Merit of $1.0 million. The estimated expense associated with the tentative settlement has been reflected in our financial results reported for the three and six-month periods ended June 30, 2022.

SEC Inquiry

We have received a request from the Division of Enforcement of the U.S, Securities and Exchange Commission ("SEC") seeking the voluntary production of information relating to the business activities of Merit's subsidiary in China, including interactions with hospitals and health care officials in China. We are cooperating with this request and investigating the matter and, at this time, are unable to predict the scope, timing, significance or outcome of this matter.

Legal costs for proceedings, legal actions and claims discussed, such as outside counsel fees and expenses, are charged to expense in the period(s) incurred.

11. Earnings Per Common Share (EPS). The computation of weighted average shares outstanding and the basic and diluted earnings per common share for the three and six-month periods ended June 30, 2022 and 2021 consisted of the following (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	$ 15,298	$ 4,916	$ 25,843	$ 15,874
Average common shares outstanding	56,691	56,061	56,642	55,890
Basic EPS	$ 0.27	$ 0.09	$ 0.46	$ 0.28
Average common shares outstanding	56,691	56,061	56,642	55,890
Effect of dilutive stock awards	909	1,216	923	1,238
Total potential shares outstanding	57,600	57,277	57,565	57,128
Diluted EPS	$ 0.27	$ 0.09	$ 0.45	$ 0.28
Equity awards excluded as the impact was anti-dilutive (1)	1,641	990	1,597	1,016

(1) Does not reflect the impact of incremental repurchases under the treasury stock method.

12. Stock-Based Compensation Expense. Stock-based compensation expense before income tax expense for the three and six-month periods ended June 30, 2022 and 2021 consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cost of sales				
Nonqualified stock options	$ 509	$ 318	$ 1,097	$ 636
Research and development				
Nonqualified stock options	450	276	936	555
Selling, general and administrative				
Nonqualified stock options	1,207	814	3,131	2,441
Performance-based restricted stock units	1,257	972	2,072	1,703
Restricted stock units	529	385	928	740
Cash-settled performance-based share-based awards ("Liability Awards")	499	372	929	657
Total selling, general and administrative	3,492	2,543	7,060	5,541
Stock-based compensation expense before taxes	$ 4,451	$ 3,137	$ 9,093	$ 6,732

We recognize stock-based compensation expense (net of a forfeiture rate), for those awards which are expected to vest, on a straight-line basis over the requisite service period. We estimate the forfeiture rate based on our historical experience and expectations about future forfeitures.

Nonqualified Stock Options

During the six-month periods ended June 30, 2022 and 2021, we granted stock options representing 168,606 and 125,850 shares of our common stock, respectively. We use the Black-Scholes methodology to value the stock-based compensation

expense for options. In applying the Black-Scholes methodology to the option grants, the fair value of our stock-based awards granted was estimated using the following assumptions for the periods indicated below:

	Six Months Ended June 30,	
	2022	2021
Risk-free interest rate	1.4% - 3.0%	0.6%
Expected option term	4 years	4 years
Expected dividend yield	—	—
Expected price volatility	46.2% - 47.0%	46.7%

The average risk-free interest rate is determined using the U.S. Treasury rate in effect as of the date of grant, based on the expected term of the stock award. We determine the expected term of stock options using the historical exercise behavior of employees. The expected price volatility was determined using a weighted average of daily historical volatility of our stock price over the corresponding expected option term and implied volatility based on recent trends of the daily historical volatility. For awards with a vesting period, compensation expense is recognized on a straight-line basis over the service period, which corresponds to the vesting period.

As of June 30, 2022, the total remaining unrecognized compensation cost related to non-vested stock options was $24.0 million, which was expected to be recognized over a weighted average period of 2.6 years.

Stock-Settled Performance-Based Restricted Stock Units ("Performance Stock Units")

During the six-month periods ended June 30, 2022 and 2021, we granted performance stock units to certain of our executive officers which represent up to 120,710 and 128,883 shares of our common stock, respectively. Conversion of the performance stock units occurs at the end of the relevant performance periods, or one year after the agreement date, whichever is later. The conversion ratio is based upon attaining targeted levels of free cash flow ("FCF") and relative shareholder return as compared to the Russell 2000 Index ("rTSR"), as defined in the award agreements.

We use Monte-Carlo simulations to estimate the grant-date fair value of the performance stock units linked to total shareholder return. The fair value of each performance stock unit was estimated as of the grant date using the following assumptions for awards granted in the periods indicated below:

	Six Months Ended June 30,	
	2022	2021
Risk-free interest rate	1.6%	0.1% - 0.3%
Performance period	2.8 years	1.8 - 2.8 years
Expected dividend yield	—	—
Expected price volatility	42.6%	43.7% - 49.3%

The risk-free interest rate of return was determined using the U.S. Treasury rate at the time of grant with a term equal to the expected term of the award. The expected volatility was based on a weighted average volatility of our stock price and the average volatility of our compensation peer group's volatilities. The expected dividend yield was assumed to be zero because, at the time of the grant, we had no plans to declare a dividend.

Compensation expense is recognized using the grant-date fair value for the number of shares that are probable of being awarded based on the performance conditions. Each reporting period, this probability assessment is updated, and cumulative adjustments are recorded based on the level of FCF that is expected to be achieved. At the end of the performance period, cumulative expense is calculated based on the actual level of FCF achieved. As of June 30, 2022, the total remaining unrecognized compensation cost related to stock-settled performance stock units was $8.0 million, which is expected to be recognized over a weighted average period of 2.0 years.

Liability Awards

During the six-month periods ended June 30, 2022 and 2021, we granted liability awards to our Chief Executive Officer with total target cash incentives, each in the amount of $1.0 million. These awards entitle him to a target cash payment based upon attaining targeted levels of FCF and rTSR, as defined in the award agreements. Settlement generally occurs based upon the same performance metrics, vesting period, and performance period as our performance stock units.

The fair value of these awards is remeasured at each reporting period until the awards are settled. These awards are classified as liabilities and reported in accrued expenses and other long-term obligations within our consolidated balance sheet. As of June 30, 2022, the total remaining unrecognized compensation cost related to cash-settled performance-based share-based awards was $3.2 million, which is expected to be recognized over a weighted average period of 2.0 years.

Restricted Stock Units

During the three-month periods ended June 30, 2022 and 2021, we granted restricted stock units to our non-employee directors representing 30,500 and 26,226 shares of our common stock. The expense recognized for restricted stock units is equal to the closing stock price on the date of grant, which is recognized over the vesting period. Restricted stock units granted to each director are subject to such director's continued service through the vesting date, which is one year from the date of grant. As of June 30, 2022, the total remaining unrecognized compensation cost related to restricted stock units was $1.6 million, which will be recognized over the remaining vesting period.

13. Segment Reporting. We report our operations in two operating segments: cardiovascular and endoscopy. Our cardiovascular segment consists of four product categories: peripheral intervention, cardiac intervention, custom procedural solutions, and OEM. Within these product categories, we sell a variety of products, including cardiology and radiology devices (which assist in diagnosing and treating coronary arterial disease, peripheral vascular disease and other non-vascular diseases), as well as embolotherapeutic, cardiac rhythm management, electrophysiology, critical care, breast cancer localization and guidance, biopsy, and interventional oncology and spine devices. Our endoscopy segment consists of gastroenterology and pulmonology devices which assist in the palliative treatment of expanding esophageal, tracheobronchial and biliary strictures caused by malignant tumors. We evaluate the performance of our operating segments based on net sales and income from operations.

Financial information relating to our reportable operating segments and reconciliations to the consolidated totals for the three and six-month periods ended June 30, 2022 and 2021, were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net sales				
Cardiovascular	$ 286,670	$ 272,292	$ 553,606	$ 513,298
Endoscopy	8,306	8,033	16,785	15,940
Total net sales	294,976	280,325	570,391	529,238
Income from operations				
Cardiovascular	21,275	6,777	34,401	18,978
Endoscopy	1,981	2,118	4,088	4,111
Total income from operations	23,256	8,895	38,489	23,089
Total other expense — net	(2,555)	(2,030)	(3,617)	(3,530)
Income tax expense	5,403	1,949	9,029	3,685
Net income	$ 15,298	$ 4,916	$ 25,843	$ 15,874

14. Fair Value Measurements.

Assets (Liabilities) Measured at Fair Value on a Recurring Basis

Our financial assets and (liabilities) carried at fair value and measured on a recurring basis as of June 30, 2022 and December 31, 2021 consisted of the following (in thousands):

		Fair Value Measurements Using		
	Total Fair Value at June 30, 2022	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate contract asset, long-term [1]	$ 2,029	$ —	$ 2,029	$ —
Foreign currency contract assets, current and long-term [2]	$ 7,024	$ —	$ 7,024	$ —
Foreign currency contract liabilities, current and long-term [3]	$ (2,441)	$ —	$ (2,441)	$ —
Contingent consideration liabilities	$ (17,426)	$ —	$ —	$ (17,426)

		Fair Value Measurements Using		
	Total Fair Value at December 31, 2021	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate contract liability, long-term [1]	$ (1,447)	$ —	$ (1,447)	$ —
Foreign currency contract assets, current and long-term [2]	$ 2,241	$ —	$ 2,241	$ —
Foreign currency contract liabilities, current and long-term [3]	$ (3,646)	$ —	$ (3,646)	$ —
Contingent consideration liabilities	$ (48,234)	$ —	$ —	$ (48,234)

(1) The fair value of the interest rate contract is determined using Level 2 fair value inputs and is reported with other long-term assets or other long-term obligations in the consolidated balance sheets.

(2) The fair value of the foreign currency contract assets (including those designated as hedging instruments and those not designated as hedging instruments) is determined using Level 2 fair value inputs and is recorded as prepaid expenses and other current assets or other long-term assets in the consolidated balance sheets.

(3) The fair value of the foreign currency contract liabilities (including those designated as hedging instruments and those not designated as hedging instruments) is determined using Level 2 fair value inputs and is recorded as accrued expenses or other long-term obligations in the consolidated balance sheets.

Certain of our business combinations involve the potential for the payment of future contingent consideration, generally based on a percentage of future product sales or upon attaining specified future revenue or other milestones. The contingent consideration liability is re-measured at the estimated fair value at the end of each reporting period with the change in fair value recognized within operating expenses in the accompanying consolidated statements of income for such period. We measure the initial liability and re-measure the liability on a recurring basis using Level 3 inputs as defined under authoritative guidance for fair value measurements. Changes in the fair value of our contingent consideration liabilities during the three and six-month periods ended June 30, 2022 and 2021 consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Beginning balance	$ 26,333	$ 55,754	$ 48,234	$ 55,750
Contingent consideration expense	1,187	1,805	3,787	2,207
Contingent payments made	(10,094)	(86)	(34,585)	(489)
Effect of foreign exchange	—	4	(10)	9
Ending balance	$ 17,426	$ 57,477	$ 17,426	$ 57,477

As of June 30, 2022, $5.7 million in contingent consideration liability was included in other long-term obligations and $11.7 million in contingent consideration liability was included in accrued expenses in our consolidated balance sheet. As of December 31, 2021, $13.5 million in contingent consideration liability was included in other long-term obligations and $34.7 million in contingent consideration liability was included in accrued expenses in our consolidated balance sheet.

Payments related to the settlement of the contingent consideration liability recognized at fair value as of the applicable acquisition date of $32.8 million and $0.5 million for the six-month periods ended June 30, 2022 and 2021, respectively, have been reflected as a cash outflow from financing activities in the accompanying consolidated statements of cash flows. Payments related to increases in the contingent consideration liability subsequent to the date of acquisition of $1.8 million for the six-month period ended June 30, 2022 are reflected as operating cash flows.

The recurring Level 3 measurement of our contingent consideration liabilities included the following significant unobservable inputs at June 30, 2022 and December 31, 2021 (amounts in thousands):

Contingent consideration liability	Fair value at June 30, 2022	Valuation technique	Unobservable inputs	Range	Weighted Average[1]
Revenue-based royalty payments contingent liability	$ 2,404	Discounted cash flow	Discount rate	14% - 17%	15.9%
			Projected year of payments	2022-2034	2026
Revenue milestones contingent liability	$ 11,444	Monte Carlo simulation	Discount rate	7.5% - 14%	7.6%
			Projected year of payments	2022-2032	2023
Regulatory approval contingent liability	$ 3,578	Scenario-based method	Discount rate	4.2%	
			Probability of milestone payment	80%	
			Projected year of payment	2024-2025	2025

Contingent consideration liability	Fair value at December 31, 2021	Valuation technique	Unobservable inputs	Range	Weighted Average[1]
Revenue-based royalty payments contingent liability	$ 2,870	Discounted cash flow	Discount rate	13% - 16%	14.7%
			Projected year of payments	2022-2034	2026
Revenue milestones contingent liability	$ 41,671	Monte Carlo simulation	Discount rate	7.5% - 12.5%	8.2%
			Projected year of payments	2022-2031	2022
Regulatory approval contingent liability	$ 3,693	Scenario-based method	Discount rate	2.6%	
			Probability of milestone payment	80%	
			Projected year of payment	2024-2025	2025

(1) Unobservable inputs were weighted by the relative fair value of the instruments. No weighted average is reported for contingent consideration liabilities without a range of unobservable inputs.

The contingent consideration liability is re-measured to fair value each reporting period. Significant increases or decreases in projected revenues, based on our most recent internal operational budgets and long-range strategic plans, discount rates or the time until payment is made would have resulted in a significantly lower or higher fair value measurement. Our determination of the fair value of the contingent consideration liability could change in future periods based upon our ongoing evaluation of these significant unobservable inputs. We intend to record any such change in fair value to operating expenses in our consolidated statements of income.

Contingent Payments to Related Parties

During the six-month period ended June 30, 2022, we made contingent payments of $1.6 million to a former director of Merit and former shareholder of Cianna Medical, Inc. (“Cianna Medical”), which we acquired in 2018. We made no such payments during the six-month period ended June 30, 2021. The terms of the acquisition, including contingent consideration payments, were determined prior to the appointment of the former Cianna Medical shareholder as a Merit director. As a former shareholder of Cianna Medical, the former Merit director may be eligible for additional payments for the achievement of sales milestones specified in our merger agreement with Cianna Medical.

Fair Value of Other Assets (Liabilities)

The carrying amount of cash and cash equivalents, receivables, and trade payables approximate fair value because of the immediate, short-term maturity of these financial instruments. Our long-term debt re-prices frequently due to variable rates and entails no significant changes in credit risk and, as a result, we believe the fair value of long-term debt approximates carrying value. The fair value of assets and liabilities whose carrying value approximates fair value is determined using Level 2 inputs, with the exception of cash and cash equivalents, which use Level 1 inputs.

We analyze our investments in privately-held companies to determine if they should be accounted for using the equity method based on our ability to exercise significant influence over operating and financial policies of the company in which we have invested. Investments not accounted for under the equity method of accounting are accounted for at cost minus impairment, if applicable, plus or minus changes in valuation resulting from observable transactions for identical or similar investments.

Impairment Charges

We recognize or disclose the fair value of certain assets, such as non-financial assets, primarily property and equipment, right-of-use operating lease assets, equity investments, intangible assets and goodwill in connection with impairment evaluations. Such assets are reported at carrying value and are not subject to recurring fair value measurements. We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Fair value is generally determined based on discounted future cash flow. All our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy.

Intangible Assets. On April 30, 2022, we completed the divestiture of Fibrovein Holdings Limited, in exchange for the termination of our obligations arising from the acquisition transaction in August 2019 and the purchaser’s agreement to make potential future payments upon a qualifying disposition of the STD Pharmaceutical business. During the six-month period ended June 30, 2022, we had impairment losses related to acquired intangible assets of $1.7 million (see note 6) in connection with this disposition. In addition to the intangible asset impairment, during the three-month period ended June 30, 2022, we recorded a loss within other expense – net of $1.3 million primarily associated with the transfer of net assets of the divested entity including approximately $1.0 million of cash and $1.2 million of inventory, partially offset by a gain of $1.0 million from reclassification of foreign currency translation gains.

During the six-month period ended June 30, 2021 we had losses related to acquired intangible assets of $1.6 million (see note 6).

Right of Use Operating Lease Assets. During the three-month period ended June 30, 2021, we identified changes in events and circumstances relating to certain right-of-use ("ROU") operating lease assets. We compared the anticipated undiscounted cash flows generated by a sublease to the carrying value of the ROU operating lease and related long-lived assets and determined that the carrying values were not recoverable. Consequently, we recorded impairment losses in the three-month period ended June 30, 2021 of approximately $1.4 million, which is equal to the excess of the carrying value of the assets over their estimated fair value. The impairment losses were driven primarily by site consolidation decisions and changes in our projected cash flows for the ROU operating lease assets and related long-lived assets, due to changes in the real estate market as a result of the COVID-19 pandemic. These changes include an increase in the anticipated time to identify lessees, an increase in anticipated lease concessions, and a decrease in the expected lease rates for the properties. The ROU operating lease asset impairment losses in 2021 pertained to our cardiovascular segment. We had no such losses during the three and six-month periods ended June 30, 2022.

Property and Equipment. During the three and six-month periods ended June 30, 2021, we had losses of $1.3 million related to the measurement of property and equipment at fair value based on the planned discontinuance of the Advocate™ Peripheral Angioplasty Balloon product line, sold under our license agreements with ArraVasc, which pertained to our cardiovascular segment.

Notes Receivable

Our outstanding long-term notes receivable, including accrued interest and our allowance for current expected credit losses, were $2.4 million and $2.3 million as of June 30, 2022 and December 31, 2021, respectively. As of June 30, 2022 and December 31, 2021, we had an allowance for current expected credit losses of $0.2 million and $0.2 million, respectively, associated with these notes receivable. We assess the allowance for current expected credit losses on an individual security basis, due to the limited number of securities, using a probability of default model, which is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the expected collectability of securities, and other security specific factors. The table below presents a rollforward of the allowance for current expected credit losses on our notes receivable for the three and six-month periods ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Beginning balance	$ 199	$ 932	$ 199	$ 730
Provision for credit loss expense	(7)	175	(7)	377
Ending balance	$ 192	$ 1,107	$ 192	$ 1,107

15. Accumulated Other Comprehensive Income (Loss). The changes in each component of accumulated other comprehensive income (loss) for the three and six-month periods ended June 30, 2022 and 2021 were as follows:

	Cash Flow Hedges	Foreign Currency Translation	Total
Balance as of April 1, 2022	$ (269)	$ (6,384)	$ (6,653)
Other comprehensive income (loss)	6,181	(7,943)	(1,762)
Income taxes	(1,572)	60	(1,512)
Reclassifications to:			
Revenue	(198)		(198)
Cost of sales	263		263
Interest expense	179		179
Other expense — net		(1,036)	(1,036)
Net other comprehensive income (loss)	4,853	(8,919)	(4,066)
Balance as of June 30, 2022	$ 4,584	$ (15,303)	$ (10,719)

	Cash Flow Hedges	Foreign Currency Translation	Total
Balance as of April 1, 2021	$ (4,743)	$ (2,439)	$ (7,182)
Other comprehensive income (loss)	(716)	1,800	1,084
Income taxes	(248)	(203)	(451)
Reclassifications to:			
Revenue	1,572		1,572
Cost of sales	(304)		(304)
Interest expense	447		447
Net other comprehensive income (loss)	751	1,597	2,348
Balance as of June 30, 2021	$ (3,992)	$ (842)	$ (4,834)

	Cash Flow Hedges	Foreign Currency Translation	Total
Balance as of January 1, 2022	$ (2,464)	$ (5,527)	$ (7,991)
Other comprehensive income (loss)	8,225	(8,736)	(511)
Income taxes	(2,284)	(4)	(2,288)
Reclassifications to:			
Revenue	188		188
Cost of sales	446		446
Interest expense	473		473
Other expense — net		(1,036)	(1,036)
Net other comprehensive income (loss)	7,048	(9,776)	(2,728)
Balance as of June 30, 2022	$ 4,584	$ (15,303)	$ (10,719)

	Cash Flow Hedges	Foreign Currency Translation	Total
Balance as of January 1, 2021	$ (6,940)	$ 1,488	$ (5,452)
Other comprehensive income (loss)	522	(2,662)	(2,140)
Income taxes	(972)	332	(640)
Reclassifications to:			
Revenue	3,172		3,172
Cost of sales	(654)		(654)
Interest expense	880		880
Net other comprehensive income (loss)	2,948	(2,330)	618
Balance as of June 30, 2021	$ (3,992)	$ (842)	$ (4,834)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related condensed notes thereto, which are included in Part I of this report. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties that may adversely impact our operations and financial results. These risks and uncertainties are discussed in Part I, Item 1A "Risk Factors" in the 2021 Annual Report on Form 10-K and in Part II, Item 1A "Risk Factors" in this report.

OVERVIEW

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related condensed notes thereto, which are included in Part I of this report.

We design, develop, manufacture, market and sell medical products for interventional and diagnostic procedures. For financial reporting purposes, we report our operations in two operating segments: cardiovascular and endoscopy. Our cardiovascular segment consists of four product categories: peripheral intervention, cardiac intervention, custom procedural solutions, and OEM. Within these product categories, we sell a variety of products, including cardiology and radiology devices (which assist in diagnosing and treating coronary arterial disease, peripheral vascular disease and other non-vascular diseases), as well as embolotherapeutic, cardiac rhythm management, electrophysiology, critical care, breast cancer localization and guidance, biopsy, and interventional oncology and spine devices. Our endoscopy segment consists of gastroenterology and pulmonology devices which assist in the palliative treatment of expanding esophageal, tracheobronchial and biliary strictures caused by malignant tumors.

For the three-month period ended June 30, 2022, we reported sales of $295.0 million, up $14.7 million or 5.2%, compared to sales for the three-month period ended June 30, 2021 of $280.3 million. For the six-month period ended June 30, 2022, we reported sales of $570.4 million, up $41.2 million or 7.8%, compared to sales for the six-month period ended June 30, 2021 of $529.2 million. For the three and six-month periods ended June 30, 2022, foreign currency fluctuations (net of hedging) decreased our net sales by $6.1 million and $7.8 million, respectively, assuming applicable foreign exchange rates in effect during the comparable prior-year periods.

Gross profit as a percentage of sales increased to 45.8% for the three-month period ended June 30, 2022 compared to 44.3% for the three-month period ended June 30, 2021. Gross profit as a percentage of sales increased to 44.9% for the six-month period ended June 30, 2022 compared to 44.6% for the six-month period ended June 30, 2021.

Net income for the three-month period ended June 30, 2022 was $15.3 million, or $0.27 per share, compared to net income of $4.9 million, or $0.09 per share, for the three-month period ended June 30, 2021. Net income for the six-month period ended June 30, 2022 was $25.8 million, or $0.45 per share, compared to net income of $15.9 million, or $0.28 per share, for the six-month period ended June 30, 2021.

Recent Developments and Trends

In addition to the trends identified in the 2021 Annual Report on Form 10-K under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview," our business in 2022 has been impacted, and we believe will continue to be impacted, by the following recent developments and trends:

- Our revenue results during the three-month period ended June 30, 2022 were driven primarily by stronger-than-anticipated demand in the U.S. and more favorable than anticipated international sales trends, particularly in the EMEA and "Rest of World" ("ROW") regions.

- Our clinical study, the "WAVE Study", of the WRAPSODY™ Endovascular Stent Graft, an investigational device being studied for the treatment of stenosis or occlusion within dialysis outflow circuits continues to progress. We have 40 clinical sites actively enrolling patients in the study.

- We announced first patient enrollment in two new studies in recent months: (1) the "WRAP" study which, is designed to evaluate the clinical benefits associated with the use of the WRAPSODY Cell-Impermeable Endoprosthesis in patients receiving hemodialysis that experience a narrowing (stenosis) or blockage (occlusion) of blood vessels required for dialysis (vascular access) and (2) the "STREAMLoc" study which is a Canadian registry intended to demonstrate the utility of the SCOUT® Surgical Guidance system to improve workflow and efficiency in Canadian centers diagnosing and treating breast cancer.

- During the first half of 2022, we received "Breakthrough Device Designation" for Embosphere Microspheres for use in genicular artery embolization for symptomatic knee osteoarthritis, we received clearance for the SCOUT Bx™ Delivery System, a notable addition to the Merit Oncology Breast and Soft Tissue Localization portfolio, and we announced the launch of a new SCOUT Mini Reflector.

- As of June 30, 2022, we had cash, cash equivalents, and restricted cash of $65.2 million and net available borrowing capacity of approximately $481 million.

RESULTS OF OPERATIONS

The following table sets forth certain operational data as a percentage of sales for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net sales	100 %	100 %	100 %	100 %
Gross profit	45.8	44.3	44.9	44.6
Selling, general and administrative expenses	29.0	32.7	29.7	32.6
Research and development expenses	6.3	6.3	6.3	6.4
Impairment charges	—	1.5	0.3	0.8
Contingent consideration expense	0.4	0.6	0.7	0.4
Acquired in-process research and development expense	2.3	—	1.2	—
Income from operations	7.9	3.2	6.7	4.4
Other expense — net	(0.9)	(0.7)	(0.6)	(0.7)
Income before income taxes	7.0	2.4	6.1	3.7
Net income	5.2	1.8	4.5	3.0

Sales

Sales for the three-month period ended June 30, 2022 increased by 5.2%, or $14.7 million, compared to the corresponding period in 2021. Sales for the six-month period ended June 30, 2022 increased by 7.8%, or $41.2 million, compared to the

corresponding period in 2021. Listed below are the sales by product category within each of our financial reporting segments for the three and six-month periods ended June 30, 2022 and 2021 (in thousands, other than percentage changes):

		Three Months Ended June 30,			Six Months Ended June 30,	
	% Change	2022	2021	% Change	2022	2021
Cardiovascular						
Peripheral Intervention	5.1 %	$ 110,955	$ 105,600	9.2 %	$ 216,728	$ 198,514
Cardiac Intervention	4.6 %	89,574	85,653	6.7 %	171,061	160,390
Custom Procedural Solutions	0.9 %	49,093	48,636	1.4 %	95,355	94,057
OEM	14.3 %	37,048	32,403	16.8 %	70,462	60,337
Total	5.3 %	286,670	272,292	7.9 %	553,606	513,298
Endoscopy						
Endoscopy Devices	3.4 %	8,306	8,033	5.3 %	16,785	15,940
Total	5.2 %	$ 294,976	$ 280,325	7.8 %	$ 570,391	$ 529,238

Cardiovascular Sales. Our cardiovascular sales for the three-month period ended June 30, 2022 were $286.7 million, up 5.3% when compared to the corresponding period of 2021 of $272.3 million. Sales for the three-month period ended June 30, 2022 were favorably affected by increased sales of:

(a) Peripheral intervention products, which increased by $5.4 million, or 5.1%, from the corresponding period of 2021. This increase was driven primarily by sales of our angiography, access, drainage, embolotherapy and radar localization products, offset partially by decreased sales of our intervention products.

(b) Cardiac intervention products, which increased by $3.9 million, or 4.6%, from the corresponding period of 2021. This increase was driven primarily by sales of our intervention and access products, offset partially by decreased sales of our fluid management products (including our Medallion® Syringes, which saw increased demand in the prior period due to COVID-19 vaccination efforts).

(c) OEM products, which increased by $4.6 million, or 14.3%, from the corresponding period of 2021. This increase was driven primarily by sales of our access, fluid management and interventions products, and kits, offset partially by decreased sales of our cardiac rhythm management/electrophysiology (“CRM/EP”) products.

(d) Custom procedural solutions products, which increased by $0.5 million, or 0.9%, from the corresponding period of 2021. This increase was driven primarily by sales of our trays, offset partially by decreased sales of our critical care products.

Our cardiovascular sales for the six-month period ended June 30, 2022 were $553.6 million, up 7.9% when compared to the corresponding period of 2021 of $513.3 million. Sales for the six-month period ended June 30, 2022 were favorably affected by increased sales of:

(e) Peripheral intervention products, which increased by $18.2 million, or 9.2%, from the corresponding period of 2021. This increase was driven primarily by sales of our radar localization, drainage, angiography, access, biopsy, delivery systems, and embolotherapy products.

(f) Cardiac intervention products, which increased by $10.7 million, or 6.7%, from the corresponding period of 2021. This increase was driven primarily by sales of our intervention, angiography and access products, offset partially by decreased sales of our fluid management products (including our Medallion® Syringes, which saw increased demand in the prior period due to COVID-19 vaccination efforts).

(g) OEM products, which increased by $10.1 million, or 16.8%, from the corresponding period of 2021. This increase was driven primarily by sales of our access, intervention and angiography products, kits and coatings, offset partially by decreased sales of our cardiac rhythm management/electrophysiology ("CRM/EP") products.

(h) Custom procedural solutions products, which increased by $1.3 million, or 1.4%, from the corresponding period of 2021. This increase was driven primarily by sales of our kits and trays, offset partially by decreased sales of our critical care products.

Endoscopy Sales. Our endoscopy sales for the three-month period ended June 30, 2022 were $8.3 million, up 3.4%, when compared to sales in the corresponding period of 2021 of $8.0 million. Sales for the three-month period ended June 30, 2022 were favorably affected by increased sales of our Elation Pulmonary Balloon Dilator. Our endoscopy sales for the six-month period ended June 30, 2022 were $16.8 million, up 5.3%, when compared to sales in the corresponding period of 2021 of $15.9 million. Sales for the six-month period ended June 30, 2022 were favorably affected by increased sales of our Elation Pulmonary Balloon Dilator, EndoMAXX® fully covered esophageal stent and other stents.

Geographic Sales

Listed below are sales by geography for the three and six-month periods ended June 30, 2022 and 2021 (in thousands, other than percentage changes):

		Three Months Ended June 30,			Six Months Ended June 30,	
	% Change	2022	2021	% Change	2022	2021
United States	3.7 %	$ 164,674	$ 158,771	5.8 %	$ 317,666	$ 300,143
International	7.2 %	130,302	121,554	10.3 %	252,725	229,095
Total	5.2 %	$ 294,976	$ 280,325	7.8 %	$ 570,391	$ 529,238

United States Sales. U.S. sales for the three-month period ended June 30, 2022 were $164.7 million, or 55.8% of net sales, up 3.7% when compared to the corresponding period of 2021. U.S. sales for the six-month period ended June 30, 2022 were $317.7 million, or 55.7% of net sales, up 5.8% when compared to the corresponding period of 2021. The increase in our domestic sales was driven primarily by our U.S. Direct and OEM businesses.

International Sales. International sales for the three-month period ended June 30, 2022 were $130.3 million, or 44.2% of net sales, up 7.2% when compared to the corresponding period of 2021 of $121.6 million. The increase in our international sales for the three-month period ended June 30, 2022, compared to the three-month period ended June 30, 2021, included increased sales in our APAC operations of $0.5 million or 0.9%, in our ROW operations of $4.3 million or 59.5%, and in our EMEA operations of $3.9 million or 7.3%.

International sales for the six-month period ended June 30, 2022 were $252.7 million, or 44.3% of net sales, up 10.3% when compared to the corresponding period of 2021 of $229.1 million. The increase in our international sales for the six-month period ended June 30, 2022, compared to the six-month period ended June 30, 2021, included increased sales in our APAC operations of $9.8 million or 8.7%, in our ROW operations of $7.5 million or 53.0%, and in our EMEA operations of $6.3 million or 6.2%.

Gross Profit

Our gross profit as a percentage of sales increased to 45.8% for the three-month period ended June 30, 2022, compared to 44.3% for the three-month period ended June 30, 2021. The increase in gross profit percentage was primarily due to changes in product mix, lower standard costs from efficiencies gained in our foundations for growth program and lower obsolescence expense as a percentage of sales, offset partially by unfavorable variances primarily from the impact of inflationary pressures on material costs and higher freight costs.

Our gross profit as a percentage of sales increased to 44.9% for the six-month period ended June 30, 2022, compared to 44.6% for the six-month period ended June 30, 2021. The increase in gross profit percentage was primarily due to changes in product mix, lower standard costs from efficiencies gained in our foundations for growth program and lower intangible amortization expense as a percentage of sales, offset partially by unfavorable variances primarily from the impact of inflationary pressures on material costs and higher freight costs.

Operating Expenses

Selling, General and Administrative Expense. Selling, general and administrative ("SG&A") expenses decreased ($6.1) million, or (6.6)%, for the three-month period ended June 30, 2022 compared to the corresponding period of 2021. As a percentage of sales, SG&A expenses were 29.0% for the three-month period ended June 30, 2022, compared to 32.7% for the corresponding period of 2021. For the three-month period ended June 30, 2022, SG&A expenses decreased compared to the corresponding period of 2021 primarily due to $6.1 million of contract termination costs recorded in SG&A during the three-month period ended June 30, 2021 to renegotiate certain terms of an acquisition agreement.

SG&A expenses decreased ($3.1) million, or (1.8)%, for the six-month period ended June 30, 2022 compared to the corresponding period of 2021. As a percentage of sales, SG&A expenses were 29.7% for the six-month period ended June 30, 2022, compared to 32.6% for the corresponding period of 2021. For the six-month period ended June 30, 2022, SG&A expenses decreased compared to the corresponding period of 2021 primarily due to $6.1 million of contract termination costs recorded in SG&A during the three-month period ended June 30, 2021 to renegotiate certain terms of an acquisition agreement and $4.4 million decrease in acquisition related costs, partially offset by increased labor related costs associated with headcount.

Research and Development Expenses. Research and development ("R&D") expenses for the three-month period ended June 30, 2022 were $18.5 million, up 5.0%, when compared to R&D expenses in the corresponding period of 2021 of $17.6 million. R&D expenses for the six-month period ended June 30, 2022 were $35.9 million, up 5.9%, when compared to R&D expenses in the corresponding period of 2021 of $33.9 million. The increases in R&D expenses for the three and six-month periods ended June 30, 2022 compared to the corresponding periods in 2021 were largely due to higher labor-related costs, increased clinical expenses for certain R&D projects (including clinical trials for our Embosphere® Microspheres and WRAPSODY™ Endoprosthesis) and higher expenses related to implementation of the Medical Device Regulation in the European Union.

Impairment Charges. For the three-month period ended June 30, 2022, we recorded no impairment charges. For the three-month period ended June 30, 2021, we recorded impairment charges of $4.3 million. These impairments included $1.6 million of intangible assets and $1.3 million of property and equipment due to the planned discontinuance of the Advocate™ Peripheral Angioplasty Balloon product line, sold under our license agreements with ArraVasc, and $1.4 million of impairments of certain right-of-use “ROU” operating lease assets due to site consolidation decisions and changes in our projected cash flows for the underlying assets.

For the six-month period ended June 30, 2022, we recorded impairment charges of $1.7 million of intangible assets due to the divestiture of the STD Pharmaceutical business, which we completed on April 30, 2022. For the six-month period ended June 30, 2021 we recorded $4.3 million of impairment charges, as described above.

Contingent Consideration Expense. For the three and six-month periods ended June 30, 2022, we recognized contingent consideration expense from changes in the estimated fair value of our contingent consideration obligations stemming from our previously disclosed business acquisitions of $1.2 million and $3.8 million, respectively, compared to contingent consideration expense of $1.8 million and $2.2 million for the three and six-month periods ended June 30, 2021. Expense in each period related to changes in the probability and timing of achieving certain revenue and operational milestones, as well as expense for the passage of time.

Acquired In-process Research and Development. For the three and six-month periods ended June 30, 2022, we recognized $6.7 million in acquired in-process research and development costs primarily associated with our acquisition of Restore Endosystems. We did not incur in-process research and development charges during the three and six-month periods ended June 30, 2021.

Operating Income

The following table sets forth our operating income by financial reporting segment for the three and six-month periods ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating Income				
Cardiovascular	$ 21,275	$ 6,777	$ 34,401	$ 18,978
Endoscopy	1,981	2,118	4,088	4,111
Total operating income	$ 23,256	$ 8,895	$ 38,489	$ 23,089

Cardiovascular Operating Income. Our cardiovascular operating income for the three-month period ended June 30, 2022 was $21.3 million, compared to cardiovascular operating income in the corresponding period of 2021 of $6.8 million. The increase in cardiovascular operating income during the three-month period ended June 30, 2022 compared to the corresponding period of 2021 was primarily a result of higher sales ($286.7 million compared to $272.3 million) and lower SG&A, partially offset by increased acquired in-process research and development charges in the three-month period ended June 30, 2022 of $6.7 million.

Our cardiovascular operating income for the six-month period ended June 30, 2022 was $34.4 million, compared to cardiovascular operating income in the corresponding period of 2021 of $19.0 million. The increase in cardiovascular operating income during the six-month period ended June 30, 2022 compared to the corresponding period of 2021 was primarily a result of higher sales ($553.6 million compared to $513.3 million), lower SG&A and lower impairment charges, partially offset by higher contingent consideration expense and acquired in-process research and development charges in the six-month period ended June 30, 2022 of $6.7 million.

Endoscopy Operating Income. Our endoscopy operating income for the three-month period ended June 30, 2022 was $2.0 million, compared to endoscopy operating income of $2.1 million for the corresponding period of 2021. Our endoscopy operating income for the six-month period ended June 30, 2022 was $4.1 million, compared to endoscopy operating income of $4.1 million for the corresponding period of 2021. The decrease in endoscopy operating income for the three and six-month periods ended June 30, 2022 compared to the corresponding periods of 2021 was primarily a result of higher SG&A expenses.

Other Expense

Our other expense for the three-month periods ended June 30, 2022 and 2021 was $2.6 million and $2.0 million, respectively. The change in other expense was primarily related to a $1.3 million loss on disposition of our STD Pharmaceuticals operation, partially offset by decreased expense associated realized and unrealized foreign currency losses.

Our other expense for the six-month periods ended June 30, 2022 and 2021 was $3.6 million and $3.5 million, respectively. The change in other expense was primarily related to a $1.3 million loss on the divestiture of the STD Pharmaceutical business, partially offset by decreased interest expense as a result of a lower average debt balance despite a higher effective interest rate and decreased expense associated realized and unrealized foreign currency losses.

Effective Tax Rate

Our provision for income taxes for the three-month periods ended June 30, 2022 and 2021 was a tax expense of $5.4 million and $1.9 million, respectively, which resulted in an effective tax rate of 26.1% and 28.4%, respectively. Our provision for income taxes for the six-month periods ended June 30, 2022 and 2021 was a tax expense of $9.0 million and $3.7 million, respectively, which resulted in an effective tax rate of 25.9% and 18.8%, respectively. The increase in the income tax expense and the corresponding change in the effective income tax rate for the three and six-month periods ended June 30, 2022, when compared to the prior-year periods, was primarily due to decreased benefit

from discrete items such as share-based compensation and deferred compensation. Our effective tax rate differs from the U.S. statutory rate primarily due to the impact of GILTI inclusions, state income taxes, foreign taxes, other non-deductible permanent items and discrete items (such as share-based compensation).

Net Income

Our net income for the three-month periods ended June 30, 2022 and 2021 was $15.3 million and $4.9 million, respectively. The increase in our net income for the three-month period ended June 30, 2022 was the result of several principal factors, including higher sales, improved gross margins as a percentage of sales, lower SG&A expenses, and lower impairment charges (no impairment in the three-month period ended June 30, 2022 compared to $4.3 million during the corresponding period of 2021), partially offset by increased acquired in-process research and development charges and higher income tax expense.

Our net income for the six-month periods ended June 30, 2022 and 2021 was $25.8 million and $15.9 million, respectively. The increase in our net income for the six-month period ended June 30, 2022 was the result of several principal factors, including higher sales, improved gross margins as a percentage of sales, lower SG&A expenses, and lower impairment charges ($1.7 million during the six-month period ended June 30, 2022 compared to $4.3 million for the corresponding period of 2021), partially offset by higher contingent consideration expense ($3.8 million for the six-month period ended June 30, 2022 compared to $2.2 million for the corresponding period of 2021), increased acquired in-process research and development charges, and higher income tax expense.

LIQUIDITY AND CAPITAL RESOURCES

Capital Commitments, Contractual Obligations and Cash Flows

At June 30, 2022 and December 31, 2021, our current assets exceeded current liabilities by $297.0 million and $245.9 million, respectively, and we had cash, cash equivalents and restricted cash of $65.2 million and $67.8 million, respectively, of which $58.0 million and $55.7 million, respectively, were held by foreign subsidiaries. We currently believe future repatriation of cash and other property held by our foreign subsidiaries will generally not be subject to U.S. federal income tax. As a result, we are not permanently reinvested with respect to our historic unremitted foreign earnings. In addition, cash held by our subsidiary in China is subject to local laws and regulations that require government approval for the transfer of such funds to entities located outside of China. As of June 30, 2022, and December 31, 2021, we had cash, cash equivalents and restricted cash of $37.6 million and $28.5 million, respectively, within our subsidiary in China.

Cash flows provided by operating activities. We generated cash from operating activities of $50.8 million and $76.4 million during the six-month periods ended June 30, 2022 and 2021, respectively. Net cash provided by operating activities decreased $25.6 million for the six-month period ended June 30, 2022 compared to the six-month period ended June 30, 2021. Significant factors affecting operating cash flows during these periods included:

- Net income was approximately $25.8 million and $15.9 million for the six-month periods ended June 30, 2022 and 2021, respectively.

- Cash provided by (used for) accrued expenses was ($21.0) million and $9.2 million for the six-month periods ended June 30, 2022 and 2021, respectively, due primarily to the payment of approximately $18.25 million into escrow in connection with the settlement of a securities class action lawsuit and the timing of payment of bonuses and other accrued liabilities in each period.

- Cash provided by (used for) other receivables was $6.5 million and ($0.8) million for the six-month periods ended June 30, 2022 and 2021, respectively, due primarily to the collection of approximately $8.2 million of insurance proceeds in connection with the consolidated securities class action lawsuit we settled in April 2022.

- Cash provided by (used for) inventories was ($14.8) million and $3.2 million for the six-month periods ended June 30, 2022 and 2021, respectively. The increase in inventory was associated with our strategy to proactively invest in our inventory balances to build the requisite safety stock and encourage high customer service levels.

Cash flows used in investing activities. We used cash in investing activities of $23.3 million and $15.3 million for the six-month periods ended June 30, 2022 and 2021, respectively. We used cash for capital expenditures of property and equipment of $16.8 million and $12.8 million in the six-month periods ended June 30, 2022 and 2021, respectively. Capital expenditures in each period were primarily related to investment in property and equipment to support development and production of our products. Historically, we have incurred significant expenses in connection with facility construction, production automation, product development and the introduction of new products. We anticipate that we will spend approximately $55 to $60 million in 2022 for property and equipment.

Cash outflows invested in acquisitions for the six-month period ended June 30, 2022 were approximately $4.7 million and were primarily related to our $3.0 million upfront payment in our purchase of Restore Endosystems and our additional equity investment in Fluidx of $1.4 million. Cash outflows invested in acquisitions for the six-month period ended June 30, 2021 were approximately $1.8 million and were primarily related to our settlement of the first deferred payment for our acquisition of KA Medical, LLC completed in November 2020.

Cash flows used in financing activities. Cash used in financing activities for the six-month periods ended June 30, 2022 and 2021 was $27.4 million and $48.1 million, respectively. During the six-month period ended June 30, 2022 we increased our net borrowings by approximately $3.1 million to partially finance the payment of contingent consideration of $34.6 million, principally related to our acquisition of Cianna Medical and payment of the final sales milestone to Vascular Insights, LLC. During the six-month period ended June 30, 2021 we decreased our net borrowings by approximately $58.9 million.

As of June 30, 2022, we had outstanding borrowings of $246.3 million and issued letter of credit guarantees of $1.9 million under the Third Amended Credit Agreement, with additional available borrowings of approximately $481 million, based on the maximum net leverage ratio and the aggregate revolving credit commitment pursuant to the Third Amended Credit Agreement. Our interest rate as of June 30, 2022 was a fixed rate of 2.71% with respect to $75 million of the principal amount as a result of an interest rate swap and a variable floating rate of 2.67% with respect to $171.3 million of the principal amount. Our interest rate as of December 31, 2021 was a fixed rate of 2.71% on $75 million as a result of an interest rate swap and a variable floating rate of 1.10% on $168.1 million.

We currently believe that our existing cash balances, anticipated future cash flows from operations and borrowings under the Third Amended Credit Agreement will be adequate to fund our current and currently planned future operations for the next twelve months and the foreseeable future. In the event we pursue and complete significant transactions or acquisitions in the future, additional funds will likely be required to meet our strategic needs, which may require us to raise additional funds in the debt or equity markets.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial results are affected by the selection and application of accounting policies and methods. In the six-month period ended June 30, 2022 there were no changes to the application of critical accounting policies previously disclosed in Part II, Item 7 of the 2021 Annual Report on Form 10-K.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This report includes “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 (the “Exchange Act”). All statements in this report, other than statements of historical fact, are “forward-looking statements” for purposes of these provisions, including, without limitation, any projections of earnings, revenues or other financial items, any statements of the plans and objectives of our management for future operations, any statements concerning proposed new products or services, any statements regarding the integration, development or commercialization of the business or any assets acquired from

other parties, any statements regarding future economic conditions or performance, and any statements of assumptions underlying any of the foregoing. All forward-looking statements included in this report are made as of the date hereof and are based on information available to us as of such date. We assume no obligation to update any forward-looking statement. In some cases, forward-looking statements can be identified by the use of terminology such as “may,” “will,” “expects,” “plans,” “should,” “anticipates,” “intends,” “seeks,” “believes,” “estimates,” “potential,” “forecasts,” “continue,” or other forms of these words or similar words or expressions, or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, there can be no assurance that such expectations or any of the forward-looking statements will prove to be correct. Actual results will likely differ, and could differ materially, from those projected or assumed in the forward-looking statements. Prospective investors are cautioned not to unduly rely on any such forward-looking statements.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Our 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, and we assume no obligation to update or disclose revisions to those estimates. If we do update or correct one or more forward-looking statements, investors and others should not conclude that we will make additional updates or corrections.

NOTICE REGARDING TRADEMARKS

This report includes trademarks, tradenames and service marks that are our property or the property of others. Solely for convenience, such trademarks and tradenames sometimes appear without any “™” or “®” symbol. However, failure to include such symbols is not intended to suggest, in any way, that we will not assert our rights or the rights of any applicable licensor, to these trademarks and tradenames.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about exchange rate risk are included in Part II, Item 7A "Quantitative and Qualitative Disclosures About Market Risk" of the 2021 Annual Report on Form 10-K. In the six-month period ended June 30, 2022, there were no material changes from the information provided therein.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate disclosure controls and procedures for our company. Consequently, our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of June 30, 2022. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the six-month period ended June 30, 2022, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934).

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 10 “Commitments and Contingencies” set forth in the notes to our consolidated financial statements included in Part I, Item 1 of this report.

ITEM 1A. RISK FACTORS

In addition to other information set forth in this report, readers should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" of the 2021 Annual Report on Form 10-K, as updated and supplemented below. Any of the risk factors disclosed in our reports could materially affect our business, financial condition or future results. The risks described here and in our 2021 Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results. The discussion of the risk factors below updates the corresponding disclosure under the same headings in the 2021 Annual Report on Form 10-K and may contain material changes to the corresponding risk factor discussion in our 2021 Annual Report on Form 10-K.

Business, Economic, Industry and Operational Risks

Changes in general economic conditions, geopolitical conditions, domestic and foreign trade policies, monetary policies and other factors beyond our control may adversely impact our business and operating results.

Our operations and performance depend significantly on global, regional and U.S. economic and geopolitical conditions. Russia’s invasion and military attacks on Ukraine have triggered significant sanctions from U.S. and European leaders. These events continue to cause increasingly volatile global economic conditions. Resulting changes in U.S. trade policy could trigger retaliatory actions by Russia, its allies and other affected countries, including China, resulting in a “trade war.” On March 8, 2022, President Biden issued an executive order that bans the importation of Russian oil, liquefied natural gas and coal. On April 8, 2022, the President signed into law two bills suspending trade relations with Russia and Belarus and banning the import of Russian energy. These events have resulted in increased costs for raw materials we use in our manufacturing and could result in Russia and other foreign governments imposing tariffs on products that we export outside the U.S. or otherwise limiting our ability to sell our products abroad. These increased costs in our business generally are not a direct result of the conflict in Ukraine or government action, but rather we are affected by the adverse impact this conflict has on global inflationary pressures, energy prices and supply chain operations. Also, in light of these events, we have substantially suspended our operations in Russia. Although, our operations in Russia do not constitute a material portion of our business, the closure of our operations in Russia, combined with the general economic impact of the conflict, could have a material, adverse effect on our revenues and costs for materials and services. Furthermore, if the conflict between Russia and Ukraine continues for a long period of time, or if other countries, including the U.S., become further involved in the conflict, we could face significant adverse effects to our overall business and financial condition.

The United Kingdom’s (“UK”) departure from the European Union (“EU”) (commonly known as “Brexit”) has created uncertainties affecting business operations in the UK, the EU and a number of other countries, including with respect to compliance with the regulatory regimes regarding the labeling and registration of the products we sell in these markets. While we have taken proactive steps to mitigate possible disruption to our operations, we still could face increased costs, volatility in exchange rates, market instability and other risks, depending on the effects of existing and future agreements between the UK and EU regarding Brexit and the future EU/UK trading relationship.

The above factors, including a number of other economic and geopolitical factors both in the U.S. and abroad, could ultimately have material adverse effects on our business, financial condition, results of operations or cash flows, including the following:

- effects of significant changes in economic, monetary and fiscal policies in the U.S. and abroad including currency fluctuations, inflationary pressures and significant income tax changes;
- a global or regional economic slowdown in any of our market segments;
- changes in government policies and regulations affecting Merit or its significant customers;
- industrial policies in various countries that favor domestic industries over multinationals or that restrict foreign companies altogether;
- new or stricter trade policies and tariffs enacted by countries, such as China, in response to changes in U.S. trade policies and tariffs;
- postponement of spending, in response to tighter credit, financial market volatility and other factors;
- rapid material escalation of the cost of regulatory compliance and litigation;
- difficulties protecting intellectual property;
- longer payment cycles;
- credit risks and other challenges in collecting accounts receivable; and
- the impact of each of the foregoing on outsourcing and procurement arrangements.

Termination or interruption of our supply relationships and increases in labor costs and the prices of our component parts, finished products, third-party services and raw materials, particularly petroleum-based products, is negatively impacting our business and could have a further adverse effect on our business, operations or financial condition.

We rely on raw materials, component parts, finished products and third-party services in connection with our business. For example, substantially all of our products are sterilized by only a few different entities. If any of these sterilizers goes out of business or fails to comply with quality or regulatory requirements, we may be unable to find a suitable supplier to replace them. This could significantly delay or stop production and cause sales of such products to materially decline. Additionally, many of our products have components that are manufactured using resins, plastics and other petroleum-based materials which are available from a limited number of suppliers. We are experiencing a growing trend among suppliers of polymer resins to refuse to supply resin to medical device manufacturers or to require such manufacturers to assume additional risks due to the potential for product liability claims. Additionally, there is no assurance that crude oil supplies will be uninterrupted or that petroleum-based manufacturing materials will be available for purchase in the future. The actions by the U.S. government in response to the conflict between Russia and Ukraine, among other factors, has had an adverse impact on the cost of the petroleum-based manufacturing materials that we purchase. The military conflict in Ukraine has also had a general, adverse impact on supply interruptions and further hinders our ability to find the materials we need to make our products. Supply disruptions such as these are making it harder for us to find favorable pricing and reliable sources for the materials we need, putting upward pressure on our costs and increasing the risk that we may be unable to acquire the materials and services we need to continue to make certain products.

The availability and price of these materials, parts, products and services are affected by a variety of factors beyond our control, including the willingness of suppliers to sell into the medical device industry, changes in supply and demand, general economic conditions, labor costs, fuel-related transportation costs, liability concerns, climate change (including new and existing laws and regulations to address climate change), competition, import duties, tariffs, currency exchange rates and political uncertainty around the world. Our suppliers often pass some of their cost increases on to us, and if such increased costs are sustained or increase further, our suppliers may pass further cost increases on to us. In addition to the effect on resin prices, transportation costs have generally increased and may further increase if crude oil prices increase. Our transportation and service providers are typically able to pass any significant increases in oil prices on to us. Our costs may also be impacted by laws to increase minimum wages, including the potential increase to the federal minimum wage in the United States that has been recently proposed by the current administration.

Our ability to recover such increased costs may depend upon our ability to raise prices on our products. Due to the highly competitive nature of the healthcare industry and the cost-containment efforts of our customers and third-party payers, we may be unable to pass along cost increases through higher prices. If we are unable to fully recover these costs through price increases or offset these increases through cost reductions, or we experience terminations or interruption of our relationships with our suppliers, we could experience lower margins and profitability, and our results of operations, financial condition and cash flows could be materially harmed.

Our international operations make us subject to the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws in non-U.S. jurisdictions, and our failure, or the failure of our distributors and agents, to comply with these laws could subject us to civil and criminal penalties and adversely affect our business.

We currently conduct our business in various foreign countries, and we expect to continue to expand our foreign operations. As a result, we are subject to the FCPA, the U.K. Bribery Act, and similar anti-corruption laws in non-U.S. jurisdictions. These laws generally prohibit companies and their intermediaries from illegally offering things of value to any individual for the purpose of obtaining or retaining business.

Compliance with the FCPA and other anti-bribery laws presents challenges to our operations. Our policies mandate compliance with the FCPA and all other applicable anti-bribery laws. Further, we expect our employees, distributors, agents and others who work for us or on our behalf to comply with these anti-bribery laws. Despite our training and compliance programs, our internal control policies and procedures may not always protect us from reckless or criminal acts committed by our employees, distributors or agents. If our employees, distributors or agents violate the provisions of the FCPA or other anti-bribery laws, or even if there are allegations of such violations, we could be subject to investigations or civil and criminal penalties or other sanctions, which could have a material, adverse effect on our reputation, business, results of operations, financial condition or cash flows.

As disclosed in Note 10 “Commitments and Contingencies” to our consolidated financial statements, although we are unable to predict the scope, timing, significance or outcome of the SEC inquiry referenced in that note, the inquiry may cause a diversion of our management’s time and attention and could have a material adverse effect on our reputation, business, results of operations, financial condition or cash flows.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Second Amended and Restated Articles of Incorporation*
3.2	Third Amended and Restated Bylaws*
10.1	Deferred Compensation Plan for Non-Employee Directors †
10.2	Performance Stock Unit Award Agreement (Three Year Performance Period) dated May 19, 2022 by and between Merit Medical Systems, Inc. and Neil Peterson †
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from the quarterly report on Form 10-Q for the quarter ended June 30, 2022, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) related Condensed Notes to the Unaudited Consolidated Financial Statements, tagged in detail.
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document).

* These exhibits are incorporated herein by reference.
† Indicates management contract or compensatory plan or arrangement.

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.

Date: August 5, 2022

By: /s/ FRED P. LAMPROPOULOS
Fred P. Lampropoulos, President and
Chief Executive Officer

Date: August 5, 2022

By: /s/ RAUL PARRA
Raul Parra
Chief Financial Officer and Treasurer

MERIT MEDICAL SYSTEM, INC.

DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

(As adopted effective July 22, 2022)

Section 1. Adoption and Effective Date

On July 22, 2022, Merit Medical Systems, Inc., a Utah corporation (the "Company") adopted this Merit Medical Systems, Inc. Deferred Compensation Plan for Non-Employee Directors (the "Plan") with the approval of the Company's Board of Directors (the "Board"). The Plan is effective as of July 22, 2022.

Section 2. Eligibility

Any director of the Company (a "Director") who is not an officer or employee of the Company or its subsidiaries (a "Non-Employee Director") is eligible to participate in this Plan. Directors who are employees of the Company or its subsidiaries, and other employees of the Company and its subsidiaries, are not eligible to participate in the Plan.

Section 3. Administration

The Environmental, Social and Governance Committee of the Board (the "Committee") shall administer the Plan. The Committee shall have all the powers and discretionary authority necessary to administer this Plan, including the right to interpret the provisions of this Plan and to establish rules and prescribe any forms for the administration of this Plan. The Committee may delegate its authority under this Plan to the Company's Corporate Secretary to take administrative and other specified actions, subject to such terms and limitations as the Committee may impose. The Committee or, if applicable, the Company's Corporate Secretary to whom the Committee has delegated authority hereunder is referred to herein as the "Administrator."

Section 4. Deferral Elections

A Non-Employee Director may irrevocably elect for any calendar year to defer receipt of a designated percentage (up to 100%) of the cash compensation payable to the Non-Employee Director for service as a Director for such calendar year, including annual and other retainers, meeting fees and fees for serving on Board committees ("Eligible Compensation"); provided, however, that Eligible Compensation does not include any amounts paid to reimburse travel, educational or other expenses, or any compensation, benefits or awards payable under the Company's 2018 Long Term Incentive Plan or any other Company equity-based compensation plan.

All deferral elections under the Plan with respect to Eligible Compensation earned in a particular calendar year shall be made by written notice (including by electronic mail) delivered to the Company's Corporate Secretary no later than the end of the preceding calendar year; provided, however, that to the extent permissible under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations and other official guidance issued thereunder (collectively, "Section 409A"): (a) a Non-Employee Director who is serving on the Board as of July 22, 2022, may, not later than July 31, 2022 make an initial written deferral election, solely with respect to his or her Eligible Compensation earned for the fourth calendar quarter of 2022; and (b) a Non-Employee Director who is newly elected to the Board during a calendar year after 2022 may make an initial written deferral election under the Plan within thirty (30) days after his or her election to the Board, which deferral election shall only apply to the Non-Employee Director's Eligible Compensation earned after the date such deferral election is made and becomes irrevocable. To the extent permissible under Section 409A, the Administrator may permit an individual who has been nominated for election to the Board to make his or her irrevocable deferral election before the date of the individual's election to the Board, in which case the election would apply to the Non-Employee Director's Eligible Compensation earned on and after the date on which the individual is elected to the Board. To be effective, a Non-Employee's written deferral election must specify the percentage of his or her Eligible Compensation that he or she elects to defer.

A Non-Employee Director's deferral election for a given calendar year shall automatically renew and apply to Eligible Compensation earned by the Non-Employee Director for each subsequent calendar year thereafter unless and until the Non-Employee Director revokes or changes by written notice delivered to the Corporate Secretary of the Company his or her deferral election prior to the subsequent calendar year in question. For clarity, in no event

may a Non-Employee Director revoke or modify his or her election (including any deemed election under the immediately preceding paragraph) to defer Eligible Compensation under the Plan for a particular calendar year during such calendar year.

Section 5. Accounts

Eligible Compensation deferred under the Plan by a Non-Employee Director shall be credited to a bookkeeping account established under this Plan. For purposes of this Plan, the account established for the Eligible Compensation deferred by a Non-Employee Director shall be referred to as the Non-Employee Director's "Account." The Eligible Compensation deferred by a Non-Employee Director will be credited to his or her Account effective as of the last day of the calendar quarter to which such compensation relates, except that in the event of the occurrence of a Payment Event Date (as defined in Section 9(a) below) during a calendar quarter for which the Non-Employee Director has deferred all or a portion of his or her Eligible Compensation, any compensation deferred by the Non-Employee Director for the calendar quarter in which such Payment Event Date occurs will be credited to his or her Account effective as of such Payment Event Date.

Section 6. Deemed Interest Credit

For any given calendar year, amounts held in a Non-Employee Director's Account will be credited with a deemed rate of interest rate equal to 120% of the applicable federal long-term rate in effect for December of the preceding calendar year, as prescribed under Section 1274(d) of the Code (the "AFR") (e.g., amounts that are credited during 2023 shall be credited with deemed interest at a rate equal to the AFR in effect for December 2022). Deemed interest credited pursuant to this Section 6 shall be compounded daily, or on such other frequency specified by the Administrator for such purpose from time to time. For purposes of Section 9 below, the amounts that are payable to a Non-Employee Director on a Payment Event Date will be valued by crediting such amounts with the AFR through the applicable Payment Event Date.

Section 7. Payment Elections

At or prior to the time of his or her initial deferral election under the Plan, a Non-Employee Director may make an irrevocable written payment election, which will be applicable to the Non-Employee Director's entire Account, as to time of commencement and the form of payment of such Account as follows:

(a) Time of Payment Commencement. Either:

(i) upon the Director's "separation from service" within the meaning of Section 409A from the Company; or

(ii) on or commencing on a specified anniversary date of the Director's separation from service from the Company, but not to commence later than the fifth (5th) anniversary thereafter.

(b) Form of Payment. In cash, in either:

(i) a lump sum; or

(ii) A specified number of annual installments (not to exceed five (5)).

If a Non-Employee Director does not make a timely payment election under this Section 7 for his or her Account, then the Non-Employee Director will be deemed to have irrevocably elected to receive payment of his or her Account balance in a lump sum upon such Non-Employee Director's "separation from service" within the meaning of Section 409A.

Section 8. Death Prior to Receipt

In the event that a Non-Employee Director dies prior to receipt of any or all of the amounts payable to him or her pursuant to this Plan, except as otherwise provided by this Section 8, any remaining amounts that are then

credited to the Non-Employee Director's Account shall be paid to the legal representative of the Non-Employee Director's estate in a single lump sum pursuant to Section 9.

The Administrator may allow Non-Employee Directors to designate in writing a beneficiary or beneficiaries to receive payment of their Account balances in the event of the Non-Employee Director's death, and to prescribe the terms of and procedures for any such beneficiary designations. In the event that the Administrator allows Non-Employee Directors to make such beneficiary designations, then in the event of the death of a Non-Employee Director with a valid beneficiary election in place at that time, amounts that are then credited to such deceased Non-Employee Director's Account shall be paid to the designated beneficiary or beneficiaries of the deceased Non-Employee Director pursuant to and in accordance with the terms of such valid beneficiary designation (instead of to the legal representative of the Non-Employee Director's estate).

Section 9. Time and Amount of Payment

(a) A Non-Employee Director's Account will be paid (or commence to be paid in the case of installment payments) on or as soon as reasonably practicable, and in no event later than 90 days after the Payment Event Date applicable to his or her Account, as effectively elected by the Non-Employee Director at the time of his or her initial deferral election or as otherwise provided by this Plan. The "Payment Event Date" shall mean the date of the Non-Employee Director's "separation from service" (within the meaning of Section 409A) or the applicable specified anniversary of the Non-Employee Director's "separation from service" (but no later than the fifth (5th) anniversary thereof), whichever is applicable to such Non-Employee Director pursuant to Section 7, or if earlier, on the date of the Non-Employee Director's death as provided by Section 8. In the case of installment payments, each annual installment shall be paid on the applicable anniversary of the initial installment payment date.

(b) Amount of Payment. The amount to be paid on a given payment date will be calculated as of the last day of the month immediately preceding the applicable payment date. No interest or other earnings will be credited on amounts payable on a given payment date between the applicable payment measurement date and the actual date on which such payment is made to or received by the Non-Employee Director. If the Non-Employee Director effectively elects to receive payment of his or Account in a specified number of annual installments, each installment will be paid proportionally, based on the number of remaining installment payments and the balance of the Account including the related deemed interest credited to such Account pursuant to Section 6 and this Section 9. As an example, if a Non-Employee Director chooses to have his or her Account paid in four annual installments, the payment for the first year shall be 1/4 of the value of the Account on the applicable end-of-month measurement date preceding such payment; the payment for the second year shall be 1/3 of the value of the Account on the applicable end-of-month measurement date preceding such payment; the payment for the third year shall be 1/2 of the value of the Account on the applicable end-of-month measurement date preceding such payment; and the payment for the fourth year shall be the entire then remaining amount of the Account.

Section 10. Rights Unsecured

The right of any Non-Employee Director to receive future payments under the provisions of this Plan shall be an unsecured, contractual claim against the general assets of the Company. This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any segregation of assets for the payment of any amounts under this Plan.

Non-Employee Directors may not sell, transfer, assign, pledge, levy, attach, encumber or alienate any amounts payable under this Plan, and any such attempted sale, transfer, assignment of other action shall be null and void.

Section 11. Statement of Account

The Company will provide or make available to each Non-Employee Director a statement of account that will confirm the Non-Employee Director's Account balance as of the end of the preceding quarter, or on such more frequent basis as determined by the Administrator. The Administrator may provide for such statement of accounts to be in writing (including electronic format) or by means of access to such information in electronic format.

Section 12. Amendment

This Plan may be amended at any time and from time to time by the Board of Directors of the Company; provided, however, that the Board of Directors may not adopt any amendment that would (a) materially and adversely affect any right of or benefit to any Non-Employee Director with respect to any of the benefits theretofore credited without such Non-Employee Director's written consent, or (b) result in a violation of Section 409A. Any amendment to this Plan that would cause a violation of Section 409A shall be null and void and of no effect.

Section 13. Termination

This Plan shall terminate upon the adoption of a resolution of the Board of Directors terminating this Plan. The termination of this Plan shall not affect the distribution of the Accounts maintained under this Plan, and the balances of each Account shall continue to become due and payable in accordance with the provisions of this Plan in effect immediately prior to the termination of this Plan and each Non-Employee Director's payment election (or default payment election) applicable to his or her Account; provided, however, if the Board of Directors so chooses, notwithstanding any other provision in this Plan, the payment of all Accounts may be accelerated upon the termination of this Plan to the extent permissible under and in accordance with Section 1.409A-3(j)(4)(ix) of the treasury regulations.

Section 14. Section 409A

This Plan and the benefits provided thereunder are intended to comply with the requirements of Section 409A, and this Plan shall be administered and interpreted consistent with such intention.

MERIT MEDICAL SYSTEMS, INC 2018 LONG-TERM INCENTIVE PLAN

Performance Stock Unit Award Agreement
(Three Year Performance Period)

This Performance Stock Unit Award Agreement (this "Award Agreement"), dated as of May 19, 2022 (the "Grant Date"), is made by and between Merit Medical Systems, Inc. (the "Company"), and Neil Peterson, an employee of the Company ("you").

1. Award of Performance Stock Units

The Company hereby grants to you an award of performance stock units ("PSUs") with respect to its common stock, no par value (the "Shares"), pursuant to the Merit Medical Systems, Inc. 2018 Long-Term Incentive Plan (as amended from time to time, the "Plan"), subject to the terms and conditions set forth in this Award Agreement and the Plan. The PSUs constitute performance-based Restricted Stock Units and this Award Agreement constitutes an "Award Agreement" under the Plan. Capitalized terms used but not otherwise defined in this Award Agreement and the Appendix A attached hereto have the applicable meanings set forth in the Plan. With respect to your PSUs granted hereunder, the applicable Total Target Number of Shares and Performance Period are as follows:

Total Target Number of Shares	4,613
Performance Period	Calendar years 2022 through 2024

2. Conditions to Award

Subject to the other terms and conditions of this Award Agreement and the Plan, you will be entitled to a payment in Shares with respect to your PSUs based on your Total Target Number of Shares set forth above and the Company's performance during the above Performance Period with respect to the following performance measures - "Free Cash Flow" ("FCF") and "Relative Total Shareholder Return versus the Russell 2000" ("rTSR"), each as defined on Appendix A attached hereto and each a "Metric" for purposes of this Award Agreement.

The actual number of Shares to be issued to you in payment of your PSUs will be determined by multiplying the Total Target Number of Shares listed above by the applicable FCF Multiplier and applicable rTSR Multiplier from the tables in this Section 2 (each a "Multiplier"). The applicable Multiplier for each Metric will be determined based on the level of the Company's performance during the Performance Period relative to that Metric as set forth in the tables below. The precise extent to which the Company will have satisfied the Metrics, and any Shares will have been earned, will be determined by the Committee as soon as reasonably practicable following the close of the Performance Period and, to the extent reasonably practicable, will be calculated without regard to any change in applicable accounting standards after the grant of this Award. The Committee has the sole authority and discretion to determine the achievement level with respect to each Metric and the number of Shares earned at the end of the Performance Period.

FCF Metric Level	**FCF Metric Amount** (in thousands)	**FCF Multiplier**
Maximum	396,000	200%
Target	330,000	100%
Threshold	264,000	50%

rTSR Metric Level	**rTSR Multiplier**
1st (Top) Quartile	125%
2nd Quartile	100%
3rd Quartile	100%
4th (Bottom) Quartile	75%

For the FCF Metric, the applicable Multiplier will be determined on an interpolated linear basis between (i) the Threshold 50% FCF Multiplier achievement level and Target 100% FCF Multiplier achievement level if Company actual performance falls between those two levels; or (ii) the Target 100% FCF Multiplier achievement level and the

Maximum 200% FCF Multiplier achievement level if Company actual performance falls between those two levels. For purposes of determining relative achievement, actual results are to be rounded to the nearest tenth of one percent (0.1%) and rounded upward from the midpoint. The number of Shares to be issued upon payment and settlement of your PSUs is to be rounded to the nearest whole Share and rounded upward from the midpoint.

3. Effect of Death, Disability and Termination of Service.

(a) Except as provided in Sections 3(b) and 4 below, you must remain in Continuous Service with the Company until the second day of the calendar year following the end of the Performance Period and at least one year from the Grant Date in order to be entitled to any payment pursuant to this Award Agreement. Failure to satisfy the foregoing service-based vesting condition will result in total forfeiture of your PSUs and all rights to payment hereunder.

(b) Notwithstanding Section 3(a) above, if your Continuous Service with the Company ends prior to the second day of the calendar year following the end of the Performance Period and more than one year after the Grant Date because (i) you die or incur a Disability, (ii) you are involuntarily terminated from employment without Cause, or (iii) you resign from employment for Good Reason, then after the end of the Performance Period, you (or in the event of your death, your estate or other designated beneficiary) will be entitled to receive a pro rata portion of the number of Shares you would have received, if any, had you remained in Continuous Service with the Company until the second day of the calendar year following the end of the Performance Period. The pro rata portion will be based on the number of full months in the Performance Period during which you are in Continuous Service with the Company as compared to the total number of months in the Performance Period.

4. Effect of a Change in Control

If a Change in Control occurs during the Performance Period, then you will be entitled to receive, no later than thirty (30) days following the effective date of the Change in Control, the Total Target Number of Shares covered by this Award Agreement without regard to the extent to which the otherwise applicable performance conditions of Section 2 above have been satisfied.

5. Payment

(a) Settlement of Award. Except as otherwise provided in Section 4, the actual number of Shares that you will receive on settlement and payment of your PSUs after the end of the Performance Period listed above will be determined based upon the degree to which the Company attains each amount or level of Metric performance specified in Section 2 above during the applicable Performance Period. If Company performance for the applicable Performance Period falls below the Threshold amount for the FCF Metric, no Shares will be awarded or paid under this Award Agreement. If Company performance for the applicable Performance Period with respect to the FCF Metric is at or above the FCF Metric Threshold amount indicated in Section 2 above, Shares will be paid out based upon the Company's level of actual performance during the Performance Period with respect to the above Metrics as described in Section 2 above. The maximum number of Shares that you may receive under this Award Agreement is two and one-half (2.5) times the Total Target Number of Shares; however, that maximum will be payable only if the Company attains both the Maximum level of FCF Metric performance and 1st Quartile level of rTSR Metric performance indicated in Section 2 above.

(b) Timing of Settlement. Promptly following determination of the number of Shares you have earned under your PSUs and this Award Agreement, such number of Shares, if any, will be issued to you. Such issuance and payment will be made during the calendar year that commences immediately after the end of the Performance Period, and in no event later than March 15 of such calendar year, in accordance with Section 5(d) below; provided, however, that in the event of a Change in Control, your PSUs will be settled and paid within the thirty (30) day period specified in Section 4 above. PSUs will not be settled or paid in cash.

(c) No Dividend Equivalents. No Dividend Equivalents will be paid on or with respect to the PSUs.

(d) Form of Payment. All amounts payable with respect to your PSUs will be paid in the form of Shares.

(e) Taxes. Taxes may be assessed and/or withheld as required by law at applicable United States federal, state and/or other tax rates (under the laws of the jurisdictions in which you reside or that may otherwise be applicable to you) with respect to your PSUs and the issuance of Shares in payment of your PSUs. Notwithstanding anything in this Award Agreement to the contrary, any withholding tax payment with respect to your PSUs and issuance of Shares in payment of your PSUs described in this Award Agreement will be reduced by a number of Shares having a then Fair Market Value equal to the amount necessary to satisfy the minimum tax withholding obligations applicable to such PSUs and Share issuance.

(f) Unearned PSUs. All PSUs that are not earned at the end of the Performance Period will be forfeited.

6. Other Provisions

(a) Future Adjustments. In the event of any merger, acquisition, disposition or other corporate event affecting the Company during the Performance Period, the Committee, in addition to adjustments under Section 12.2 of the Plan, may make such adjustments to the applicable Metric performance amounts and levels set forth in Section 2 above as it may determine would most nearly carry out the original purposes and intent of this Award Agreement.

(b) No Guaranty of Future Awards. This Award Agreement in no way guarantees you the right to or expectation that you may receive similar awards with respect to any other similar performance Period or period which the Committee may, in its discretion, establish and as to which the Committee may elect to grant Awards under the Plan.

(c) No Rights as Shareholder. You will not be considered a shareholder of the Company with respect to the Shares covered by this Award Agreement unless and until such underlying Shares are issued to you in settlement of your PSUs.

(d) No Rights to Continued Employment. This Award Agreement will not be deemed to create a contract or other promise of continued employment with the Company and will not in any way prohibit or restrict the ability of the Company to terminate your employment at any time for any reason, with or without Cause, at will with or without notice.

(e) Compliance with Section 409A of the Code. This Award Agreement and your PSUs are intended to constitute and result in a "short-term deferral" that is exempt from the definition of a "nonqualified deferred compensation plan" under Section 409A of the Code. Notwithstanding anything in this Award Agreement to the contrary, if and to the extent that this Award Agreement constitutes a nonqualified deferred compensation plan to which Code Section 409A applies, this Award Agreement and your PSUs (including time and manner of payments under it) will be administered and interpreted to comply with Section 409A and the Treasury Regulations thereunder. Without limiting the foregoing, the payment provisions of Section 5(b) are intended to provide for payment upon: (i) a fixed date in conformity with Treasury Regulation Section 1.409A-3(a)(4) (i.e., by March 15 of the first calendar year commencing after the end of the applicable Performance Period); or (ii) if earlier, upon a Change in Control constituting a permissible payment event under Treasury Regulation Section 1.409A-3(a)(5).

(f) Clawback. If you are an officer of the Company, in addition to any other remedies available to the Company under the Plan or otherwise (but subject to applicable law), if the Committee determines that it is appropriate, the Company may recover (in whole or in part) from you any Shares (or the value thereof) paid pursuant to this Award Agreement if: (i) the payment was predicated upon achieving certain financial results that were subsequently the subject of a restatement of Company financial statements filed with the Securities and Exchange Commission; (ii) the Committee determines that you engaged in intentional misconduct, gross negligence or fraudulent or illegal conduct that caused or substantially caused the need for the financial statement restatement; and (iii) a lower amount would have been made to you pursuant to this Award Agreement based upon the restated financial results.

(g) Plan. All terms and conditions of the Plan are incorporated herein by reference and constitute an integral part hereof. In the event of any conflict between the provisions of this Award Agreement and the Plan, the provisions of the Plan, including without limitation Sections 4.2, 13.5, 13.6 (other than the requirement under

Section 13.6 of the Plan to deliver Shares within 30 days of vesting) and 13.15 of the Plan, will govern and be controlling.

(h) Transfers. Neither the PSUs nor the right to receive Shares hereunder may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by you. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the PSUs or the rights relating thereto will be wholly ineffective. Notwithstanding the foregoing, in the event of your death, Shares deliverable with respect to the PSUs will be delivered to your designated beneficiary under the Plan (or if none, to your estate).

(i) Securities Law Restrictions. The issuance of Shares hereunder is conditioned upon compliance by the Company and you with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Shares may be listed. No Shares will be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. In addition, the Company may require that prior to the issuance of Shares hereunder you enter into a written agreement to comply with any restrictions on subsequent disposition that the Company deems necessary or advisable under any applicable federal and state securities laws. The Shares issued hereunder may be legended to reflect such restrictions.

(j) Governing Law. This Award Agreement will be construed and interpreted in accordance with the laws of the State of Utah without regard to conflict of law principles.

(k) Effect on Other Benefits. Participation in the Plan is voluntary. The value of the PSUs is an extraordinary item of compensation outside the scope of your normal employment and compensation rights, if any. As such, the PSUs are not part of normal or expected compensation for purposes of calculating any severance, bonuses, awards, or retirement benefits or similar payments unless specifically and otherwise provided in the plans or agreements governing such compensation.

(l) Entire Agreement. This Award Agreement supersedes in its entirety all prior undertakings and agreements of the Company and you, whether oral or written, with respect to the PSUs granted hereunder.

By executing and accepting this Award Agreement, you agree to be bound as a Participant by the terms and conditions herein, the Plan and all conditions established by the Committee and the Company in connection with Awards issued under the Plan.

MERIT MEDICAL SYSTEMS, INC.

By: Fred Lampropoulos
Its: Chairman and Chief Executive Officer

Neil Peterson

APPENDIX A

(Definitions)

For purposes of this Award Agreement, the following terms have the following meanings:

"Cause" has the meaning set forth in your Employment Agreement with the Company.

"Change in Control" has the meaning set forth in the Plan; provided, that no event will constitute a Change of Control unless it is described in Code Section 409A(a)(2)(A)(v) and the Treasury Regulations thereunder.

"Continuous Service" has the meaning set forth in the Plan and includes service with the Company as an employee or Director of the Company.

"Disability" has the meaning set forth in in your Employment Agreement with the Company; provided, that you will not be considered to have terminated employment on account of Disability unless you are also "Disabled" within the meaning of Code Section 409A(a)(2)(C) and the Treasury Regulations thereunder.

"Employment Agreement" means your Employment Agreement with the Company dated as of May 19, 2022, as amended.

"FCF" means, for the Performance Period, an amount equal to (i) Operating Cash Flow (as determined in accordance with GAAP and as presented in the Company's financial statements) for the Performance Period, less (ii) Capital Expenditures (as determined in accordance with GAAP and as presented in the Company's financial statements) for the Performance Period, adjusted up (or down), as approved by the Board of Directors, for the cash effect of any (iii) non-GAAP adjustments or "add-backs" to the Company's financial statements, such as acquisition and integration expenses, severance expenses, contingent payments and non-recurring expenses, among others. FCF constitutes a "Performance Measure" within the meaning of the Plan.

"Good Reason" has the meaning set forth in your Employment Agreement with the Company provided, that no event will constitute "Good Reason" hereunder unless it is described in the Treasury Regulation Section 1.409A-1(n)(2).

"Performance Period" means the time period specified in Section 1 of this Award Agreement.

"rTSR" means the percentile rank of the Company's Total Shareholder Return as compared to the Total Shareholder Return of each member of the Russell 2000 Index, determined by dividing the number of members of the Russell 2000 Index with Total Shareholder Return equal to or lower than the Company's Total Shareholder Return for the Performance Period by the total number of members of the Russell 2000 Index minus one (1). For such determination of percentile rank, the members of the Russell 2000 Index shall be those companies that are members of the Russell 2000 Index during the entire Performance Period. rTSR constitutes a "Performance Measure" within the meaning of the Plan.

"Total Shareholder Return" means **t**he change in a company's stock price over the Performance Period (counting any dividends paid as if such dividends were reinvested at the time of issuance) divided by that company's stock price at the beginning of the Performance Period, expressed as a percentage. The stock price at the beginning of the Performance Period shall be calculated using the relevant company's closing stock price on the first trading day of the Performance Period. The stock price at the end of the Performance Period shall be calculated using the relevant company's closing stock price on the last trading day of the Performance Period.

"Total Target Number of Shares" means the number of Shares specified in Section 1 of this Award Agreement.

EXHIBIT 31.1

CERTIFICATION

I, Fred P. Lampropoulos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (the "Report") of Merit Medical Systems, Inc. (the "Registrant");

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with general accepted accounting principles;

c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

d) disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 5, 2022

/s/ Fred P. Lampropoulos
Fred P. Lampropoulos
President and Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

CERTIFICATION

I, Raul Parra, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (the "Report") of Merit Medical Systems, Inc. (the "Registrant");

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with general accepted accounting principles;

c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

d) disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 5, 2022

/s/ Raul Parra
Raul Parra
Chief Financial Officer
(principal financial officer)

EXHIBIT 32.1

Certification of Principal Executive Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Merit Medical Systems, Inc. (the "Company") for the quarter ended June 30, 2022, as filed with the Securities and Exchange Commission (the "Report"), I, Fred P. Lampropoulos, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2022

/s/ Fred P. Lampropoulos
Fred P. Lampropoulos
President and Chief Executive Officer
(principal executive officer)

This certification accompanies the foregoing Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Merit Medical Systems, Inc. (the "Company") for the quarter ended June 30, 2022, as filed with the Securities and Exchange Commission (the "Report"), I, Raul Parra, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2022

/s/ Raul Parra
Raul Parra
Chief Financial Officer
(principal financial officer)

This certification accompanies the foregoing Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.