MERIT MEDICAL SYSTEMS INC
Form 424B5
June 16, 2011
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The information in this prospectus supplement and accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities, nor are they soliciting offers to buy these securities, in any jurisdiction where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus Supplement dated June 16, 2011

Filed pursuant to Rule 424(b)(5)

Registration Statement No. 333-169012

PROSPECTUS SUPPLEMENT

(To Prospectus dated December 30, 2010)

Shares

MERIT MEDICAL SYSTEMS, INC.

Common Stock

$ per share.

Merit Medical Systems, Inc. is offering shares of common stock.

- The last reported sale price of our common stock on June , 2011 was $ per share.

- Trading symbol: Nasdaq Global Select Market MMSI.

This investment involves risks. See Risk Factors beginning on page 14 of our Annual Report on 10-K for the year ending December 31, 2010, page S-5 of this prospectus supplement and on page 2 of the accompanying prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Merit Medical Systems, Inc.	$	$

The underwriter has a 30-day option to purchase up to additional shares of common stock to cover over-allotments, if any. If the underwriter exercises this option in full, the total underwriting discount will be $, and our total proceeds, before expenses, will be .

The underwriter expects to deliver the shares against payment on or about June , 2011.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement and the accompanying prospectus are accurate or complete. Any representation to the contrary is a criminal offense.

Piper Jaffray

Sole Manager

The date of this prospectus supplement is June , 2011.

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ABOUT THIS PROSPECTUS SUPPLEMENT

We provide information to you about this offering of shares of our common stock in two separate documents that are bound together: (1) this prospectus supplement, which describes the specific details regarding this offering; and (2) the accompanying prospectus, which provides general information, some of which may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both documents combined. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on this prospectus supplement.

You should rely only on information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriter has not, authorized anyone to provide you with information that is different. We are offering to sell and seeking offers to buy shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein are accurate only as of their respective dates, regardless of the time of delivery of this prospectus supplement or of any sale of our common stock.

Unless otherwise stated in this prospectus supplement, we have assumed throughout this prospectus supplement that the over-allotment option granted to the underwriter will not be exercised.

The industry and market data contained or incorporated by reference in this prospectus supplement are based either on our management s own estimates or on independent industry publications, reports by market research firms or other published independent sources. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness, as industry and market data are subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market shares. Accordingly, you should be aware that the industry and market data contained or incorporated by reference in this prospectus supplement, and estimates and beliefs based on such data, may not be reliable. Unless otherwise indicated, all information contained or incorporated by reference in this prospectus supplement concerning our industry in general or any segment thereof, including information regarding our general expectations and market opportunity, is based on management s estimates using internal data, data from industry related publications, consumer research and marketing studies and other externally obtained data.

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PROSPECTUS SUPPLEMENT SUMMARY

The items in the following summary are described in more detail in the accompanying prospectus and in the documents incorporated by reference herein and therein. This summary provides an overview of selected information and does not contain all the information you should consider before investing in our common stock. Therefore, you should carefully read this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, which are described under Where You Can Find More Information and Important Information Incorporated by Reference in this prospectus supplement. You should also carefully consider the matters discussed in the sections in this prospectus entitled Risk Factors and in the accompanying prospectus and in other periodic reports incorporated herein by reference.

Our Business

We design, develop, manufacture and market medical devices used in a vast array of interventional and diagnostic procedures throughout the world. Our mission is to provide innovative high quality products to physicians and health care professionals to enhance patient care and enable them to perform procedures safely and effectively.

Our broad offering of cardiology and radiology medical devices is used by physicians to diagnose and treat coronary artery disease, peripheral vascular disease and other non-vascular diseases including uterine fibroids, hypervascularized tumors and arteriovenous malformations. We also develop, manufacture and distribute gastroenterology, pulmonology and thoracic surgery products to assist clinicians in the treatment of esophageal, tracheobronchial and biliary strictures. These products include fully-covered esophageal and tracheobronchial stents and bare metal biliary stents that are pre-loaded on catheter-based delivery systems, guide wires, bipolar coagulation probes, inflation devices and sizing devices. Our products are currently used in more than 8,000 hospitals and clinics, and supplied to approximately 600 OEM customers.

Our business strategy is focused on identifying market needs, and introducing a regular flow of innovative and differentiated products that meet those needs. We have a culture of innovation and an established track record working with physicians and hospital technicians on new product opportunities. Input for new products and product improvements also comes from our employees. We intend to increase the number of physician preference and high gross margin products in our portfolio.

As a result of our internal research and development efforts, and targeted acquisitions, we have developed or acquired and presently market more than 2,200 products through approximately 160 sales representatives and 265 distributors in 125 countries. In 2011, we estimate that our products have an addressable procedure opportunity of 10.7 million cardiology and radiology procedures and 3.6 million gastroenterology and pulmonology procedures.

On September 10, 2010, we completed our acquisition of BioSphere Medical, Inc. in an all-cash merger transaction valued at approximately $96 million, inclusive of all common equity and Series A Preferred preferences. BioSphere develops and markets embolotherapeutic products for the treatment of uterine fibroids, hypervascularized tumors and arteriovenous malformations. We believe our acquisition of BioSphere gives us a platform technology applicable to multiple therapeutic areas with significant market potential, while leveraging existing interventional radiology call points. Embolotherapy is the minimally invasive, image-guided therapeutic introduction of various biocompatible substances into a patient s circulatory system to occlude a blood vessel, either to arrest or prevent hemorrhaging, or to devitalize or destroy the structure by

occluding its blood supply.

On November 29, 2010, the FDA approved a phase 3 clinical trial protocol to compare the effectiveness of Biosphere s drug-eluting QuadraSphere® Microspheres to conventional transarterial chemoembolization in patients with primary liver cancer. This clinical trial is underway, with the objective of enrolling 500 patients at 20 sites in the U.S., Europe and South America. We believe if we are successful with this clinical trial and are able to obtain all FDA approvals required to market our QuadraSphere® Microspheres in the United States, we will be the only market participant in this area with a product approved from the FDA. Unfavorable or inconsistent data from this trial may adversely affect our ability to obtain approval for this new indication.

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Corporate Information

We were incorporated in 1987 as a Utah corporation. We also conduct our operations through a number of domestic and foreign subsidiaries. Our principal offices are located at 1600 West Merit Parkway, South Jordan, Utah 84095, and our telephone number is (801) 253-1600. We maintain an Internet website at www.merit.com. We do not incorporate by reference into this prospectus supplement or the accompanying prospectus the information on, or accessible through, our website, and you should not consider it as part of this prospectus supplement or the accompanying prospectus.

Effective May 2, 2011, our Board of Directors authorized a 5-for-4 forward stock split of our common stock to be effected in the form of a stock dividend of one share of common stock for every four shares of common stock outstanding on the record date. The average number of common shares and earnings per share included in the previously filed financial statements for the years ended December 31, 2010, 2009 and 2008 that are incorporated by reference in this prospectus supplement are revised as follows to reflect the retrospective effective of the forward stock split:

	2010		2009		2008	
	Previously Reported	Revised	Previously Reported	Revised	Previously Reported	Revised
Earnings Per Common Share						
Basic	$ 0.44	$ 0.35	$ 0.80	$ 0.64	$ 0.75	$ 0.60
Diluted	$ 0.43	$ 0.35	$ 0.79	$ 0.63	$ 0.73	$ 0.58
Average Common Shares (in thousands)						
Basic	28,232	35,290	28,011	35,014	27,769	34,711
Diluted	28,781	35,976	28,606	35,758	28,550	35,688

All share and per share numbers in this prospectus supplement related to periods prior to May 2, 2011 have been retrospectively adjusted to give effect to the 5-for-4 forward stock split.

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THE OFFERING

Common stock offered	shares
Common stock to be outstanding after this offering	shares
Use of proceeds	We intend to use the net proceeds from this offering to repay approximately $25 million of indebtedness under our unsecured credit agreement, to expand our manufacturing facilities, for potential strategic acquisitions and for general corporate purposes.
Risk factors	You should read the Risk Factors beginning on page 14 of our Annual Report on Form 10-K for the year ended December 31, 2010, page S-5 of this prospectus supplement, on page 2 of the accompanying prospectus and in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors to consider before deciding to purchase shares of our common stock.
Nasdaq Global Select symbol	MMSI

The number of shares of common stock to be outstanding after this offering as reflected in the table above is based on the actual number of shares outstanding as of June 16, 2011 which was 36,373,675, and does not include, as of that date:

- 3,410,980 shares of common stock issuable upon the exercise of outstanding options, with a weighted average exercise price of $11.35 per share;
- 2,600,913 shares of common stock reserved for future issuance under our 2006 Long-Term Incentive Plan and our Qualified and Non-Qualified Employee Stock Purchase Plan.

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RISK FACTORS

Before you make a decision to invest in our common stock, you should consider carefully the risks described below, together with other information in this prospectus supplement, the accompanying prospectus and the information incorporated by reference herein and therein. If any of the following events actually occur, our business, operating results, prospects or financial condition could be materially and adversely affected. This could cause the trading price of our common stock to decline, and you may lose all or part of your investment. The risks described below are not the only ones that we face. Additional risks not presently known to us or that we currently deem immaterial may also significantly impair our business operations and could result in a complete loss of your investment.

Our products may be subject to recall or product liability claims.

Our products are used in connection with invasive procedures and in other medical contexts in which it is important that those products function with precision and accuracy. If our products do not function as designed, or are designed improperly, we may choose to or be forced by regulatory agencies to recall such products from the market. Such a recall could result in significant costs and could divert management s attention from our business.

In addition, if medical personnel or their patients suffer injury in connection with the use of our products, whether as a result of a failure of our products to function as designed, an inappropriate design or for any other reason, we could be subject to lawsuits seeking significant compensatory and punitive damages. We have previously faced claims by patients claiming injuries from our products. To date, these claims have not resulted in a material negative impact on our business; however, patients or customers may bring claims in a number of circumstances, including if our products were misused, if our product s manufacture or design was flawed, if our products produced unsatisfactory results, or if the instructions for use and other disclosure of product-related risks for our products were found to be inadequate. The outcome of this type of personal injury litigation is difficult to assess or quantify. We maintain product liability insurance but there is no assurance that this coverage will be sufficient to satisfy any claim made against us. Moreover, any product liability claim brought against us, with or without merit, could result in significant costs, could increase our product liability insurance rates, or could prevent us from securing coverage in the future. As a result, any product recall or lawsuit seeking significant monetary damages may have a material adverse effect on our business, operations or financial condition.

We generally offer a limited warranty for product returns which are due to defects in quality and workmanship. We attempt to estimate our potential liability for future product returns and establish reserves on our financial statements in amounts that we believe will be sufficient to address our warranty obligations; however, our actual liability for product returns may significantly exceed the amount of our reserves. If we underestimate our potential liability for future product returns, or if unanticipated events result in returns that exceed our historical experience, our financial condition and operating results could be materially and adversely affected.

The agreements and instruments governing our debt contain restrictions and limitations that could significantly affect our ability to operate our business, as well as significantly affect our liquidity.

We have entered into an unsecured Credit Agreement dated September 10, 2010, with the lenders who are or may become party thereto and Wells Fargo Bank, National Association, as administrative agent for the lenders. The Credit Agreement contains a number of significant

covenants that could adversely affect our ability to operate our business, our liquidity, and our results of operations. These covenants restrict, among other things, our and our subsidiaries ability to incur additional debt; repurchase or redeem equity interests and debt; make certain investments or acquisitions; pay dividends or make other distributions; dispose of assets or merge; enter into related party transactions; and grant liens and pledge assets.

The breach of any covenants in the Credit Agreement, not otherwise waived or amended, could result in a default under the applicable debt obligations and could trigger acceleration of those obligations. If a default under the Credit Agreement leads to an acceleration of indebtedness, we would face an immediate liquidity shortage, which would inhibit our ability to fund our planned capital expenditures and ongoing operations and could force us to sell certain assets and take other extraordinary measures that would harm our long-term business prospects.

We may be unable to protect our proprietary technology or may infringe on the proprietary technology of others.

We have obtained 261 U.S. and foreign patents, and filed applications for an additional 157 U.S. and foreign patent applications; however, there can be no assurance that any patents we hold, or for which we have applied, will provide us with any significant competitive advantages, that third parties will not challenge our patents, or that patents owned by

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others will not have an adverse effect on our ability to conduct business. We could incur substantial costs in preventing patent infringement, in curbing the unauthorized use of our proprietary technology by others, or in defending against similar claims of others. Since we rely on trade secrets and proprietary know-how to maintain our competitive position, there can be no assurance that others may not independently develop similar or superior technologies.

Our ability to remain competitive is dependent, in part, upon our ability to prevent other companies from using our proprietary technology incorporated into our products. We seek to protect our technology through a combination of patents, trademarks, and trade secrets, as well as licenses, proprietary know-how and confidentiality agreements. We may be unable, however, to prevent others from using our proprietary information, or may be unable to continue to use such information for our own purposes, for numerous reasons, including the following, any of which could have a material adverse effect on our business, operations, or financial condition:

- Our issued patents may not be sufficiently broad to prevent others from copying our proprietary technologies.

- Our issued patents may be challenged by third parties and deemed to be overbroad or unenforceable.

- Our products may infringe on the patents or other intellectual property rights of other parties, requiring us to alter or discontinue our manufacture or sale of such products.

- Costs associated with seeking enforcement of our patents against infringement, or defending our activities against allegations of infringement, may be significant.

- Our pending patent applications may not be granted for various reasons, including over breadth or conflict with an existing patent.

- Other persons or entities may independently develop, or have developed, similar or superior technologies.

Intellectual property litigation is increasingly common and increasingly expensive and may result in restrictions on our business and substantial costs, even if we prevail.

We operate in an industry that is susceptible to significant intellectual property litigation. In recent years, it has been common for companies in the medical device field to aggressively challenge the patent rights of other companies in order to prevent the marketing of new devices. The medical device field is characterized by a large number of patent filings involving complex legal and factual questions. As a result, we cannot predict with certainty whether the patents or patent applications we own, or the patents we have licensed, will be enforceable. Competitors may have filed applications for or have been issued patents and may obtain additional patents and proprietary rights related to products or processes

that compete with or are similar to ours. We may not be aware of all of the patents potentially adverse to our interests that may have been issued to others. Litigation is sometimes necessary to defend against or assert claims of infringement, to enforce our patent rights, including those we have licensed from others, to protect trade secrets or to determine the scope and validity of proprietary rights of third parties.

Patents which contain claims relating to our technology and products may exist, may have been filed, or could be issued. If such patents do exist, we may be infringing upon a third party s patent rights or other intellectual property, and litigation asserting such claims might be initiated in which we would not prevail, or we would not be able to obtain the necessary licenses on reasonable terms, if at all. All such litigation, whether meritorious or not, as well as litigation initiated by us against third parties, is time-consuming and very expensive to defend or prosecute and to resolve. We cannot be certain that we will have the required resources to pursue litigation or otherwise to protect our proprietary rights. In addition, if we infringe the intellectual property rights of others, we could lose our right to develop, manufacture or sell our products and could be required to pay monetary damages or royalties to license proprietary rights from third parties. An adverse determination in a judicial or administrative proceeding or a failure to obtain necessary licenses could prevent us from manufacturing or selling our products, which would harm our business, financial condition and prospects.

Our international operations subject us to certain operating risks, which could adversely impact our net sales, results of operations and financial condition.

Sales outside the U.S. accounted for approximately 32% percent of our total sales in 2010. The sale and shipment of our products across international borders, as well as the purchase of components and products from international sources, subject us to extensive U.S. and foreign governmental trade, import and export, and custom regulations and laws.

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Compliance with these regulations is costly and exposes us to penalties for non-compliance. Also, the failure to comply with applicable legal and regulatory obligations could result in the disruption of our manufacturing and sales activities.

In addition, many of the countries in which we sell our products are, to some degree, subject to political, economic or social instability. Our international operations expose us and our distributors to risks inherent in operating in foreign jurisdictions. These risks include:

- difficulties in enforcing or defending intellectual property rights;
- pricing pressure that we may experience internationally;
- a shortage of high-quality sales people and distributors;
- changes in third-party reimbursement policies that may require some of the patients who receive our products to directly absorb medical costs or that may necessitate the reduction of the selling prices of our products;
- the imposition of additional U.S. and foreign governmental controls or regulations;
- economic instability;
- changes in duties and tariffs, license obligations and other non-tariff barriers to trade;
- the imposition of restrictions on the activities of foreign agents, representatives and distributors;
- scrutiny of foreign tax authorities which could result in significant fines, penalties and additional taxes being imposed on us;
- laws and business practices favoring local companies;

- longer payment cycles;
- difficulties in maintaining consistency with our internal guidelines;
- difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- the imposition of costly and lengthy new export licensing requirements;
- the imposition of U.S. or international sanctions again