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 March 31, 2023

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 April 26, 2023
Common Stock, no par	57,493,643

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

ASSETS	March 31, 2023	December 31, 2022
	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 57,945	$ 58,408
Trade receivables — net of allowance for credit losses — 2023 — $8,248 and 2022 — $8,423	170,182	164,677
Other receivables	14,559	12,992
Inventories	289,581	265,991
Prepaid expenses and other current assets	19,961	22,324
Prepaid income taxes	3,920	3,913
Income tax refund receivables	1,069	779
Total current assets	557,217	529,084
Property and equipment:		
Land and land improvements	26,017	25,940
Buildings	189,947	189,148
Manufacturing equipment	303,547	299,089
Furniture and fixtures	64,762	61,128
Leasehold improvements	50,826	49,673
Construction-in-progress	63,786	61,269
Total property and equipment	698,885	686,247
Less accumulated depreciation	(311,435)	(303,271)
Property and equipment — net	387,450	382,976
Other assets:		
Intangible assets:		
Developed technology — net of accumulated amortization — 2023 — $285,008 and 2022 — $274,570	227,203	237,522
Other — net of accumulated amortization — 2023 — $71,742 and 2022 — $69,780	36,681	38,350
Goodwill	360,291	359,821
Deferred income tax assets	6,665	6,599
Right-of-use operating lease assets	62,881	65,262
Other assets	45,721	44,352
Total other assets	739,442	751,906
Total assets	$ 1,684,109	$ 1,663,966

See condensed notes to consolidated financial statements. (continued)

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

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2023	December 31, 2022
	(unaudited)	
Current liabilities:		
Trade payables	$ 65,588	$ 68,504
Accrued expenses	119,197	123,189
Current portion of long-term debt	11,250	11,250
Short-term operating lease liabilities	10,898	11,005
Income taxes payable	9,019	6,697
Total current liabilities	215,952	220,645
Long-term debt	186,423	186,759
Deferred income tax liabilities	18,478	18,462
Long-term income taxes payable	347	347
Liabilities related to unrecognized tax benefits	1,912	1,912
Deferred compensation payable	15,868	15,264
Deferred credits	1,682	1,708
Long-term operating lease liabilities	57,893	59,736
Other long-term obligations	13,899	14,736
Total liabilities	512,454	519,569
Commitments and contingencies		
Stockholders' equity:		
Preferred stock — 5,000 shares authorized as of March 31, 2023 and December 31, 2022; no shares issued	—	—
Common stock, no par value; 100,000 shares authorized; issued and outstanding as of March 31, 2023 - 57,472 and December 31, 2022 - 57,306	681,108	675,174
Retained earnings	501,476	480,773
Accumulated other comprehensive loss	(10,929)	(11,550)
Total stockholders' equity	1,171,655	1,144,397
Total liabilities and stockholders' equity	$ 1,684,109	$ 1,663,966

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 March 31,	
	2023	2022
Net sales	$ 297,565	$ 275,415
Cost of sales	159,203	154,508
Gross profit	138,362	120,907
Operating expenses:		
Selling, general and administrative	90,144	84,015
Research and development	21,314	17,387
Impairment charges	—	1,672
Contingent consideration expense	521	2,600
Total operating expenses	111,979	105,674
Income from operations	26,383	15,233
Other income (expense):		
Interest income	131	104
Interest expense	(2,011)	(1,002)
Other income (expense) — net	997	(164)
Total other expense — net	(883)	(1,062)
Income before income taxes	25,500	14,171
Income tax expense	4,797	3,626
Net income	$ 20,703	$ 10,545
Earnings per common share		
Basic	$ 0.36	$ 0.19
Diluted	$ 0.36	$ 0.18
Weighted average shares outstanding		
Basic	57,352	56,593
Diluted	58,183	57,531

See condensed notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2023	**2022**
Net income	$ 20,703	$ 10,545
Other comprehensive income (loss):		
Cash flow hedges	(1,691)	2,907
Income tax benefit (expense)	406	(712)
Foreign currency translation adjustment	1,925	(793)
Income tax expense	(19)	(64)
Total other comprehensive income	621	1,338
Total comprehensive income	$ 21,324	$ 11,883

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 Loss	Total
Balance — January 1, 2023	57,306	$ 675,174	$ 480,773	$ (11,550)	$ 1,144,397
Net income			20,703		20,703
Other comprehensive income				621	621
Stock-based compensation expense		3,498			3,498
Options exercised	123	3,726			3,726
Issuance of common stock under Employee Stock Purchase Plan	4	302			302
Shares issued from time-vested restricted stock units	61	—			—
Shares surrendered in exchange for payment of payroll tax liabilities	(22)	(1,592)			(1,592)
Balance — March 31, 2023	57,472	$ 681,108	$ 501,476	$ (10,929)	$ 1,171,655

	Common Stock		Retained	Accumulated Other	
	Shares	Amount	Earnings	Comprehensive 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

See condensed notes to consolidated financial statements.

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

	Three Months Ended March 31, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 20,703	$ 10,545
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,537	20,466
Loss on sale or abandonment of property and equipment	207	94
Write-off of certain intangible assets and other long-term assets	—	1,672
Amortization of right-of-use operating lease assets	2,662	2,584
Adjustments related to contingent consideration liabilities	521	2,600
Amortization of deferred credits	(26)	(27)
Amortization of long-term debt issuance costs	151	151
Stock-based compensation expense	3,969	4,642
Changes in operating assets and liabilities, net of acquisitions and divestitures:		
Trade receivables	(4,880)	(3,851)
Other receivables	(1,465)	5,854
Inventories	(22,974)	(9,177)
Prepaid expenses and other current assets	1,386	(1,307)
Income tax refund receivables	(270)	196
Other assets	(79)	833
Trade payables	(2,963)	2,670
Accrued expenses	(3,571)	(23,508)
Income taxes payable	2,658	1,147
Deferred compensation payable	605	(1,307)
Operating lease liabilities	(2,237)	(2,841)
Other long-term obligations	(389)	574
Total adjustments	(6,158)	1,465
Net cash, cash equivalents, and restricted cash provided by operating activities	14,545	12,010
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for:		
Property and equipment	(12,785)	(9,526)
Intangible assets	(271)	(342)
Proceeds from the sale of property and equipment	200	—
Cash paid in acquisitions, net of cash acquired	(2,000)	—
Net cash, cash equivalents, and restricted cash used in investing activities	$ (14,856)	$ (9,868)

See condensed notes to consolidated financial statements.

(continued)

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	$ 4,028	$ 1,641
Proceeds from issuance of long-term debt	49,687	80,524
Payments on long-term debt	(50,052)	(70,899)
Contingent payments related to acquisitions	(2,568)	(24,491)
Payment of taxes related to an exchange of common stock	(1,592)	(1,015)
Net cash, cash equivalents, and restricted cash used in financing activities	(497)	(14,240)
Effect of exchange rates on cash, cash equivalents, and restricted cash	376	111
Net decrease in cash, cash equivalents and restricted cash	(432)	(11,987)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Beginning of period	60,558	67,750
End of period	$ 60,126	$ 55,763
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO THE CONSOLIDATED BALANCE SHEETS:		
Cash and cash equivalents	57,945	53,875
Restricted cash reported in prepaid expenses and other current assets	2,181	1,888
Total cash, cash equivalents and restricted cash	$ 60,126	$ 55,763
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest (net of capitalized interest of $311 and $126, respectively)	$ 2,002	$ 993
Income taxes	2,467	2,411
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment purchases in accounts payable	$ 3,587	$ 2,442
Acquisition purchases in other long-term obligations	3,596	—
Right-of-use operating lease assets obtained in exchange for operating lease liabilities	87	1,404

See condensed notes to consolidated financial statements. (concluded)

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

Basis of Presentation and Other Items. The interim consolidated financial statements of Merit Medical Systems, Inc. ("Merit," "we" or "us") for the three-month periods ended March 31, 2023 and 2022 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 March 31, 2023 and December 31, 2022, and our results of operations and cash flows for the three-month periods ended March 31, 2023 and 2022. The results of operations for the three-month periods ended March 31, 2023 and 2022 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, 2022 (the 2022 Annual Report on Form 10-K").

2. **Recently Issued Financial Accounting Standards.** In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standard 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 amends the scope of ASU 2020-04. In December 2022, the FASB issued ASU 2022-06, *Deferral of the Sunset Date of Topic 848*, which defers the sunset date of the guidance in ASC 848 to December 31, 2024. ASU 2020-04 and ASU 2021-01 were effective as of March 12, 2020; ASU 2022-06 was effective upon its issuance in December 2022. The provisions of these updates may be applied prospectively to transactions through December 31, 2024, when reference rate reform activity is expected to be completed. As of March 31, 2023, we had not modified any contracts as a result of reference rate reform.

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 2022 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-month periods ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31, 2023			Three Months Ended March 31, 2022		
	United States	International	Total	United States	International	Total
Cardiovascular						
Peripheral Intervention	$ 68,667	$ 45,116	$ 113,783	$ 62,100	43,673	$ 105,773
Cardiac Intervention	34,305	51,023	85,328	28,549	52,938	81,487
Custom Procedural Solutions	26,799	20,902	47,701	26,555	19,707	46,262
OEM	32,564	8,600	41,164	27,796	5,618	33,414
Total	162,335	125,641	287,976	145,000	121,936	266,936
Endoscopy						
Endoscopy Devices	9,025	564	9,589	7,992	487	8,479
Total	$ 171,360	$ 126,205	$ 297,565	$ 152,992	$ 122,423	$ 275,415

4. Acquisitions. During January 2023, we paid $2.0 million to acquire shares of Series Seed-1 Preferred Stock of Solo Pace Inc. ("Solo Pace"), owner and developer of a temporary external pulse generator and grounding pad with associated remote control module. Our investment has been recorded as an equity investment accounted for at cost and reflected within other assets in the accompanying consolidated balance sheets because the equity interest does not have a readily determinable fair value and because we are not able to exercise significant influence over the operations of Solo Pace. Our investment in Solo Pace represents an ownership of approximately 19% of its outstanding capital stock.

5. Inventories. Inventories at March 31, 2023 and December 31, 2022 consisted of the following (in thousands):

	March 31, 2023	December 31, 2022
Finished goods	$ 153,275	$ 147,051
Work-in-process	34,646	29,534
Raw materials	101,660	89,406
Total inventories	$ 289,581	$ 265,991

6. Goodwill and Intangible Assets. The change in the carrying amount of goodwill for the three-month period ended March 31, 2023 is detailed as follows (in thousands):

	2023
Goodwill balance at January 1	$ 359,821
Effect of foreign exchange	470
Goodwill balance at March 31	$ 360,291

Total accumulated goodwill impairment losses aggregated $8.3 million as of March 31, 2023 and December 31, 2022. We did not have any goodwill impairments for the three-month periods ended March 31, 2023 and 2022. The total goodwill balances as of March 31, 2023 and December 31, 2022 were related to our cardiovascular segment.

Other intangible assets at March 31, 2023 and December 31, 2022 consisted of the following (in thousands):

	March 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents	$ 29,716	$ (10,888)	$ 18,828
Distribution agreements	3,250	(2,766)	484
License agreements	11,119	(7,536)	3,583
Trademarks	30,229	(18,522)	11,707
Customer lists	34,109	(32,030)	2,079
Total	$ 108,423	$ (71,742)	$ 36,681

	December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents	$ 29,445	$ (10,203)	$ 19,242
Distribution agreements	3,250	(2,715)	535
License agreements	11,109	(7,250)	3,859
Trademarks	30,221	(17,863)	12,358
Customer lists	34,105	(31,749)	2,356
Total	$ 108,130	$ (69,780)	$ 38,350

Aggregate amortization expense for the three-month period ended March 31, 2023 and 2022 was $12.3 million and $12.2 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 March 31, 2023, we did not identify indicators of impairment in any intangible assets based on our qualitative assessment.

During the three-month period ended March 31, 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 planned divestiture of the STD Pharmaceutical Products Limited ("STD Pharmaceutical") business acquired in our August 2019 acquisition of Fibrovein Holdings Limited. 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. We recorded an impairment charge for the carrying value of $1.7 million of intangible assets during the three months ended March 31, 2022, all of which pertained to our cardiovascular segment. There were no impairments during the three-month period ended March 31, 2023.

Estimated amortization expense for developed technology and other intangible assets for the next five years consisted of the following as of March 31, 2023 (in thousands):

	Estimated Amortization Expense
Remaining 2023	$ 35,625
2024	44,621
2025	42,715
2026	32,126
2027	29,034

7. Income Taxes. Our provision for income taxes for the three-month periods ended March 31, 2023 and 2022 was a tax expense of $4.8 million and $3.6 million, respectively, which resulted in an effective tax rate of 18.8% and 25.6%, respectively. The decrease in the effective income tax rate for the three-month period ended March 31, 2023, when compared to the prior-year period, was primarily due to increased benefit from discrete items such as contingent liabilities and deferred compensation, and the increase in the income tax expense when compared to the prior-year period was primarily due to increased pre-tax book income. 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 March 31, 2023 and December 31, 2022 consisted of the following (in thousands):

	March 31, 2023	December 31, 2022
Term loans	$ 121,875	$ 124,688
Revolving credit loans	75,948	73,500
Less unamortized debt issuance costs	(150)	(179)
Total long-term debt	197,673	198,009
Less current portion	11,250	11,250
Long-term portion	$ 186,423	$ 186,759

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 March 31, 2023.

As of March 31, 2023, we had outstanding borrowings of $197.8 million and issued letter of credit guarantees of $3.2 million under the Third Amended Credit Agreement, with additional available borrowings of approximately $521 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 March 31, 2023 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 5.84% with respect to $122.8 million of the principal amount. Our interest rate as of December 31, 2022 was a fixed rate of 2.71% on $75 million as a result of an interest rate swap and a variable floating rate of 5.38% on $123.2 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 March 31, 2023, were as follows (in thousands):

Years Ending December 31,	Future Minimum Principal Payments
Remaining 2023	$ 8,438
2024	189,385
Total future minimum principal payments	$ 197,823

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 on that portion of our borrowings under the Third Amended Credit Agreement 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 March 31, 2023 and December 31, 2022, our interest rate swap qualified as a cash flow hedge. The fair value of our interest rate swap on March 31, 2023 was an asset of $2.8 million, which was partially offset by ($0.7) million in deferred taxes. The fair value of our interest rate swap on December 31, 2022 was an asset of $3.4 million, partially offset by ($0.8) 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 March 31, 2023 and December 31, 2022, we had entered into foreign currency forward contracts, which qualified as cash flow hedges, with aggregate notional amounts of $98.0 million and $87.8 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 March 31, 2023 and December 31, 2022, we had entered into foreign currency forward contracts related to those balance sheet accounts with aggregate notional amounts of $129.0 million and $92.4 million, respectively.

Balance Sheet Presentation of Derivative Instruments. As of March 31, 2023 and December 31, 2022, 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**	**March 31, 2023**	**December 31, 2022**
Assets			
Interest rate swaps	Other assets (long-term)	$ 2,791	$ 3,444
Foreign currency forward contracts	Prepaid expenses and other assets	2,397	3,215
Foreign currency forward contracts	Other assets (long-term)	120	56
(Liabilities)			
Foreign currency forward contracts	Accrued expenses	(1,456)	(1,509)
Foreign currency forward contracts	Other long-term obligations	(500)	(531)

Fair Value of Derivative Instruments Not Designated as Hedging Instruments	**Balance Sheet Location**	**March 31, 2023**	**December 31, 2022**
Assets			
Foreign currency forward contracts	Prepaid expenses and other assets	$ 1,884	$ 1,512
(Liabilities)			
Foreign currency forward contracts	Accrued expenses	(1,503)	(1,946)

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			**Consolidated Statements of Income**		**Amount of Gain/(Loss) Reclassified from AOCI**	
	Three Months Ended March 31,			**Three Months Ended March 31,**		**Three Months Ended March 31,**	
Derivative instrument	**2023**	**2022**	**Location in statements of income**	**2023**	**2022**	**2023**	**2022**
Interest rate swaps	$ (119)	$ 2,314	*Interest expense*	$ (2,011)	$ (1,002)	$ 534	$ (294)
Foreign currency forward contracts	239	(270)	*Revenue*	297,565	275,415	1,327	(386)
			Cost of sales	(159,203)	(154,508)	(50)	(183)

As of March 31, 2023, $1.7 million, or $1.3 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 March 31, 2023, $2.3 million, or $1.7 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 March 31,	
Derivative Instrument	**Location in statements of income**	**2023**	**2022**
Foreign currency forward contracts	Other income (expense) — net	$ 1,059	$ (1,112)

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 amounts 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.

SEC Inquiry

We have received requests 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 the requests and investigating the matter and, at this time, are unable to predict the scope, timing, significance or outcome of this matter.

It is possible that the ultimate resolution of the foregoing matter, or similar matters, if resolved in a manner unfavorable to us, may be materially adverse to our business, financial condition, results of operations or liquidity. Legal costs for these matters, such as outside counsel fees and expenses, are charged to expense in the period 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-month periods ended March 31, 2023 and 2022 consisted of the following (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2023	2022
Net income	$ 20,703	$ 10,545
Average common shares outstanding	57,352	56,593
Basic EPS	$ 0.36	$ 0.19
Average common shares outstanding	57,352	56,593
Effect of dilutive stock awards	831	938
Total potential shares outstanding	58,183	57,531
Diluted EPS	$ 0.36	$ 0.18
Equity awards excluded as the impact was anti-dilutive (1)	912	1,553

(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-month periods ended March 31, 2023 and 2022 consisted of the following (in thousands):

	Three Months Ended March 31,	
	2023	2022
Cost of sales		
Nonqualified stock options	$ 441	$ 588
Research and development		
Nonqualified stock options	428	486
Selling, general and administrative		
Nonqualified stock options	1,370	1,924
Performance-based restricted stock units	815	815
Restricted stock units	444	399
Cash-settled performance-based share-based awards ("Liability Awards")	471	430
Total selling, general and administrative	3,100	3,568
Stock-based compensation expense before taxes	$ 3,969	$ 4,642

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 three-month periods ended March 31, 2023 and 2022, we granted stock options representing 293,294 and 123,606 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:

	Three Months Ended March 31,	
	2023	2022
Risk-free interest rate	3.7% - 4.5%	1.4% - 1.8%
Expected option term	4.0 years	4.0 years
Expected dividend yield	—	—
Expected price volatility	47.1%	46.2% - 46.6%

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 March 31, 2023, the total remaining unrecognized compensation cost related to non-vested stock options was $25.5 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 three-month periods ended March 31, 2023 and 2022, we granted performance stock units which represent up to 301,230 and 109,178 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 number of shares delivered upon vesting at the end of the performance periods are based upon performance against specified financial performance metrics and relative total 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:

	Three Months Ended March 31,	
	2023	2022
Risk-free interest rate	4.6%	1.6%
Performance period	2.8 years	2.8 years
Expected dividend yield	—	—
Expected price volatility	32.6%	42.6%

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 the weighted average volatility of our stock price and the average volatility of our compensation peer group's stock price. 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 metrics. Each reporting period, this probability assessment is updated, and cumulative adjustments are recorded based on the financial performance metrics expected to be achieved. At the end of the performance period, cumulative expense is calculated based on the actual performance metrics achieved. As of March 31, 2023, the total remaining unrecognized compensation cost related to stock-settled performance stock units was $15.9 million, which is expected to be recognized over a weighted average period of 2.4 years.

Liability Awards

During the three-month periods ended March 31, 2023 and 2022, we granted liability awards to our Chief Executive Officer with total target cash incentives in the amount of $1.3 million and $1.0 million, respectively. These awards entitle him to a target cash payment based upon the Company’s relative shareholder return as compared to the rTSR and achievement of specified performance metrics, as defined in the award agreements.

The fair value of these awards is measured 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 March 31, 2023, the total remaining unrecognized compensation cost related to cash-settled performance-based share-based awards was $4.5 million, which is expected to be recognized over a weighted average period of 2.3 years.

Restricted Stock Units

On June 24, 2022, we granted restricted stock units to our non-employee directors representing a total of 30,500 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 March 31, 2023, the total remaining unrecognized compensation cost related to restricted stock units was $0.3 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-month periods ended March 31, 2023 and 2022, were as follows (in thousands):

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net sales		
Cardiovascular	$ 287,976	$ 266,936
Endoscopy	9,589	8,479
Total net sales	297,565	275,415
Income from operations		
Cardiovascular	23,934	13,126
Endoscopy	2,449	2,107
Total income from operations	26,383	15,233
Total other expense — net	(883)	(1,062)
Income tax expense	4,797	3,626
Net income	$ 20,703	$ 10,545

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 March 31, 2023 and December 31, 2022 consisted of the following (in thousands):

	Total Fair Value at March 31, 2023	Fair Value Measurements Using: Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Marketable securities [1]	$ 103	$ 103	$ —	$ —
Interest rate contract asset, long-term [2]	$ 2,791	$ —	$ 2,791	$ —
Foreign currency contract assets, current and long-term [3]	$ 4,401	$ —	$ 4,401	$ —
Foreign currency contract liabilities, current and long-term [4]	$ (3,459)	$ —	$ (3,459)	$ —
Contingent consideration liabilities	$ (16,000)	$ —	$ —	$ (16,000)

	Total Fair Value at December 31, 2022	Fair Value Measurements Using: Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Marketable securities [1]	$ 138	$ 138	$ —	—
Interest rate contract asset, long-term [2]	$ 3,444	$ —	$ 3,444	$ —
Foreign currency contract assets, current and long-term [3]	$ 4,783	$ —	$ 4,783	$ —
Foreign currency contract liabilities, current and long-term [4]	$ (3,986)	$ —	$ (3,986)	$ —
Contingent consideration liabilities	$ (18,073)	$ —	$ —	$ (18,073)

(1) Our marketable securities, which consist entirely of available-for-sale equity securities, are valued using market prices in active markets. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

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

(3) 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.

(4) 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 past 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-month periods ended March 31, 2023 and 2022 consisted of the following (in thousands):

	Three Months Ended March 31,	
	2023	**2022**
Beginning balance	$ 18,073	$ 48,234
Contingent consideration expense	521	2,600
Contingent payments made	(2,594)	(24,491)
Effect of foreign exchange	—	(10)
Ending balance	$ 16,000	$ 26,333

As of March 31, 2023, $2.4 million in contingent consideration liability was included in other long-term obligations and $13.6 million in contingent consideration liability was included in accrued expenses in our consolidated balance sheet. As of December 31, 2022, $2.3 million in contingent consideration liability was included in other long-term obligations and $15.8 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 $2.6 million and $24.5 million for the three-month periods ended March 31, 2023 and 2022, 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 $26,000 for the three-month period ended March 31, 2023 are reflected as operating cash flows.

The recurring Level 3 measurement of our contingent consideration liabilities included the following significant unobservable inputs at March 31, 2023 and December 31, 2022 (amounts in thousands):

Contingent consideration liability	Fair value at March 31, 2023	Valuation technique	Unobservable inputs	Range	Weighted Average[1]
Revenue-based royalty payments contingent liability	$ 2,209	Discounted cash flow	Discount rate	12% - 16%	14.8%
			Projected year of payments	2023-2034	2027
Revenue milestones contingent liability	$ 13,375	Monte Carlo simulation	Discount rate	0% - 13.0%	0.1%
			Projected year of payments	2023-2035	2023
Regulatory approval contingent liability	$ 416	Scenario-based method	Discount rate	5.1%	
			Probability of milestone payment	50.0%	
			Projected year of payment	2023-2030	2030

Contingent consideration liability	Fair value at December 31, 2022	Valuation technique	Unobservable inputs	Range	Weighted Average[1]
Revenue-based royalty payments contingent liability	$ 2,097	Discounted cash flow	Discount rate	14% - 17%	15.7%
			Projected year of payments	2023-2034	2026
Revenue milestones contingent liability	$ 13,064	Monte Carlo simulation	Discount rate	5.1% - 14.0%	5.2%
			Projected year of payments	2023-2033	2023
Regulatory approval contingent liability	$ 2,912	Scenario-based method	Discount rate	5.7%	
			Probability of milestone payment	90%	
			Projected year of payment	2023-2030	2024

(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 three-month period ended March 31, 2022, we made a contingent payment of $1.6 million to a currently former director of Merit who is a former shareholder of Cianna Medical, Inc. ("Cianna Medical"), which we acquired in 2018. 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 is also eligible for additional payments for the achievement of sales milestones specified in our merger agreement with Cianna Medical. We made no such payments during the three-month period ended March 31, 2023.

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. During the three-month period ended March 31, 2023, we had no losses related to acquired intangible assets. During the three-month period ended March 31, 2022, we recorded an impairment charge of $1.7 million related to the acquired intangible assets from our August 2019 acquisition of STD Pharmaceutical (see note 6).

Current Expected Credit Losses

Our outstanding long-term notes receivable, including accrued interest and an allowance for current expected credit losses, were $2.4 million and $2.4 million as of March 31, 2023 and December 31, 2022, respectively. As of March 31, 2023 and December 31, 2022, we had an allowance for current expected credit losses of $290,000 and $281,000, 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-month periods ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,	
	2023	2022
Beginning balance	$ 281	$ 199
Provision for credit loss expense	9	—
Ending balance	$ 290	$ 199

15. Accumulated Other Comprehensive Income (Loss). The changes in each component of accumulated other comprehensive income (loss) for the three-month periods ended March 31, 2023 and 2022 were as follows:

	Cash Flow Hedges	Foreign Currency Translation	Total
Balance as of January 1, 2023	$ 4,366	$ (15,916)	$ (11,550)
Other comprehensive income (loss)	120	1,925	2,045
Income taxes	406	(19)	387
Reclassifications to:			
Revenue	(1,327)		(1,327)
Cost of sales	50		50
Interest expense	(534)		(534)
Net other comprehensive income (loss)	(1,285)	1,906	621
Balance as of March 31, 2023	$ 3,081	$ (14,010)	$ (10,929)

	Cash Flow Hedges	Foreign Currency Translation	Total
Balance as of January 1, 2022	$ (2,464)	$ (5,527)	$ (7,991)
Other comprehensive income (loss)	2,044	(793)	1,251
Income taxes	(712)	(64)	(776)
Reclassifications to:			
Revenue	386		386
Cost of sales	183		183
Interest expense	294		294
Net other comprehensive income (loss)	2,195	(857)	1,338
Balance as of March 31, 2022	$ (269)	$ (6,384)	$ (6,653)

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 2022 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 March 31, 2023, we reported sales of $297.6 million, an increase of $22.2 million or 8.0%, compared to sales for the three-month period ended March 31, 2022 of $275.4 million. For the three-month period ended March 31, 2023, foreign currency fluctuations (net of hedging) decreased our net sales by $4.9 million, assuming applicable foreign exchange rates in effect during the comparable prior-year periods.

Gross profit as a percentage of sales increased to 46.5% for the three-month period ended March 31, 2023, compared to 43.9% for the three-month period ended March 31, 2022.

Net income for the three-month period ended March 31, 2023 was $20.7 million, or $0.36 per share, compared to net income of $10.5 million, or $0.18 per share, for the three-month period ended March 31, 2022.

Recent Developments and Trends

In addition to the trends identified in the 2022 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 2023 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 March 31, 2023 were driven primarily by stronger than anticipated demand in the U.S. and more favorable than anticipated international sales trends, particularly in the EMEA region.

- Our dedication to the Foundations for Growth program has helped offset inflationary cost pressures in certain raw materials, shipping, and freight expenses.

- As of March 31, 2023, we had cash, cash equivalents, and restricted cash of $60.1 million and net available borrowing capacity of approximately $521 million.

RESULTS OF OPERATIONS

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net sales	100 %	100 %
Gross profit	46.5	43.9
Selling, general and administrative expenses	30.3	30.5
Research and development expenses	7.2	6.3
Impairment charges	—	0.6
Contingent consideration expense	0.2	0.9
Income from operations	8.9	5.5
Income before income taxes	8.6	5.1
Net income	7.0	3.8

Sales

Sales for the three-month period ended March 31, 2023 increased by 8.0%, or $22.2 million, compared to the corresponding period in 2022. Listed below are the sales by product category within each of our financial reporting segments for the three-month periods ended March 31, 2023 and 2022 (in thousands, other than percentage changes):

	% Change	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cardiovascular			
Peripheral Intervention	7.6 %	$ 113,783	$ 105,773
Cardiac Intervention	4.7 %	85,328	81,487
Custom Procedural Solutions	3.1 %	47,701	46,262
OEM	23.2 %	41,164	33,414
Total	7.9 %	287,976	266,936
Endoscopy			
Endoscopy Devices	13.1 %	9,589	8,479
Total	8.0 %	$ 297,565	$ 275,415

Cardiovascular Sales. Our cardiovascular sales for the three-month period ended March 31, 2023 were $288.0 million, up 7.9% when compared to the corresponding period of 2022 of $266.9 million. Sales for the three-month period ended March 31, 2023 were favorably affected by increased sales of:

(a) Peripheral intervention products, which increased by $8.0 million, or 7.6%, from the corresponding period of 2022. This increase was driven primarily by sales of our access, drainage, and radar localization products, offset partially by decreased sales of our intervention products.

(b) Cardiac intervention products, which increased by $3.8 million, or 4.7%, from the corresponding period of 2022. This increase was driven primarily by sales of our access, angiography and cardiac rhythm management/electrophysiology (“CRM/EP”) products, offset partially by decreased sales of our intervention products.

(c) Custom procedural solutions products, which increased by $1.4 million, or 3.1%, from the corresponding period of 2022. This increase was driven primarily by increased sales of our kits and trays, offset partially by decreased sales of our critical care products.

(d) OEM products, which increased by $7.8 million, or 23.2%, from the corresponding period of 2022. This increase was driven primarily by sales of our CRM/EP and intervention products, and kits.

Endoscopy Sales. Our endoscopy sales for the three-month period ended March 31, 2023 were $9.6 million, up 13.1% when compared to sales in the corresponding period of 2022 of $8.5 million. Sales for the three-month period ended March 31, 2023 compared to the corresponding period in 2022 were favorably affected by increased sales of our Aero Mini fully covered tracheobronchial stent, EndoMAXX® fully covered esophageal stent products and Elation Pulmonary Balloon Dilator, offset partially by decreased sales of our other stents.

Geographic Sales

Listed below are sales by geography for the three-month periods ended March 31, 2023 and 2022 (in thousands, other than percentage changes):

		Three Months Ended March 31,	
	% Change	2023	2022
United States	12.0 %	$ 171,360	$ 152,992
International	3.1 %	126,205	122,423
Total	8.0 %	$ 297,565	$ 275,415

United States Sales. U.S. sales for the three-month period ended March 31, 2023 were $171.4 million, or 57.6% of net sales, up 12.0% when compared to the corresponding period of 2022. 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 March 31, 2023 were $126.2 million, or 42.4% of net sales, up 3.1% when compared to the corresponding period of 2022 of $122.4 million. The increase in our international sales for the three-month period ended March 31, 2023, compared to the corresponding period of 2022, included increased sales in our EMEA operations of $6.1 million or 11.7%, increased sales in our rest of the world ("ROW") operations of $0.7 million or 6.7%, offset partially by decreased sales in our Asia Pacific operations of $(3.0) million or (4.9)%.

Gross Profit

Our gross profit as a percentage of sales increased to 46.5% for the three-month period ended March 31, 2023, compared to 43.9% for the three-month period ended March 31, 2022. The increase in gross profit percentage was primarily due to favorable changes in product mix, efficiencies gained in our Foundations for Growth program, lower freight and distribution costs, lower intangible asset amortization expense as a percentage of sales, and lower obsolescence expense as a percentage of sales.

Operating Expenses

Selling, General and Administrative Expense. Selling, general and administrative ("SG&A") expenses increased $6.1 million, or 7.3%, for the three-month period ended March 31, 2023 compared to the corresponding period of 2022. As a percentage of sales, SG&A expenses were 30.3% for the three-month period ended March 31, 2023, compared to 30.5% for the corresponding period of 2022. For the three-month period ended March 31, 2023, SG&A expenses increased compared to the corresponding period of 2022 primarily due to increased labor-related costs associated with headcount and severance, as well as increased travel and marketing costs to promote sales as restrictions continue to lift post pandemic.

Research and Development Expenses. Research and development ("R&D") expenses for the three-month period ended March 31, 2023 were $21.3 million, up 22.6%, when compared to R&D expenses in the corresponding period of 2022 of $17.4 million. The increases in R&D expenses for the three-month period ended March 31, 2023 compared to the corresponding periods in 2022 were largely due to higher regulatory expenses incurred to comply with the E.U. Medical Device Regulation ("MDR").

Impairment Charges. For the three-month period ended March 31, 2023, we recorded no impairment charges. For the three-month period ended March 31, 2022, we recorded impairment charges of $1.7 million of intangible assets due to the planned divestiture of the STD Pharmaceutical business, which we completed on April 30, 2022.

Contingent Consideration Expense. For the three-month period ended March 31, 2023, 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 $0.5 million compared to contingent consideration expense of $2.6 million for the three-month period ended March 31, 2022. 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.

Operating Income

The following table sets forth our operating income by financial reporting segment for the three-month periods ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,	
	2023	2022
Operating Income (Loss)		
Cardiovascular	$ 23,934	$ 13,126
Endoscopy	2,449	2,107
Total operating income (loss)	$ 26,383	$ 15,233

Cardiovascular Operating Income. Our cardiovascular operating income for the three-month period ended March 31, 2023 was $23.9 million, compared to cardiovascular operating income in the corresponding period of 2022 of $13.1 million. The increase in cardiovascular operating income during the three-month period ended March 31, 2023 compared to the corresponding period of 2022 was primarily a result of higher sales ($288.0 million compared to $266.9 million) and higher gross margin, partially offset by higher SG&A and R&D expenses.

Endoscopy Operating Income. Our endoscopy operating income for the three-month period ended March 31, 2023 was $2.4 million, compared to endoscopy operating income of $2.1 million for the corresponding period of 2022. The increase in endoscopy operating income for the three-month period ended March 31, 2023 compared to the corresponding period of 2022 was primarily a result of increased sales and gross margin, offset partially by higher SG&A expenses.

Other Expense – Net

Our other expense for the three-month periods ended March 31, 2023 and 2022 was $0.9 million and $1.1 million, respectively. The change in other expense was primarily related to decreased expense from realized and unrealized foreign currency losses, partially offset by an increase in interest expense associated with rising interest rates.

Effective Tax Rate

Our provision for income taxes for the three-month periods ended March 31, 2023 and 2022 was a tax expense of $4.8 million and $3.6 million, respectively, which resulted in an effective tax rate of 18.8% and 25.6%, respectively. The decrease in the effective income tax rate for the three-month period ended March 31, 2023, when compared to the prior-year period, was primarily due to increased benefit from discrete items such as contingent liabilities and deferred compensation, and the increase in the income tax expense when compared to the prior-year period was primarily due to increased pre-tax book income.

Net Income

Our net income for the three-month periods ended March 31, 2023 and 2022 was $20.7 million and $10.5 million, respectively. The increase in our net income for the three-month period ended March 31, 2023 was primarily the result higher sales and higher gross margins as a percentage of sales, partially offset by higher SG&A and R&D expenses.

LIQUIDITY AND CAPITAL RESOURCES

Capital Commitments, Contractual Obligations and Cash Flows

At March 31, 2023 and December 31, 2022, our current assets exceeded current liabilities by $341.3 million and $308.4 million, respectively, and we had cash, cash equivalents and restricted cash of $60.1 million and $60.6 million, respectively, of which $57.6 million and $49.6 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 March 31, 2023, and December 31, 2022, we had cash, cash equivalents and restricted cash of $32.2 million and $26.1 million, respectively, within our subsidiary in China.

Cash flows provided by operating activities. We generated cash from operating activities of $14.5 million and $12.0 million during the three-month periods ended March 31, 2023 and 2022, respectively. Significant factors affecting operating cash flows during these periods included:

- Net income was $20.7 million and $10.5 million for the three-month periods ended March 31, 2023 and 2022, respectively.

- Cash (used for) provided by other receivables was ($1.5) million and $5.8 million for the three-month periods ended March 31, 2023 and 2022, respectively, due primarily to the collection of approximately $8.2 million during 2022 for insurance proceeds in connection with the consolidated securities class action lawsuit we settled.

- Cash used for inventories was ($23.0) million and ($9.2) million for the three-month periods ended March 31, 2023 and 2022, respectively. The increase in inventory was associated with our strategy to proactively invest in our inventory balances to encourage high customer service levels as well as to build bridge inventory for production line transfers and increases in safety stock due to vendor supply delays.

- Cash used for accrued expenses was ($3.6) million and ($23.5) million for the three-month periods ended March 31, 2023 and 2022, respectively, due primarily to the timing and payment of compensation-related accruals, and during 2022, payment of approximately $18.25 million into escrow in connection with the settlement of a securities class action lawsuit.

Cash flows used in investing activities. We used cash in investing activities of $14.9 million and $9.9 million for the three-month periods ended March 31, 2023 and 2022, respectively. We used cash for capital expenditures of property and equipment of $12.8 million and $9.5 million in the three-month periods ended March 31, 2023 and 2022, 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 2023 for property and equipment.

Cash outflows invested in acquisitions for the three-month period ended March 31, 2023 were $2.0 million and were related to our investment in Solo Pace. There were no cash outflows invested in acquisitions for the three-month period ended March 31, 2022.

Cash flows used in financing activities. Cash used in financing activities for the three-month periods ended March 31, 2023 and 2022 was $0.5 million and $14.2 million, respectively. We completed payment of contingent consideration of $2.6 million and $24.5 million for the three-month periods ended March 31, 2023 and 2022, respectively, principally related to sales milestone payments connected to our acquisitions completed in prior years of Brightwater Medical, Inc. and Cianna Medical, respectively.

As of March 31, 2023, we had outstanding borrowings of $197.8 million and issued letter of credit guarantees of $3.2 million under the Third Amended Credit Agreement, with additional available borrowings of approximately $521 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 March 31, 2023 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 5.84% with respect to $122.8 million of the principal amount. Our interest rate as of December 31, 2022 was a fixed rate of 2.71% on $75 million as a result of an interest rate swap and a variable floating rate of 5.38% on $123.2 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 three-month period ended March 31, 2023 there were no changes to the application of critical accounting policies previously disclosed in Part II, Item 7 of the 2022 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 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. In some cases, forward-looking statements can be identified by the use of terminology such as “may,” “will,” “expects,” “plans,” “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, and actual results will likely differ, and could differ materially, from those projected or assumed in the forward-looking statements. Investors are cautioned not to unduly rely on any such forward-looking statements.

All subsequent 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. 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. 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" in the 2022 Annual Report on Form 10-K. In the three-month period ended March 31, 2023, 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 March 31, 2023. 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 three-month period ended March 31, 2023, 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 2022 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 2022 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 2022 Annual Report on Form 10-K and may contain material changes to the corresponding risk factor discussion in our 2022 Annual Report on Form 10-K.

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 U.S. Foreign Corrupt Practices Act ("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	Performance Stock Unit Award Agreement (Three Year Performance Period), dated February 28, 2023, by and between Merit Medical Systems, Inc. and Fred Lampropoulos.†
10.2	Form of Performance Stock Unit Award Agreement (Three Year Performance Period), dated February 28, 2023, by and between Merit Medical Systems, Inc. and each of the following individuals: Raul Parra, Neil Peterson, Brian G. Lloyd, Michel J. Voigt, and Joseph C. Wright.†
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 March 31, 2023, 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: April 28, 2023	By: /s/ FRED P. LAMPROPOULOS Fred P. Lampropoulos, President and Chief Executive Officer
Date: April 28, 2023	By: /s/ RAUL PARRA Raul Parra Chief Financial Officer and Treasurer

Exhibit 10.1

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 February 28, 2023 (the "Grant Date"), is made by and between Merit Medical Systems, Inc. (the "Company"), and Fred Lampropoulos, 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, Target Cash Incentive and Performance Period are as follows:

Total Target Number of Shares	15,113
Target Cash Incentive	$1,333,333
Performance Period	Calendar years 2023 through 2025

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 and cash with respect to your PSUs based on your Total Target Number of Shares and Target Cash Incentive 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"). Similarly, the actual amount of long-term incentive cash award to be paid to you with respect to your PSUs (the "Cash Incentive") will be determined by multiplying the Target Cash Incentive listed above by the applicable FCF Multiplier and applicable rTSR Multiplier from the tables in this Section 2. 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 and Cash Incentive 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 and amount of Cash Incentive earned at the end of the Performance Period.

FCF Metric Level	FCF Metric Amount (in thousands)	FCF Multiplier
Maximum	$ 390,000	200%
Target	$ 325,000	100%
Threshold	$ 260,000	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. The amount of any Cash Incentive payable to you will be rounded to the nearest whole dollar 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 and Cash Incentive 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 and Target Cash Incentive 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 and amount of Cash Incentive 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 or Cash Incentive 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 and Cash Incentive will be determined and 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 and the maximum amount of Cash Incentive that you may be paid under this Award Agreement is two and one-half (2.5) times the Target Cash Incentive; however, those maximums 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 and amount of Cash Incentive you have earned under your PSUs and this Award Agreement, such number of Shares and amount of Cash Incentive, if any, will be issued and paid 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.

(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 (other than the Cash Incentive) will be paid in the form of Shares. The Cash Incentive will be paid in cash equivalent funds by check or electronic funds transfer through the Company's payroll system.

(e) Taxes. Taxes will be 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 and payment of the Cash Incentive in settlement of your PSUs. Notwithstanding anything in this Award Agreement to the contrary, any withholding tax payment with respect to the 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., payment is to be made during and 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 and Cash Incentive (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 or any Cash Incentive 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 and any Cash Incentive payable with respect to the PSUs will be delivered or paid 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.

/s/ Brian G. Lloyd	/s/ Fred Lampropoulos
By: Brian G. Lloyd	Fred Lampropoulos
Its: Chief Legal Officer and Corporate Secretary	Chairman and Chief Executive Officer

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 26, 2016, 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 the 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.

"Target Cash Incentive" means the cash amount specified in Section 1 of this Award Agreement.

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

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 February 28, 2023 (the "Grant Date"), is made by and between Merit Medical Systems, Inc. (the "Company"), and ______________, 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	8,501
Performance Period	Calendar years 2023 through 2025

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	$ 390,000	200%
Target	$ 325,000	100%
Threshold	$ 260,000	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	Participant

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 the 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: April 28, 2023

/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: April 28, 2023

/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 March 31, 2023, 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: April 28, 2023

/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 March 31, 2023, 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: April 28, 2023

/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.