

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 SEPTEMBER 30, 1996.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission File Number 0-18592

MERIT MEDICAL SYSTEMS, INC.
(Exact name of Registrant as specified in its charter)

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

1600 West Merit Park Way, South Jordan UT, 84095
(Address of Principal Executive Offices)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Common Stock	6, 925,857
TITLE OR CLASS	Number of Shares Outstanding at November 12, 1996

MERIT MEDICAL SYSTEMS, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1: Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 1996 AND DECEMBER 31, 1995

ASSETS	September 30, 1996 (Unaudited)	December 31, 1995
-----	-----	-----
CURRENT ASSETS:		
Cash	\$ 357,768	\$ 270,841
Trade receivables - net	7,064,312	6,727,960
Employee and related party receivables	354,770	363,266
Irish Development Agency grant receivable	391,359	544,725
Inventories	13,418,409	12,156,795
Prepaid expenses and other assets	596,000	403,414
Deferred income tax assets	655,609	655,609
	-----	-----
Total current assets	22,838,227	21,122,610
	-----	-----
PROPERTY AND EQUIPMENT:		
Land	595,991	595,959
Building	1,028,259	782,195
Automobiles	139,844	174,651
Manufacturing equipment	8,956,337	7,959,952
Furniture and fixtures	3,261,270	3,005,093
Leasehold improvements	3,164,160	3,087,602
Construction-in-progress	3,172,076	1,465,945
	-----	-----
Total	20,317,937	17,071,397
Less accumulated depreciation and amortization	(7,138,965)	(5,479,589)
	-----	-----
Property and equipment - net	13,178,972	11,591,808
	-----	-----
OTHER ASSETS:		
Intangible assets - net	1,667,072	1,463,885
Deposits	126,261	46,984
Prepaid royalty - net	214,286	278,571
	-----	-----
Total other assets	2,007,619	1,789,440
	-----	-----
TOTAL	\$38,024,818	\$34,503,858
	-----	-----

Continued on Page 2
See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS (Continued)
 SEPTEMBER 30, 1996 AND DECEMBER 31, 1995

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30, 1996 (Unaudited)	December 31, 1995
CURRENT LIABILITIES:		
Line of credit	\$ 4,448,400	\$ 5,871,539
Current portion of long-term debt	1,216,761	778,088
Trade payables	1,844,127	3,056,289
Accrued expenses	1,812,757	1,715,075
Advances from employees	75,718	52,863
Income taxes payable	499,330	129,785
	-----	-----
Total current liabilities	9,897,093	11,603,639
DEFERRED INCOME TAX LIABILITIES	543,985	616,652
LONG-TERM DEBT	4,552,889	1,778,953
DEFERRED CREDIT	962,356	1,066,513
	-----	-----
Total liabilities	15,956,323	15,065,757
	-----	-----
MINORITY INTEREST IN SUBSIDIARY	311,195	173,576
	-----	-----
STOCKHOLDERS' EQUITY:		
Common stock - no par value; 10,000,000 shares authorized; 6,899,880 and 6,786,239 shares issued at September 30, 1996 and December 31, 1995, respectively	13,949,053	13,088,265
Retained earnings	7,848,557	6,153,629
Foreign currency translation adjustment	(40,310)	22,631
	-----	-----
Total stockholders' equity	21,757,300	19,264,525
	-----	-----
TOTAL	\$ 38,024,818	\$ 34,503,858
	-----	-----

See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

 CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 and 1995 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
SALES	\$12,702,407	\$11,280,734	\$37,484,550	\$31,685,938
COST OF SALES	7,352,304	6,487,512	21,796,638	18,674,660
GROSS PROFIT	5,350,103	4,793,222	15,687,912	13,011,278
OPERATING EXPENSES				
Selling, general and administrative	3,437,619	3,237,470	10,477,173	9,719,624
Research and development	534,632	618,441	1,725,945	1,681,914
TOTAL	3,972,251	3,855,911	12,203,118	11,401,538
INCOME FROM OPERATIONS	1,377,852	937,311	3,484,794	1,609,740
OTHER EXPENSE	(142,678)	(154,098)	(489,424)	(303,003)
INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTEREST	1,235,174	783,213	2,995,370	1,306,737
MINORITY INTEREST IN (INCOME) LOSS OF SUBSIDIARY	(34,933)	(7,234)	(137,619)	548
INCOME TAX EXPENSE	(524,218)	(322,074)	(1,162,823)	(540,952)
NET INCOME	\$ 676,023	\$ 453,905	\$1,694,928	\$ 766,333
NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE	\$.10	\$.07	\$.24	\$.11
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	7,054,457	6,915,267	7,035,095	6,874,096

See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 and 1995 (Unaudited)

	September 30, 1996	September 30, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,694,928	\$ 766,333
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Minority interest in income (loss) of subsidiary	137,619	(548)
Tax benefit attributable to appreciation of common stock options exercised		9,846
Depreciation and amortization	1,803,489	1,588,042
Deferred income tax benefit	(72,667)	(321,291)
Bad debt expense	14,992	57,871
Loss on sales and abandonment of property and equipment	3,705	35,581
Changes in operating assets and liabilities:		
Trade receivables	(351,344)	(1,023,461)
Employee and related party receivables	8,496	28,602
Irish Development Agency grant receivable	(209,691)	(337,424)
Inventories	(1,261,614)	(2,421,197)
Prepaid expenses and other assets	(192,586)	(249,018)
Deposits	(79,277)	16,804
Trade payables	(1,212,162)	586,967
Accrued expenses	97,682	177,424
Advances from employees	22,855	51,677
Income taxes payable	369,545	531,846
Other, net	(62,941)	15,905
Total adjustments	(983,899)	(1,252,374)
Net cash provided by (used in) operating activities	711,029	(486,041)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for:		
Property and equipment	(1,362,413)	(3,145,030)
Intangible assets	(302,437)	(58,151)
Proceeds from sale of equipment	41,147	
Collection of construction advance receivable		2,184,630
Net cash used in investing activities	(1,623,703)	(1,018,551)

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See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995 (Unaudited)

	September 30, 1996	September 30, 1995
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
deferred credits	341,289	
common stock	860,788	360,998
issuance of long-term debt	2,200,000	1,674,823
Principal payments on:		
long-term debt	(927,236)	(452,073)
deferred credit	(52,101)	
line of credit	(1,423,139)	(69,594)
	-----	-----
Net cash provided by financing activities	999,601	1,514,154
	-----	-----
NET INCREASE IN CASH	86,927	9,562
CASH AT BEGINNING OF PERIOD	270,841	155,836
	-----	-----
CASH AT END OF PERIOD	\$ 357,768	\$ 165,398
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH		
FLOW INFORMATION		
Cash paid during the period for:		
Interest (including capitalized interest of \$123,569 and \$122,582, respectively)	\$601,890	\$ 280,474
	=====	=====
Income taxes	\$865,945	\$ 330,397
	=====	=====

SUPPLEMENTAL DISCLOSURE OF NONCASH
 INVESTING AND FINANCING ACTIVITIES:

During the nine month periods ended September 30, 1996 and 1995, the Company issued notes payable totaling \$1,960,729 and \$ 696,224, respectively, for manufacturing equipment, furniture and fixtures, land and building.

See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation. In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the financial position of the Company as of September 30, 1996 and December 31, 1995 and the results of its operations and cash flows for the three and nine months ended September 30, 1996 and 1995. The results of operations for the three and nine months ended September 30, 1996 and 1995 are not necessarily indicative of the results for a full year period.

2. Inventories. Inventories at September 30, 1996 and December 31, 1995 consisted of the following:

	September 30, 1996	December 31, 1995
Raw materials	\$ 2,999,881	\$ 3,091,679
Work-in-process	4,537,550	3,337,315
Finished goods	5,880,978	5,727,801
	-----	-----
Total	\$13,418,409	\$12,156,795
	-----	-----

3. Income Taxes. The effective tax rate for the three and nine months ended September 30, 1996 and 1995, is higher than the federal statutory tax rate due to losses incurred by the Company's foreign subsidiaries which were recognized as tax benefits but at their applicable foreign tax rates, which in the aggregate were lower than the federal statutory rate.

MERIT MEDICAL SYSTEMS, INC.

ITEM 2:

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

Operations. The Company has achieved significant increases to record levels in sales and earnings for the three and nine months ended September 30, 1996 compared to the same periods in 1995. The following table sets forth certain operational data as a percentage of sales for the three and nine months ended September 30, 1996 and 1995:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996 ----	1995 ----	1996 ----	1995 ----
Sales	100.0 %	100.0 %	100.0 %	100.0 %
Gross Profit	42.1	42.5	41.9	41.1
Operating Expenses	31.3	34.2	32.5	36.0
Income From Operations	10.8	8.3	9.3	5.1
Other Expense	(1.1)	(1.4)	(1.3)	(1.0)
Net Income	5.3	4.0	4.5	2.4

Sales. Sales for the third quarter and for the nine months of 1996 increased 13% and 18% respectively, compared to the same periods for 1995. This increase resulted from growth in sales of custom kits and sales of new products sold in custom kits and on a stand alone basis. In the third quarter of 1996, custom kits represented 62% of total sales, up from 55 % of sales for the three months ended September 30, 1995. For the nine months ended September 30, 1996 and 1995, custom kits represented 60 % of sales and 56% of total sales, respectively. International sales for the third quarter of 1996 and year to date for 1996 increased 51% and 56%, respectively, compared to the same periods for 1995. Sales through the Company's direct sales force in Europe was \$1,429,641 and \$3,870,494 for the three and nine months ended September 30, 1996, an increase of 124% and 287% compared to the same periods in 1995.

Gross Profit. Gross profit as a percentage of sales for the third quarter of 1996 was 42.1% down slightly from 42.5% for the third quarter of 1995. For the nine months ended September 30, 1996, gross profit was 41.9% as compared to 41.1% for the same period in 1995. The slight increase is due primarily to improving efficiencies in the Company's operations and increasing volumes of product coming out of the Company's new facility. These improvements continue to be offset by price pressures to varying degrees throughout the Company's product lines and to a continuing change in product mix toward lower margin custom kits.

MERIT MEDICAL SYSTEMS, INC.

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

Operating Expenses. Operating expenses decreased to 31.3% and 32.5% of sales, respectively, for the three and nine months ended September 30, 1996 compared to 34.2% and 36.0% for the same periods in 1995. The Company is beginning to see the absorption of the increased sales expense associated with the expansion of the direct sales force in Europe. Combining this improved selling efficiency with better coverage of administration costs in relation to increased sales volumes has resulted in the nearly 3% improvement in operating expenses for the third quarter of 1996. Product research and development expenses were 4.2% and 4.6% of sales, respectively, for the three and nine months ended September 30, 1996, compared to 5.5% and 5.3% for the same periods in 1995. Such expenses are expected to be approximately four to five percent of sales on an annual basis.

Income. During the quarter ended September 30, 1996, the Company reported income from operations of \$1,377,852, an increase of 47.0% compared to income from operations of \$937,311 for the comparable period in 1995. This increase was primarily the result of increasing revenues, improving selling, general and administrative efficiencies, as previously discussed. Operating income for the nine months of 1996 was \$3,484,794, an increase of 116.5% compared to income from operations of \$1,609,740 for the same period in 1995.

Liquidity and Capital Resources. At September 30, 1996, the Company's working capital was \$12,941,134 which represented a current ratio of 2.3 to 1. In October of 1995 the Company increased an available secured bank line of credit from \$6,500,000 to \$8,500,000. The line of credit bears interest at one quarter percent over the bank's prime rate and contains various conditions and restrictions. At September 30, 1996, the outstanding balance under the line of credit was \$4,448,400. Also in October 1995 in conjunction with the new credit line, the Company obtained a commitment for a four year term loan for \$2.2 million secured by real and intangible property at a rate of one half percent over prime. This loan was used to finance the leasehold improvements the Company paid for in completing the construction and equipping of it's new facility, thereby decreasing the balance of the line of credit and increasing the Company's available working capital. During 1996, the Company negotiated a lease line for \$3,000,000 expiring December 31, 1997. This lease line as of September 30, 1996, has not been utilized. The Company intends to use this lease line to purchase production equipment for new and expanding product lines.

MERIT MEDICAL SYSTEMS, INC.

PART II - OTHER INFORMATION

ITEM 6: Exhibits and Reports on Form 8-K

- (a) Exhibits - None
- (b) Reports on Form 8-K - none

SIGNATURES

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

MERIT MEDICAL SYSTEMS, INC.
REGISTRANT

Date: NOVEMBER 12, 1996 /s/ FRED P. LAMPROPOULOW
FRED P. LAMPROPOULOS
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Date: NOVEMBER 12, 1996 /s/ KENT W. STANGER
KENT W. STANGER
VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MERIT MEDICAL SYSTEMS, INC.'S CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT FOR THE NINE-MONTH PERIOD ENDING SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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