
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (date of earliest event reported): November 10, 2020



Merit Medical Systems, Inc.

(Exact name of registrant as specified in its charter)

Utah
(State or other jurisdiction of
incorporation or organization)

0-18592
(Commission
File Number)

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

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

84095
(Zip Code)

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

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

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

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

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

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

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

Emerging growth company

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

Item 7.01. Regulation FD Disclosure.

As previously announced, on November 10, 2020, Merit Medical Systems, Inc. (the “Company”) will hold a conference call and live webcast to introduce its projections for growth over the next three fiscal years and answer questions from participants on the call. In connection with that call, the Company issued a press release regarding its new multi-year financial targets for the period 2020 to 2023, which will be discussed during the investor call. The Company’s press release provides information regarding access to the call and webcast. A copy of the press release is attached hereto as [Exhibit 99.1](#) and is incorporated herein by reference.

In addition, on November 10, 2020, the Company has posted to its website the slide presentation that will be used during the call and webcast. A copy of the presentation is attached hereto as [Exhibit 99.2](#) and is incorporated herein by reference.

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

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Exhibit</u>
99.1	Press Release, dated November 10, 2020, entitled “Merit Medical to Present ‘Foundations for Growth’ Program and Financial Targets for 2020 to 2023.”
99.2	Conference Call Presentation
101	The cover page from this Current Report on Form 8-K, formatted in Inline XBRL and incorporated as Exhibit 101
104	The cover page from this Current Report on Form 8-K, formatted in Inline XBRL.

SIGNATURES

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

MERIT MEDICAL SYSTEMS, INC.

Date: November 10, 2020

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



PRESS RELEASE

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FOR IMMEDIATE RELEASE

**MERIT MEDICAL TO PRESENT “FOUNDATIONS FOR GROWTH” PROGRAM and
FINANCIAL TARGETS FOR 2020 to 2023**

SOUTH JORDAN, Utah, November 10, 2020 -- Merit Medical Systems, Inc. (NASDAQ: MMSI), a leading manufacturer and marketer of proprietary disposable medical devices used in interventional, diagnostic and therapeutic procedures, particularly in cardiology, radiology, oncology, critical care and endoscopy, will hold an investor call today to introduce its multi-year financial targets for growth and improved profitability and will host a question-and-answer session.

The Company's new multi-year financial targets for the period 2020 to 2023 are:

- Total revenue is expected to increase at a compound annual growth rate (CAGR) of 5% to 7% - on an organic, constant currency, basis*, for the three fiscal years ending December 31, 2023.
- GAAP operating margin of 13.7% to 17.0% and non-GAAP operating margin* of 18% to 21% for the twelve months ending December 31, 2023.
- Cumulative free cash flow* generation of at least \$300 million for the three fiscal years ending December 31, 2023.

** Organic revenue, organic revenue on a constant currency basis, non-GAAP operating margin and free cash flow are non-GAAP financial measures. A reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures is included under the heading “Non-GAAP Financial Measures” below.*

The Company also reaffirmed its 2020 financial guidance, as follows:

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

- Net revenue in the range of \$950.0 million to \$959.0 million, representing a decrease of approximately 3.5% to 4.5% year over year, as compared to net revenue of \$994.9 million for the twelve months ended December 31, 2019. The fiscal year 2020 revenue guidance range assumes:

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

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

CONFERENCE CALL

Merit will hold its Foundations for Growth investor conference call (conference ID 2887092) today, November 10, 2020, at 5:00 p.m. Eastern (4:00 p.m. Central, 3:00 p.m. Mountain, and 2:00 p.m. Pacific). The domestic telephone number is (844) 578-9672 and the international number is (508) 637-5656. A live webcast and slide deck will also be available at merit.com.

Non-GAAP Financial Measures

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

- organic revenue,
- organic revenue on a constant currency basis,
- non-GAAP operating margin,
- free cash flow.

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

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

Organic Revenue and Organic Revenue on a Constant Currency Basis

Merit's organic revenue is defined as GAAP revenue adjusted for revenue from acquisitions or divestitures. Organic revenue on a constant currency basis is defined as organic revenue adjusted to eliminate the foreign exchange impact related to that organic revenue for the relevant period, using the applicable average foreign exchange rates in effect for the comparable prior-year periods presented. In the case of this release, the comparable baseline year is the year ending December 31, 2020. The compound annual growth rate (CAGR) calculation excludes a forecasted \$4 million benefit from foreign exchange fluctuations for the year ending December 31, 2021.

Non-GAAP Operating Margin

Non-GAAP operating margin is calculated by adjusting GAAP operating income for certain items which are deemed by Merit's management to be outside of core operations and vary in amount and frequency among periods, such as expenses related to new acquisitions, non-cash expenses related to amortization or write-off of previously acquired tangible and intangible assets, severance expenses, performance-based stock compensation expenses, corporate transformation expenses, expenses resulting from non-ordinary course litigation or administrative proceedings and resulting settlements, governmental proceedings or changes in industry regulations, as well as other items that could arise but which are not currently anticipated by management.

Free Cash Flow

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

Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin

(Unaudited, ss a percentage of forecasted sales)

	Low End Year Ended December 31, 2023 % Sales	High End Year Ended December 31, 2023 % Sales
GAAP Operating Margin	13.7 %	17.0 %
Cost of Sales		
Amortization of intangibles	3.8 %	3.6 %
Operating Expenses		
Amortization of intangibles	0.5 %	0.4 %
Non-GAAP Operating Margin	18.0 %	21.0 %

ABOUT MERIT

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

TRADEMARKS

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

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Foundations for Growth

Investor Call
November 10, 2020



CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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



NON-GAAP FINANCIAL MEASURES

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

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Objectives of today's call

Formal announcement of Merit Medical's financial targets for the three-year period ending December 31, 2023

During the call, we will share additional color in three areas:

Process to-date to develop our "Foundations for Growth" Program

Projected financial profile of Merit at the end of 2023

Assumptions supporting the forecasted improvement in profitability and cash flow generation

Open the call for questions

Note: The slide presentation prepared for this call has been furnished to the SEC and is available on the IR portion of Merit's website



Intro – process update

Merit's recent activities at a glance

We are dedicated to deliver **short- and long-term improvement** of our financials – and have several initiatives well underway

- On track to complete **transfer of 14 product lines** to our facilities in Mexico and Texas, US
- Completed the **closure of our Malvern and West Jordan** manufacturing operations
- **Closure of our pack business in Australia** to be completed by end of year
- **Closure of our Temecula** site, with production moved to Texas, US
- Continued focus and emphasis on **R&D and product introductions**

**Strong
Q3 results
reported on
October 28th**

Today we formally announce our incremental efforts to further embark on this journey as a company: **Foundations for Growth**

Intro Foundations for Growth Program

Company-wide program over the next 3 years aiming to:



Maintain growth above market

- Innovate and deliver solutions to the market that fuel our topline growth globally



Significantly improve our operating margins

- Design our operations to exploit scale while preserving autonomy and flexibility where it matters



Build a foundation for sustained success

- Invest in our people and build new capabilities to meet the evolving needs of our changing healthcare markets and drive sustainable change

To develop this program, we have engaged and partnered with Boston Consulting Group to activate and bring the best out of our company

Foundations for Growth (FfG)



High priority areas addressed in the program

Commercial Excellence

Refinement of our commercial operations, Go-to-market and omni-channel strategies in light of the evolving needs of our customers

Innovation and Portfolio Optimization

New processes and tools to optimize our portfolio and emphasize innovation and high-growth products, while streamlining the legacy product portfolio

Operations Excellence & Supply Chain Management

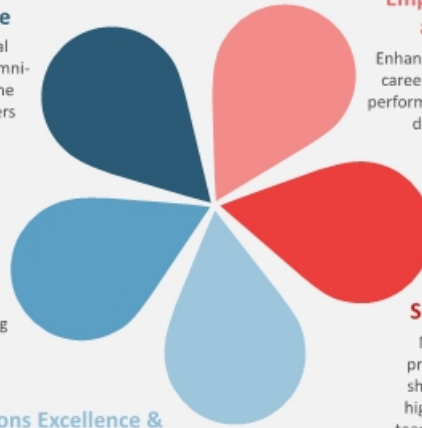
Optimization of our global site footprint and supply chain to capture the benefits of increasing scale and ensure resiliency with better focus and portfolio simplification

Employee development and engagement

Enhanced focus on our employees, career development, training and performance-based compensation to drive business objectives

Shared Services and Support Function Delivery

New capabilities and streamlined processes to allow for more efficient shared services and ability to deliver high-quality support to our in-market teams and operations around the world



Financial targets

Foundations for Growth 3-year targets

Revenue

5-7%

Revenue CAGR
2020 - 2023

\$1.1B+

Revenue
in 2023

Operating margin

18-21%

Non-GAAP
operating margin
end-2023

Cash flow

\$300M+

Free cash flow
2021 through 2023

Note: Revenue growth refers to organic, constant currency annual growth rate from 2020 to 2023; Non-GAAP operating margin, organic revenue, organic revenue on a constant currency basis, and free cash flow are non-GAAP financial measures. A reconciliation of non-GAAP financial measures used in this presentation to their most directly comparable GAAP financial measures is included under the heading "Notes to Non-GAAP Financial Measures" below.



Revenue

5-7%

Revenue CAGR
2020 - 2023

\$1.1B+

Revenue
in 2023

Growth drivers

Multiple drivers of Merit Medical's overall revenue growth profile



Geographic mix



Market growth by major categories



Market share gain over next 3 years

Revenue expectations

Lower-end of the target range reflects revenue growth from:

Existing portfolio of commercialized products

Continued penetration in existing markets

Foundation for Growth to support and drive incremental growth via:

Continued push to optimize our direct vs. distribution model

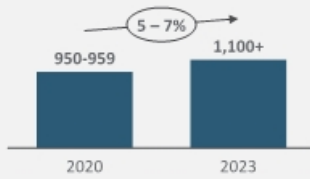
Prioritization and focus of our commercial operations to high-growth areas



Note: Revenue growth refers to organic, constant currency annual growth rate from 2020 to 2023.

Revenue Details

Merit Medical Revenue (\$M)



Organic, constant currency revenue growth commentary:

- Excludes benefit from foreign currency exchange: \$4M on GAAP revenue for Jan to Dec 2021
- Assumes no material change in the impact on our business from the global COVID-19 pandemic
- Assumes no extraordinary transactions



International

7-9%
Revenue CAGR
2020 - 2023

Expected to account for more than half of our revenue growth via balanced contribution from APAC and EMEA

APAC: 6% CAGR over the three-year period

- Solid growth contributions from China, Japan, Southeast Asia Australia/New Zealand, and Korea

EMEA: 7% CAGR over the three-year period

- Primarily driven by continued penetration in all 25+ countries served

United States

4.5-6%
Revenue CAGR
2020 - 2023

Revenue growth in U.S. primarily driven by strong growth in Peripheral Intervention business

Peripheral Intervention: 7% CAGR over the three-year period

- Fueled by strong market growth of ~5% per year
- Merit market share gain via sales of our Biopsy / Drainage / Radar Localization / VCF product lines

Cardiac Intervention: 6% CAGR over the three-year period

- Fueled by strong market growth of ~4% per year
- Merit market share gains via sales of EP/CRM product lines

OEM and Endoscopy businesses: 6% CAGR over the three-year period

Note: Revenue growth refers to organic, constant currency annual growth rate from 2020 to 2023.

Operating margin

18-21%

Non-GAAP operating margin end-2023

2020 financial guidance:
~13% non-GAAP operating margin

Margin expansion of
470+ bps by end of 2023

470+
bps



Gross margins

51%+
gross margin end-2023

Continued efficiencies from initiatives started in the last 18 months

Additional gross margin improvements via Foundations for Growth



Network consolidation



Lean manufacturing



Resource efficiencies



Supply chain optimization

Operating expenses

New ways of working and capabilities to drive efficiency and leverage



Drive efficiency and reinvest

Commercial Prioritize highest growth areas and sales channels

Support functions Simplify workflows and coordination across the globe

R&D and Regulatory Focus resources on key innovation and launches

Gross margin refers to non-GAAP gross margin. Non-GAAP operating margin is a non-GAAP financial measure. A reconciliation of non-GAAP financial measures used in this presentation to their most directly comparable GAAP financial measures is included under the heading "Notes to Non-GAAP Financial Measures" below.

Cash flow generation

\$300M+

Free cash flow
2021 through 2023

Projected cash flow over the 3-year time period is forecasted to fortify Merit's financial condition



Enhanced balance sheet



Reduced borrowings



Increased cash position





Questions & Answers

Appendix



2020 Financial Guidance

The Company also reaffirmed its 2020 financial guidance.

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

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



Notes to non-GAAP financial measures

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

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

- organic revenue,
- organic revenue on a constant currency basis,
- non-GAAP gross margin,
- non-GAAP operating margin, and
- free cash flow.

Merit's management team uses these non-GAAP financial measures to evaluate Merit's profitability and efficiency, to compare operating results to prior periods, to evaluate changes in the operating results of its operating segments, and to measure and allocate financial resources internally. However, Merit's management does not consider such non-GAAP measures in isolation or as an alternative to measures determined in accordance with GAAP. Readers should consider non-GAAP measures used in this presentation in addition to, not as a substitute for, financial reporting measures prepared in accordance with GAAP. These non-GAAP financial measures generally exclude some, but not all, items that may affect Merit's net income. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by management about which items are excluded. Merit believes it is useful to exclude such items in the calculation of non-GAAP gross margin and non-GAAP operating margin because such amounts in any specific period may not directly correlate to the underlying performance of Merit's business operations and can vary significantly between periods as a result of factors such as acquisition transactions, non-cash expenses related to amortization or write-off of previously acquired tangible and intangible assets, severance expenses, expenses resulting from non-ordinary course litigation or administrative proceedings and resulting settlements, and corporate transformation expenses. Merit may incur similar types of expenses in the future, and the non-GAAP financial information included in this presentation should not be viewed as a statement or indication that these types of expenses will not recur. Additionally, the non-GAAP financial measures used in this presentation may not be comparable with similarly titled measures of other companies. Merit urges investors and potential investors to review the reconciliations of its non-GAAP financial measures to the comparable GAAP financial measures, and not to rely on any single financial measure to evaluate Merit's business or operations.



Notes to non-GAAP financial measures (cont.)

Organic Revenue and Organic Revenue on a Constant Currency Basis

Merit's organic revenue is defined as GAAP revenue adjusted for revenue from acquisitions or divestitures. Organic revenue on a constant currency basis is defined as organic revenue adjusted to eliminate the foreign exchange impact related to that organic revenue for the relevant period, using the applicable average foreign exchange rates in effect for the comparable prior-year periods presented. In the case of this presentation, the comparable baseline year is the year ending December 31, 2020. The compound annual growth rate (CAGR) calculation excludes a forecasted \$4 million benefit from foreign exchange fluctuations for the year ending December 31, 2021.

Non-GAAP Gross Margin

Non-GAAP gross margin is calculated by reducing GAAP cost of sales by amounts recorded for amortization of intangible assets.

Non-GAAP Operating Margin

Non-GAAP operating margin is calculated by adjusting GAAP operating income for certain items which are deemed by Merit's management to be outside of core operations and vary in amount and frequency among periods, such as expenses related to new acquisitions, non-cash expenses related to amortization or write-off of previously acquired tangible and intangible assets, severance expenses, performance-based stock compensation expenses, corporate transformation expenses, expenses resulting from non-ordinary course litigation or administrative proceedings and resulting settlements, governmental proceedings or changes in industry regulations, as well as other items that could arise but which are not currently anticipated by management.

Free Cash Flow

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



Reconciliation of GAAP Gross Margin to Non-GAAP Gross Margin

(Unaudited, as a percentage of forecasted sales)

			Low End Year Ended December 31, 2023 % Sales		High End Year Ended December 31, 2023 % Sales	
GAAP Gross Margin			47.8	%	48.8	%
Amortization of intangibles			3.8	%	3.6	%
Non-GAAP Gross Margin			51.6	%	52.4	%



Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin

(Unaudited, as a percentage of forecasted sales)

			Low End		High End
			Year Ended		Year Ended
			December 31, 2023		December 31, 2023
			% Sales		% Sales
GAAP Operating Margin			13.7	%	17.0
Cost of Sales					
Amortization of intangibles			3.8	%	3.6
Operating Expenses					
Amortization of intangibles			0.5	%	0.4
Non-GAAP Operating Margin			18.0	%	21.0



