Merit Medical Systems (Q3 2025 Earnings)
October 30, 2025

Corporate Speakers:

- Martha Aronson; Merit Medical Systems; President and Chief Executive Officer
- Brian Lloyd; Merit Medical Systems; Chief Legal Officer and Corporate Secretary
- Raul Parra; Merit Medical Systems; Chief Financial Officer and Treasurer

Participants:

- Jason Bednar; Piper Sandler; Analyst
- Lilia-Celine Lozada; JP Morgan; Analyst
- Jayson Bedford; Raymond James & Associates; Analyst
- Michael Matson; Needham & Company; Analyst
- John Young; Canaccord; Analyst
- David Rescott; Baird; Analyst
- Michael Petusky; Barrington Research; Analyst
- James Sidoti; Sidoti & Company; Analyst

PRESENTATION

Operator^ Thank you for standing by. Welcome to the Merit Medical Systems Third Quarter 2025 Earnings Conference Call. (Operator Instructions) Please note that this conference call is being recorded, and that the recording will be available on the company's website for replay shortly.

I would now like to turn the call over to Martha Aronson, Merit Medical Systems' President and Chief Executive Officer. Please go ahead.

Martha Aronson^ Thank you, Operator. Welcome, everyone. I am joined on the call today by Raul Parra, our Chief Financial Officer and Treasurer, and Brian Lloyd, our Chief Legal Officer and Corporate Secretary.

Brian, can you please take us through the safe harbor statements?

Brian Lloyd^ Thank you, Martha. This presentation contains forward-looking statements that receive safe harbor protection under the federal securities laws. Although we believe these forward-looking statements are based upon reasonable assumptions, they are subject to risks and uncertainties. The realization of any of these risks or uncertainties as well as extraordinary events or transactions impacting our company could cause actual results to differ materially from the expectations and projections expressed or implied by our forward-looking statements.

In addition, any forward-looking statements represent our views only as of today October 30, 2025, and should not be relied upon as representing our views as of any other

date.We specifically disclaim any obligation to update such statements except as required by applicable law.

Please refer to the sections entitled Cautionary Statement regarding forward-looking Statements in today's press release and presentation for important information regarding such statements. For a discussion of factors that could cause actual results to differ from these forward-looking statements, please also refer to our most recent filings with the SEC which are available on our website.

Our financial statements are prepared in accordance with accounting principles, which are generally accepted in the United States. However we believe certain non-GAAP financial measures provide investors with useful information regarding the underlying business trends and performance of our ongoing operations and can be useful for period-over-period comparisons of such operations.

This presentation also contains certain non-GAAP financial measures. A reconciliation of non-GAAP financial measures to the most directly comparable U.S. GAAP measures is included in today's press release and presentation furnished to the SEC under Form 8-K. Please refer to the sections of our press release and presentation entitled non-GAAP Financial Measures for important information regarding our non-GAAP financial measures discussed on this call. Readers should consider non-GAAP financial measures in addition to, not as a substitute for financial reporting measures prepared in accordance with GAAP. Please note that these calculations may not be comparable with similarly titled measures of other companies.

Both today's press release and our presentation are available on the Investors page of our website.

I'll now turn the call back to Martha.

Martha Aronson^ Thank you, Brian. Let me start with a brief agenda of what we will cover during our prepared remarks. As the recently appointed President and CEO of Merit, I'll begin my remarks with a brief introduction, thoughts on what attracted me to this opportunity and where I have been focused since joining the team.

I will then provide a brief summary of the third quarter 2025 financial results, followed by a review of the team's progress in recent months in a few key operating areas. Then Raul will provide a more in-depth review of the quarterly financial results and the financial guidance for 2025, which we updated in today's press release. We will then open the call for your questions.

Before delving into our third quarter results, I would like to take a moment to introduce myself and provide a few summary points on my background and where I have focused my time since joining the team. I joined Merit on October three with over 28 years of experience in the global healthcare industry. My experience includes multiple general

management and functional leadership roles at several global companies following a short time in management consulting.

I spent almost two decades at Medtronic including several years living and working overseas. After Medtronic, I led global healthcare businesses with notable scale including serving as Senior Vice President and President of North America for Hill-Rom Holdings and Executive Vice President and President of Global Healthcare for Ecolab. I've also served as a Board member at a number of companies including CONMED, Methode Electronics, Clinical Innovations, Cardiovascular Systems, Beta Bionics, Hutchinson Technology, Bright Uro and Home Care. In one instance, I served as Interim CEO.

I believe my experience leading global businesses in the healthcare industry and advising companies across multiple sectors gives me the requisite background to lead Merit. I have admired the consistent track record of strong top line growth and profitability improvements that the employees and executive team here have achieved, particularly over the last 5 years.

As I learned more about the company and in particular, the company's values, which we call the Merit way these values resonated with me entirely. I've been heartened by the fact that these are not just words, rather the organization truly lives these guiding principles. We focus on the health of our employees so they can better serve our customers and in turn, our healthcare professionals are better positioned to care for their patients. We focus on excellence. We focus on agility or being responsive to customer needs. We take responsibility for our actions, and we work as a team. An organization that is committed to the Merit way and aligned on a mission to understand, innovate, deliver represents a powerful combination.

I appreciate that the mission includes a significant focus on innovation given the importance of R&D and new technology in our industry. Suffice it to say I'm excited to join Merit and truly honored to take on this role. While my official start date was just a few weeks ago, I have been actively engaging with external stakeholders, directors and members of Merit's executive and senior management teams since my appointment as the new President and CEO was announced on July 7.

Since my official start, I've been spending time with our global leaders and their teams as I continue to learn the business. I'm inspired by their optimism about the future, and I'm impressed with the talent and passion of the employees that I've had the chance to meet. I see strong alignment in the shared purpose that this organization has in saving and improving lives each and every day.

I've been fortunate to spend a lot of time with Fred Lampropoulos in recent months. We have visited a number of sites together including Richmond, Dallas, Perland, Tijuana and Minneapolis, and I have spent time at our headquarters in South Jordan. I've also visited with each member of our Board of Directors individually to gather their thoughts and views on Merit, so I can better understand the things that we're doing well and what we can work to improve in the future. Fred and I have also spent time developing our

transition plan with a keen focus on ensuring minimal disruption while establishing a process that enabled me to take over the day-to-day leadership of the company.

I am confident we have a solid plan in place and importantly, alignment across the team as to key roles and responsibilities. To that end, it is important to understand that as part of this succession plan, Fred is now serving as the Executive Chairman of the Board through the remainder of this year. As we begin 2026, he will transition to non-Executive Chairman. Fred will continue to play a role in our evaluation of potential organic and inorganic opportunities. I appreciate Fred's willingness to continue to partner with me and the team on such an important part of the company's growth strategy. We need to continue to leverage his knowledge, experience and substantial relationships with physicians and customers around the world to ensure Merit remains focused on the right product opportunities and investment areas to support our long-term growth and profitability.

With respect to where I'll be spending my time over the balance of my first 100 days, simply stated, I'll be continuing on my listening tour. I look forward to visiting our global sites, meeting the teams, seeing the operations at our manufacturing facilities and spending time with our global research and development team. I have a lot more to learn about our products, our people and our processes. But so far, all that I've learned gives me great optimism.

I look forward to attending several key medical congresses, physician advisory boards and meeting as many of our key opinion leaders as possible. I also intend to dedicate a portion of my time in the coming months engaging with the investment community. All of these activities are centered around gathering as much feedback as possible and learning as much as I can, a tall task, but one that I'm extremely excited about. I feel very privileged to have this opportunity. I'm grateful to Fred and the entire Board of Directors for the trust, support and confidence in me as the right leader for the company's next stage of growth and development.

Now turning to a review of our third quarter results. We reported total revenue of $384.2 million, up 13% year-over-year on a GAAP basis and up 12.5% year-over-year on a constant currency basis. The constant currency revenue growth delivered in the third quarter exceeded the high end of the range of the growth expectations that were outlined on the Q2 2025 earnings call. The better-than-expected constant currency revenue results were driven by 7.8% constant currency organic growth, which exceeded the 6% high end of the range, which was outlined on the second quarter call.

With respect to the profitability performance in the third quarter, the company delivered financial results that significantly exceeded expectations. It was another quarter of notable year-over-year improvement in non-GAAP operating margin, which increased 51 basis points year-over-year to 19.7%. The team delivered nearly 7% growth in non-GAAP EPS, which exceeded the high end of expectations. And the company generated $53 million of free cash flow, an increase of 38% year-over-year. The third quarter results reflect continued strong momentum in the business this year. Despite the

continued challenges related to the dynamic and uncertain global macro environment, the team is executing well.

Over the first nine months of 2025, the team has delivered total constant currency revenue growth of 12%, a non-GAAP operating margin of 20%, representing a 129 basis point increase year-over-year, and the team generated more than $140 million of free cash flow. These are impressive financial results to say the least. We have updated our financial guidance for 2025 in today's press release to reflect the strong financial results in the third quarter and our updated expectations for Q4.

We remain focused on delivering continued strong execution, solid constant currency growth and strong free cash flow generation in 2025 as well as progress in our continued growth initiatives program and related financial targets for the 3-year period ending December 31, 2026. Turning now to a review of the company's progress in recent months in a few key operating areas.

Let me begin with new product development, clearance and commercialization. In August, the company announced the U.S. commercial release of the Prelude Wave hydrophilic sheath introducer with SnapFix securement technology. The Prelude Wave is the latest innovation in Merit's comprehensive access portfolio, which includes a wide range of dilators, micro access systems, sheath introducers and guide sheath. Merit innovated the Prelude Wave, a next-generation sheath with a unique securement feature.

Compared to the leading competitor, the Prelude Wave offers twice the lubricity, twice the resistance to buckling and kinking and requires 40% less insertion force. A first of-its-kind SnapFix technology provides twice the adhesive strength with a number of physicians rating its performance and ease of use superior to the leading competitor.

This new product introduction represents another advancement in Merit's access portfolio, built to improve radio procedures and to aid in minimizing common vascular challenges. In September, the company announced that Embosphere Microspheres received CE Mark and are indicated in the European Union for use in genicular artery embolization or GAE, to treat patients with knee osteoarthritis. GAE is a nonsurgical option that provides fast and lasting pain relief in patients with mild to moderate knee OA. Data show that over 75% of patients treated with Embosphere for GAE achieved clinical success with significant reductions in knee pain sustained through 24 months.

In addition to durable pain relief over time Embosphere was associated with a decrease in pain medication use and improvements in quality of life measures. Compared to corticosteroid injections, GAE with Embosphere achieved consistently higher clinical success with greater improvements at three months in pain and quality of life. CE Mark of Embosphere for GAE presents an exciting opportunity to advance this treatment option and further interventionalists ability to offer the positive results they expect from the procedure.

On October 1, the company announced that our Scout Radar localization technology has been used to treat 750,000 patients worldwide, a significant milestone for breast cancer treatment. As a market leader in wire-free non-radioactive localization technology, Merit's mission every month, but especially this month, is to reduce the burden that cancer places on patients and their loved ones. Radar localization helps physicians surgically remove abnormal breast tissue while reducing trauma to surrounding healthy tissue. A trusted solution for breast cancer care, Scout has been mentioned in more than 100 clinical publications with nearly 8,500 patients referenced throughout.

As it is being used in 50 countries, more than 500 cases are performed each day totaling 10,000 cases per month. Over 1,100 facilities worldwide choose Scout as their preferred method of wire-free localization. Every day through products like Scout, we're able to help more patients become cancer-free, and we're proud to be a part of that. I would now like to provide an update on our recent progress towards our commercial and reimbursement strategies for the WRAPSODY CIE in the United States.

Our Renal Therapies group has been impressively executing the U.S. commercial strategy for WRAPSODY CIE during the third quarter, and they continue to exceed our expectations with respect to leveraging the new access to customers from the early commercialization of WRAPSODY CIE to identify opportunities to drive adoption and utilization across the rest of our dialysis product portfolio. The team remains focused on engaging with new and existing customers to work through the VAC approval processes as well as working with the largest GPOs and some of the largest IDNs across the country. Physician training events are being held at centers of excellence with physician partners who are passionate about the product and educating their peers on the benefits of the WRAPSODY CIE. The team has also worked to ensure we were prepared to maximize the opportunity presented by WRAPSODY CIE's new technology add-on payment, or NTAP, effective October 1, 2025.

By way of reminder, this add-on payment applies to WRAPSODY CIE procedures conducted in the hospital inpatient setting. We have conducted sales force trainings and prepared reference materials to support discussions with customers and prospects. Our RTG team is focused on ensuring hospitals have the requisite information and understand the process for submitting claims for hospital inpatient use when the WRAPSODY CIE procedure is provided to a patient. We have been pleased by the initial market response in terms of access, adoption and utilization for customers using WRAPSODY CIE in the hospital inpatient setting following the NTAP effective date.

With respect to our progress towards securing incremental payment for procedures in the outpatient and ASC settings, as projected on the last earnings call Merit completed the application for TPT incremental payment under Medicare's OPPS system and submitted the application by the September 1, 2025 deadline. We continue to anticipate preliminary approval with an earliest effective date of January 1, 2026, and finalization in next year's rule cycle.

Finally, we have made notable progress in expanding the body of clinical evidence for our WRAPSODY CIE in recent months. In August, we announced the successful enrollment of the first patient in the RAP North America registry study. Dr. Omar Davis, President and Medical Director at Bluff City Vascular, an investigator in the RAP North America Registry enrolled the first patient. The RAP North America Registry is designed to enroll up to 250 U.S. and Canadian patients on hemodialysis who experience obstructions such as stenosis or occlusion in the veins required for dialysis access. The RAP North America registry is intended to add to Merit's growing portfolio of clinical evidence supporting the WRAPSODY CIE. If completed as designed, it would represent the largest cohort of patients treated with an implantable device to restore vascular access for hemodialysis.

On October 15, we completed enrollment in our RAP global registry study. This study was designed to enroll up to 500 patients outside of North America to evaluate real-world outcomes associated with the use of the WRAPSODY CIE. The primary endpoint of the study is 6-month patency, and we anticipate having data available in mid-2026.

We look forward to one of the lead investigators in the study sharing the results at a medical meeting next year. Two other notable items I wanted to preview in the area of WRAPSODY-CIE clinical evidence and awareness. Tomorrow, October 31, Merit will be hosting an industry-sponsored breakfast symposium at the Controversies in Dialysis Access, or CiDA, Annual Meeting in Boston.

CiDA is a high-priority conference for our unique dialysis access portfolio. The meeting is solely focused on dialysis access across all specialties. We are expecting 75 to 100 attendees and are very excited about the faculty selected to lead the session. We are also excited to participate in this year's Vascular Interventional Advances or VIVA meeting in Las Vegas, November two through 5. VIVA is the premier multidisciplinary educational event for specialists treating patients with vascular disease. We plan to release 24-month data for both AVG and AVF from our WAVE study at the VIVA meetings. We completed the last patient visits in the third quarter, and we look forward to having this long-term data presented at VIVA next week.

Before I turn the call over to Raul, I want to discuss a strategic announcement we made subsequent to quarter end. On October 15, 2025, we announced that we had entered into an agreement to acquire the C2 CryoBalloon and related technology from Pentax of America, a subsidiary of Pentax Medical Inc., for a total purchase consideration of $22 million, $19 million of which would be paid in cash at closing. The C2 CryoBalloon delivers controlled freezing treatments to drive targeted ablation and precise destruction of unwanted soft tissue.

The C2 CryoBalloon treats Barrett's esophagus as well as a less common disorder, GAVE or Gastric Antral Vascular Ectasia. The device freezes and eliminates abnormal cells while still maintaining the integrity of surrounding tissue structures. This proposed acquisition is intended to strengthen our position in the multibillion-dollar gastroenterology market and to provide opportunities to treat more patients from the

effects of chronic gastroesophageal reflux disease or GERD and other gastrointestinal tissue disorders.

While the total transaction size is relatively small, we believe this will be an important strategic acquisition as it is expected to expand the portfolio of solutions our endoscopy sales team has to offer customers. We have invested in this part of our business, both organically and inorganically over the last few years and are nearing an inflection point in terms of completing our integration and sales force alignment activities. We believe we are well positioned to accelerate growth and market share gain in the coming years.

With that, I'll turn the call over to Raul for an in-depth review of our quarterly financial results and our updated financial guidance for 2025. Raul?

Raul Parra^ Thank you, Martha. I will start with a detailed review of our revenue results in the third quarter, beginning with the sales performance in each of our primary reportable product categories. Note, unless otherwise stated, all growth rates are approximated and presented on both a year-over-year and constant currency basis. Third quarter total revenue growth was driven primarily by 13% growth in our Cardiovascular segment and to a lesser extent, 4% growth in our Endoscopy segment. Cardiovascular segment sales exceeded the high end of the expectations we outlined on our second quarter call and endoscopy sales came in at the low end of our expectations.

Our total revenue results included approximately $16 million of revenue from our acquisition of products from Cook Medical and BioLife of approximately $10.7 million and $5.3 million, respectively. Excluding sales of acquired products, our total revenue growth on an organic constant currency basis was 7.8% in the third quarter. Turning to a review of our third quarter revenue results by product category. Peripheral Intervention product sales increased 8% and represented the largest driver of organic Cardiovascular segment growth in the period. PI sales modestly exceeded the high end of our growth expectations in Q3.

Growth in our PI business was driven by strong sales in our [Ebola] therapy, access and delivery systems categories, which together represented more than 75% of our total PI growth year-over-year. Demand of our Embosphere and QuadraSphere Microsphere products was notable in Q3. Access category growth was driven by demand for our WRAPSODY CIE and delivery system category growth was driven by demand for our SwiftNinja steerable microcatheter.

Cardiac Intervention product sales increased 29% and 10.9%, excluding the contribution from the sales of acquired products representing the second largest driver of Cardiovascular segment organic growth in the period. This performance was well above the high-end organic growth expectations we assumed for Q3.

Organic growth in our CI business was driven by strong sales in our EP, CRM and intervention categories, which together represented more than two-thirds of our total CI growth year-over-year. Demand for our Prelude SNAP, HeartSpan steerable sheath and

our Ventrax delivery system were the largest contributors to EP CRM organic growth in Q3. Demand for our mean arterial pressure products, our PHD hemostasis valves and our basic inflation devices were the largest contributors to organic growth in the intervention category in Q3.

Rounding out the Q3 performance across the rest of our Cardio segment, sales of our custom procedure solutions products increased 6%, above the high end of our expectations and sales of our OEM products increased 3%, modestly lower than our expectations. The softer than expected OEM performance in Q3 was entirely related to sales to OEM customers outside the U.S., which continues to see demand trends impacted by the macro environment. Sales to OEM U.S. customers increased in the high single digits year-over-year in Q3.

Turning to a brief summary of our sales performance on a geographic basis. Our third quarter sales in the U.S. increased 12% on a constant currency basis and 7.6% on an organic constant currency basis, exceeding the high end of our organic growth expectations by 310 basis points. We were pleased to see continued strong demand from our U.S. customers in the third quarter. International sales increased 13% year-over-year and increased 8% on an organic constant currency basis. Sales results in APAC, EMEA and the rest of the world regions each modestly exceeded the expectations supporting our Q3 guidance range.

With respect to China specifically, sales decreased 1%, which was softer than expected. We attribute the softness to broader macro environment as the VBP impact was better than expected in Q3. Excluding the VBP impacts in both periods, China sales increased 2% year-over-year in Q3. Turning to a review of our P&L performance.

For the avoidance of doubt, unless otherwise noted, my commentary will focus on the company's non-GAAP results during the third quarter of 2025, and all growth rates are approximated and presented on a year-over-year basis. We have included reconciliations from our GAAP reported results to the related non-GAAP items in our press release and presentation available on our website. Gross profit increased approximately 19% in the third quarter.

Our gross margin was 53.6%, up 267 basis points year-over-year and representing the highest gross margin in the company's history. The year-over-year improvement in gross margin was driven primarily by mix by product and by geography as well as improvements in pricing and freight and distribution expenses compared to the prior year period.

As expected, tariffs were a material headwind to the year-over-year improvement in gross margin in Q3, representing a nearly 90 basis point incremental impact year-over-year to third quarter gross margins. Operating expenses increased 21%. The increase in operating expenses was driven by a 21% increase in SG&A expense and a 20% increase in R&D expense compared to the prior year period. Total operating income in the third quarter

increased $10.4 million or 16% to $75.6 million. Our operating margin was 19.7% compared to 19.2% in the prior year period, an increase of 51 basis points year-over-year.

Third quarter other expense net was $2.4 million compared to income of $0.9 million last year. The change in other expense net was driven by lower interest income associated with lower cash balances, offset partially by lower interest expense compared to the prior year period. Third quarter net income was $54.9 million or $0.92 per share compared to $51.2 million or $0.86 per share in the prior year period. Third quarter net income and EPS exceeded the high end of our guidance range by $3.2 million and $0.07, respectively. Turning to a review of our balance sheet and financial condition. We generated $52.5 million of free cash flow in the third quarter of 2025, up 38% year-over-year.

As of September 30, 2025, Merit had cash and cash equivalents of $392.5 million, total debt obligations of $747.5 million and outstanding letter of credit guarantees of $3 million, with additional available borrowing capacity of approximately $697 million compared to cash and cash equivalents of $376.7 million, total debt obligations of $747.5 million and outstanding letter of credit guarantees of $2.9 million, with additional available borrowing capacity of approximately $697 million as of December 31, 2024. Our net leverage ratio as of September 30 was 1.7x on an adjusted basis. Turning to a review of our fiscal year 2025 financial guidance, which we updated in today's press release.

For reference, we have included a table in our earnings press release, which details each of our formal financial guide ranges and how those ranges compared to our updated guidance ranges issued as part of our second quarter earnings press release on July 30, 2025. Our updated 2025 guidance assumes the following: GAAP net revenue growth of 11% to 12% year-over-year, which we expect to result from net revenue growth of approximately 10% to 11% in our Cardiovascular segment and net revenue growth of approximately 32% to 34% in our Endoscopy segment and a tailwind from changes in foreign currency exchange rates of approximately $6 million or approximately 45 basis points to growth year-over-year. Excluding the impact of changes in foreign currency exchange rates, we expect total net revenue growth on a constant currency basis in the range of 10.3% to 11.2% compared to 9.7% to 10.6% previously. Among other factors to consider when evaluating our projected constant currency revenue growth range for 2025 are the following items.

First, the midpoint of our total constant currency growth range now assumes 13% growth in the U.S. compared to 12% previously and 8% growth outside the U.S., unchanged versus prior guidance. The 8% constant currency growth we expect outside the U.S. continues to assume low double-digit growth in EMEA, mid-teen growth in the rest of the world region and approximately 2% growth in the APAC region.

Second, our total net revenue guidance for fiscal year 2025 also assumes inorganic revenue contributions from the business and assets acquired from EndoGastric Solutions on July 1, 2024, Cook Medical on November 1, 2024, BioLife on May 20, 2025, and

proposed to be acquired from Pentax on November 1, 2025. Together, we expect inorganic revenue in the range of $59.9 million to $60.5 million in 2025. Excluding this inorganic revenue, our updated 2025 guidance reflects total net revenue growth on a constant currency organic basis in the range of approximately 5.9% to 6.8% year-over-year compared to 5.6% to 6.4% previously.

Third, for the full year 2025 period, we continue to forecast U.S. revenue from the sales of WRAPSODY CIE in the range of $2 million to $4 million. By way of reminder, this range is driven by the initial ramp in WRAPSODY CIE sales for procedures in the hospital setting following the NTAP add-on reimbursement, which went into effect on October 1, 2025.

With respect to profitability guidance for 2025, we now expect non-GAAP diluted earnings per share in the range of $3.66 to $3.79 compared to our prior guidance range of $3.52 to $3.72. The change in our non-GAAP EPS expectations for the 2025 year reflects the flow-through of the better-than-expected financial performance in the third quarter at both the low and high end of the non-GAAP EPS range, specifically $0.16 and $0.07, respectively. The low and high end of the updated non-GAAP EPS range also reflect the impact of a higher non-GAAP tax rate assumption and the previously announced expected dilution from the proposed acquisition of the C2 CryoBalloon, offset partially by lower expected dilution from our convertible debt.

The high end of the non-GAAP EPS range also includes our updated projected impact of tariffs, trade policies and related actions recently implemented by the U.S. and other countries. Specifically, the high end of our updated guidance range now assumes tariff-related manufacturing costs in our cost of goods line of approximately $7.6 million compared to $7 million previously. This updated assumption is driven by a higher tariff impact realized in Q3, while our assumption for tariff impact in Q4 remains unchanged versus our prior guidance assumption.

Importantly, the $7.6 million figure is based on available information as of October 30, 2025, and does not include any impact from new and/or additional tariffs or retaliatory actions or changes to currently announced tariffs, which could change the anticipated impact to our non-GAAP EPS in 2025. The ultimate impact from new and/or additional tariffs or retaliatory actions or changes to currently announced tariffs on our business will depend on the timing, amount, scope and nature of such tariffs, among other factors, most of which are currently unknown.

The tariff situation and potential retaliatory measures by other countries remains highly uncertain and dynamic. As such, the low end of our guidance range continues to reflect additional tariff-related impact in 2025. Specifically, the low end of our EPS range now reflects a tariff-related impact on our 2025 cost of goods of $16 million compared to $26.3 million previously. This updated assumption for the low end of our guidance range reflects the actual tariff impact realized in Q2 and Q3 compared to the assumptions originally outlined on our Q1 earnings call in April. Our Q4 tariff expectation remains

unchanged. Returning to a discussion of our updated 2025 financial guidance assumptions for modeling purposes.

Our fiscal year 2025 financial guidance now assumes non-GAAP operating margins in the range of approximately 19.7% to 25% compared to 19% to 20% previously. Note, the change in our 2025 non-GAAP operating margin expectations is primarily attributable to the flow-through of stronger-than-expected financial performance in the third quarter of 2025. Non-GAAP interest and other expense net of approximately $8.3 million compared to $8 million previously non-GAAP tax rate of approximately 23% compared to 22.5% previously and diluted shares outstanding of approximately 60.5 million.

Note, our weighted average share count now assumes incremental dilution of approximately 0.6 million shares related to our convertible debt facility compared to 0.9 million shares previously. We now estimate incremental share dilution related to our convertible debt facility represents an impact of approximately $0.04 to our non-GAAP EPS in 2025 compared to $0.05 previously.

Finally, we now expect to generate free cash flow of at least $175 million in 2025, inclusive of the expectation that we will invest approximately $90 million to $100 million in capital expenditures this year. We would also like to provide additional transparency related to our growth and profitability expectations for the fourth quarter of 2025. Specifically, we expect our total revenue to increase in the range of approximately 7% to 10.6% on a GAAP basis and up approximately 5.5% to 9.1% on a constant currency basis.

The midpoint of our fourth quarter constant currency sales growth expectation assumes approximately 9% growth in the U.S. and 4% growth in international markets. Note, our fourth quarter constant currency sales growth expectations include inorganic revenue in the range of $8.5 million to $9.1 million. Excluding inorganic contributions, our fourth quarter total revenue is expected to increase in the range of approximately 3% to 7% on an organic constant currency basis.

With respect to our profitability expectations for the fourth quarter of 2025, we expect non-GAAP operating margins in the range of approximately 18.8% to 20.8% compared to 19.6% last year and non-GAAP EPS in the range of $0.87 to $1.01 compared to $0.93 last year.

That wraps up our prepared remarks. Operator, we would now like to open up the line for questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from the line of Jason Bednar with Piper Sandler.

Jason Bednar^ Congrats, everyone, here on the strong results. And Martha, welcome and looking forward to working with you. I feel like got to start talking here about WRAPSODY to kick it off. You said you're pleased with the response so far on the inpatient side. You called it out as a notable contributor to PI growth. Can you give a bit more color here? It sounds like you're already tracking pretty well in that inpatient setting in the early days.

Then maybe I'll just ask an open-ended question, if you could respond to questions that exist out there with respect to clearing the necessary criteria into secure TPT, particularly the cost criteria that requires a different price point than that [5,800] ASP that you've publicly discussed in past calls and which was used in the submission to secure NTAP.

Martha Aronson^ Jason, thanks very much. Appreciate the question and look forward to working with you as well. Yes, let me make a few comments on this. First of all, let me just say I think we're all really pleased with the initial market response as it pertains to WRAPSODY CIE, right? If we look at access, adoption and utilization in the in-hospital setting, right? And so in that setting, in the hospital setting, effective October one was the new add-on payment. So we're certainly excited about that and a big shout out, frankly, to our team who's done a great job training physicians.

I think you may have heard on a previous call the goal was to train and have about 250 physician advocates. At the end of the quarter, we're at 200, and that has actually led to a total of over 500 physicians who have been trained in WRAPSODY. So we're very excited about that, and there continues to be even more work being done around building awareness for WRAPSODY-CIE. And you heard a little bit, there's going to be a symposium in Boston at the CETA meeting this week as well as next week at the VIVA meeting in Las Vegas, which I'm personally excited to attend. There will also be 24-month data shared.

So I would just say stay tuned on that because you may see a press release or two coming out on some of that data next week. So I think it's also fair to say that I'm well aware there's been a considerable amount of discussion, if you will, out in the community about whether or not -- now I'm shifting gears, okay from that -- we were just talking about the hospital setting, just so I'm really clear, right? We're talking about the hospital setting and the NTAP add-on payment that went into effect October 1.

So now I'm going to switch gears to your second question, which I believe was about TPT, which pertains to the nonhospital outpatient and ASC settings, right? So as I said, I understand there's been a great deal of discussion on this. Let me try to be very clear and state quite simply, we believe we meet the required cost criteria. So our application for TPT included WRAPSODY’s list price of $8,000.

Jason Bednar^ Okay. All right. That's helpful. I'll let others follow up on that. But I wanted to switch over to -- we had a lot of impressive pieces in the quarter here. Hard to pick what was most impressive, but I'll settle on gross margin to ask here. I think you beat the Street by almost 300 basis points. You referenced it's a record for the company.

Maybe, Raul, if you can unpack a bit more the source of that upside, whether there's durability there.

Then bigger picture, and sorry, I'm packing a couple in here, but we're officially in mid-50s gross margins. I'm doing some generous rounding, but you're drifting into the margin range where some peers currently operate. Do you still see gross margin headroom beyond the mid-50s? Or when we think about the margin opportunity for Merit going forward, it's going to require more SG&A leverage?

Raul Parra^ Yes. Great question, Jason. Thank you for highlighting the gross margin, right, and asking the question. I mean I think we're really proud of that. As you know since Foundations for Growth and now CGI, we've really focused on expanding that gross margin and our approach of kind of throwing the kitchen sink at it has really worked. And so when we look at the compounding efforts from our sales force and our operations team to get to where we're at, we're really proud of those guys for all the hard work that they're doing. It's a tough job, but they've been able to really move the needle there. So kudos to them.

As far as the gross margin for Q3, it was really driven kind of, again by the kitchen sink approach, right? So our sales force did a really good job on focusing on mix. Not only by product but also by geography. And also the focus on improvements in pricing has really helped us out. Our operations group has been doing everything they can to hold the line on what's a really tough environment. Freight and distribution expense compared to the prior year also helped us out. I also kind of want to highlight that they overcame kind of a 90-basis point incremental impact year-over-year on the gross margin, which could have been better, right, had it not been for those tariffs. As far as kind of the long-term vision, I'm not going to get ahead of myself on CGI. When we launched CGI, we were pretty clear that most of the improvement in operating margin would come from gross margin.

On the higher end, it would be more gross margin with some OpEx leverage. So I think that's the goal is to continue to drive gross margin to hit our CGI goals. We're just -- we're focused on that. And we're not going to get beyond that. You've heard me say this before, we don't want to drop the football on the one yard line. So we're laser-focused on making sure that we stay within the CGI goals and focused on those.

Operator^ Our next question comes from the line of Robbie Marcus with JP Morgan.

Lilia-Celine Lozada^ This is Lilly on for Robbie. Martha, congrats on the new role. I know it's still early, but I'm going to try my hand at a question on 2026. There's clearly a lot of momentum in the business, new product rollouts, a lot of nice tuck-ins recently. Could you share some high-level thoughts on how you're thinking about next year? And if not quantitative, then any qualitative color on headwinds and tailwinds we should be keeping in mind would be helpful.

Martha Aronson^ Yes. Lilly, thanks for the question. I think you're right. We're not going to really go into 2026 at this point, right? I mean suffice to say as you know we've

got CGI goals that are in place that go through the end of 2026. So my message here in month number1 has been really clear to the team that we want to just stay really focused on that. We want to stay focused on closing out a strong 2025. We've got CGI goals for 2026.

Then frankly, as I'm just kind of getting in the seat here, I will then spend a lot of time with our newly structured executive leadership team and a newly structured operating committee, global operating committee to really do the work to start to think about our strategic goals beyond CGI. So that's really where our focus is at this time.

Lilia-Celine Lozada^ Got it. Then just as a follow-up, you've done a number of small tuck-ins over the last few quarters. So could you share your updated thoughts on M&A and cap allocation? Is this the cadence of deals that we should be expecting moving forward? And are there any areas that stand out to you as particularly interesting that you'll be focusing on?

Martha Aronson^ Yes. Look, I mean here's what I would say right? I mean Merit has really focused historically on both organic and inorganic growth, right? They really have used both very effectively, I think to grow the business. So again, really early for me to say a whole lot on this topic other than I think we'll continue to look at the opportunities that come our way. We'll continue to think more about each kind of platform that we're in and where the strategic opportunities might be, again to focus our R&D efforts, again both internally and externally. So I don't see a major shift in terms of capital allocation strategy. I think this has been a company that's invested in R&D to grow the business. And again I anticipate continuing to do that.

Raul Parra^ Yes. One thing I'll add is, obviously free cash flow continues to be very strong. which helps us as part of these acquisitions and investments internally, like the distribution center and our R&D projects, as Martha was talking about. So we've generated almost $142 million in free cash flow this year with $57 million coming in Q3. So we're definitely driving free cash flow. That will help with the investments, capital allocation that we want to do, and we just got to stay focused on it. We're -- we've got a minimum of $400 million of free cash flow to hit for CGI. We're well on our way to do that and excited about how strong our free cash flow continues to be.

Operator^ Our next question comes from the line of Jayson Bedford with Raymond James & Associates.

Jayson Bedford^ Welcome, Martha congrats to both of you on the progress here. Maybe a product line question. Cardiac Intervention has seen a real acceleration here in the last couple of quarters. I think you've called out EP and CRM as a driver. Are you just riding what is a faster growing end market? Or is there a unique kind of share capture dynamic going on?

Raul Parra^ Well there's a couple of things going on. I think one of the things that's really helped is the focused sales groups. So having a more focused approach to our bags

has really driven a lot of growth. You look at the Cook acquisition, part of the reason we did that was to allow more focus on our EP and CRM products. We're clearly seeing those guys do a really good job of driving growth. So when you look at the performance in Q3, our Cardiac Therapies group did -- is just doing really good from an integration standpoint, not only selling the Cook products that we acquired, but also the products that Merit had, which is what we were hoping for.

Then you look at our Vascular Therapies group, now that they don't have those products in their bag, they're allowed to focus more on the PI side of things, specifically kind of the biopsy drainage and embolic portfolio, which are -- some of those high-margin products that we really want our groups kind of pushing.

Then lastly, you look at our Renal Therapies group, again I know they're kind of tasked with selling reps through CIE, but they're also really focused on the rest of the portfolio that we have for them. And again I think it's a team effort, and they've all been executing at a really good high level to deliver the growth rate that we've seen. I mean to look at our U.S. organic growth at 7.6% in Q3, and that's outstanding.

Jayson Bedford^ Okay. Fair enough. Maybe just a different type of margin question. SG&A was a bit higher than it's been in the past or at least higher than our model. Anything notable there in terms of either new reps? Is it integration or just simply a function of the gross margin is stronger, which allows you to invest a bit more in the business?

Raul Parra^ Yes. There's definitely some of that going on, Jason, right? I think we've talked about that. But there was a couple of kind of what I'll call kind of one-timers that we were obviously looking at. Obviously with the higher sales than expected, we [had] commissions. So also, if you look at the performance of the company, a majority of -- a big chunk of the increase, I'll say was the variable bonus accrual, truing that up to kind of the year-to-date performance of where the team is at.

Then we also had a distributor buyout in Europe that came in earlier than anticipated. So rest assured, we're keeping an eye on the operating expenses and the amount we're investing. But we have been kind of candid and clear, I would say and transparent about making sure that you guys understand that as the gross margin come in, there is a level of investment that we're making, but we're also very conscious about making sure that we're keeping an eye on it.

Operator^ Our next question is going to come from the line of Mike Matson with Needham & Company.

Michael Matson^ So I know it's still kind of early days with WRAPSODY, but I was wondering if you were seeing any of the expected benefit to the other dialysis products, kind of that portfolio strategy that you have there in that business?

Martha Aronson^ Yes. I mean I'd say we are, yes. I mean I think as Raul was just sharing, I mean having these slightly more focused sales organizations, right, does enable the group to not only be focusing on WRAPSODY, but all the wraparound -- no pun intended, right, but all the wraparound products, all the additional products that we have in that bag. So I think we're really encouraged by that in the early days here.

Michael Matson^ Okay. Then just on the CryoBalloon, the C2 product, I'm familiar with Barrett's esophagus and the ablation procedure. But wondering if you could tell us how big that market is or the TAM there? Yes. I don't have that handy here, but I can get it for you. Obviously excited what the product can do. Yes. But just at a higher level, obviously excited that we continue to find products that we can drop in our endoscopy bag. This is the second acquisition here within the year.

We've been looking for things to add to the endoscopy bag, quite frankly, for a long time and just finding assets that we can drop into that sales force is really exciting. I know they're excited about it. This product was really driven by our sales force. They really wanted this. They're really excited about what it can do for the rest of the portfolio. So we'll get to that TAM, but continue to be excited about the opportunity there.

Operator^ Our next question will come from the line of John Young with Canaccord.

John Young^ Martha, (inaudible) sentiment and look forward to working with you. And maybe just starting on that, too, just what have you identified so far in terms of company excellence versus possible areas of improvement?

Martha Aronson^ Yes. Thanks, John, and I look forward to working with you as well. The first thing I have to say is having spent some time both leading up to my official start date and since then, I just have to say the passion that I've seen out of the employees here, everybody I've had the chance to visit with amongst the various sites and here in Salt Lake City, there's just so much dedication to taking care of our customers who we know are then helping patients.

I mean we all -- when you're in this industry, right, everybody kind of says, oh, this is a great industry. We're helping people. But I have to say you really feel it here. It's very genuine. I think the Merit way which is the values of this company, it comes through loud and clear. And as I think I said in my prepared remarks, these aren't just words on a page. This is really how people feel. It is. It's health, it's excellence, it's agility, it's responsibility, it's teamwork.

So I think I'm super excited about that. As I said, I'm also excited to really kind of dig in and get going with, as I said, a newly structured executive leadership team and kind of a newly formed global operations committee, right, which is sort of our top leaders all around the globe. I do think we do have an opportunity as we continue to grow and scale globally, right, to really think about how are we ensuring really tight cross-functional collaboration and I would say cross geographic collaboration. So those are kind of the things I'm looking at so far. And as I said, really excited to kind of dig in and we'll have

2026 while we're staying focused on CGI to really think about kind of what's next beyond '26.

John Young^ Great. Then just as a follow-up to Endoscopy, the softness in Q3 that you called out, I didn't hear any reasoning behind that, Raul. Was that seasonality? Or is there another factor going on there?

Raul Parra^ Yes. I mean there's always a level of seasonality. But honestly, the way we forecasted for our Endotek division, they're integrating an acquisition. We expected kind of -- it always -- when you're trying to combine two portfolios, there's always a level of distraction as you're learning to sell the new products. So we really anticipated that to happen. And essentially, the Q3 sales trend was improved as expected. It was better than the first half of the year. I think it will continue to accelerate from here as the sales force kind of starts to understand how to combine and sell these products. But they're hanging in there. Every month seems to get a little bit better, and that's kind of what our expectation was.

Operator^ Our next question is going to come from the line of David Rescott with Baird.

David Rescott^ Congrats on a good quarter here. A few questions from us, and I'll ask them both upfront. First, on China. I heard the call out around softer growth than expected, only down 1%, though not too terrible. But I'm just curious on what some of the dynamics are in that market that have played out so far in the second half of the year relative to what your expectations were heading into the second half, how you're feeling about the dynamics in that market over the next 12 to 18 months? That's the first question.

Then second one on WRAPSODY. I know we'll probably find out around the TPT update in the coming days or weeks. So just curious if you could walk us through what the next day steps are, meaning that once you find out what the update is on reimbursement, where you go from there as you start to progress through or into, I guess 2026?

Raul Parra^ I'll take China and then Martha, I think is going to take the WRAPSODY question. So look, I think first of all, I'll start with the highlight, right? I mean I think China has been a market that hasn't grown like we wanted to kind of from a reported or organic basis. I think the encouraging thing is that volume continues to be strong. I'll highlight that I'll point out, VBP was better than expected in Q3.

I think we've seen that happen routinely in China. I think that's a positive sign for us. But really, it's -- the softness is coming just from the broader macro environment. When we say that, we're really kind of talking about kind of OEM in China specifically being softer than anticipated. So I think as we look at the core business, which is China, excluding OEM, I think they're doing really well given the environment. And it's really just kind of the OEM component that kind of continues to drag it down a little bit. But overall, I think we -- just the China market overall, I think we're excited about what we can do there in the future. Other than that, I think it's no other things to kind of point out.

Martha Aronson^ Yes. And let me comment then on -- again on WRAPSODY. So I think as I mentioned earlier, we are very confident we meet the required cost criteria. As I said, our application for TPT included our list price at $8,000. So as you said, we do expect to hear sometime in December with the earliest than possible effective date of January 1, 2026, and then a finalization during next year's (inaudible). Now I mean we know the U.S. government is in shutdown. So far, we haven't heard anything there that changes our expectations. Obviously if we hear something, we'll let you know. But otherwise, we'll proceed from there.

Operator^ Our next question will come from the line of Michael Petusky with Barrington Research.

Michael Petusky^ I just wanted to real quickly drill down both on endoscopy and China, which have been sort of called out as maybe areas of relative weakness. Raul, have there been any key customer losses in either business, say over the last six to 12 months?

Raul Parra^ Like I said, endoscopy, it's really just driven of the integration of the sales forces, Mike. So again, I wouldn't -- I've got nothing else to say other than the performance of endoscopy kind of continues to improve as they learn how to sell these products. So I think on a go-forward basis, we're excited about what they can do. And like I highlighted earlier, they're really excited about C2 and what it can do for not only our newly acquired products, but also kind of our legacy portfolio. So I think that will be a something that can hopefully generate additional growth to the core business and obviously deliver some additional growth on the noncore stuff.

As far as China, I mean it really -- there isn't anything that -- any red flags that I would call out. Again I think when you kind of strip out the OEM piece, which, as you guys all know I have been pretty adamant about OEM, just being a business that's very variable, right? I know when we were growing at 20%, 15%, I kind of told everybody, hey, don't get excited, right? I think a high single-digit business is kind of what we expect from OEM. You will have some quarter-to-quarter variability, some year-to-year variability. That's just the nature of OEM.

So we don't have any concerns. I think when you look at the OEM business, year-to-date, they've grown at 9%, which is right in that high single digit. When you look at China business, kind of the core business itself, again I'll highlight that VBP was better than expected. Volume continues to be strong. So yes, I wouldn't call anything else out. I mean I think we're doing just fine.

Michael Petusky^ Okay. Great. Then a quick one for Martha. In terms of this next, I guess at this point, roughly 60 days where Fred is the Executive Chair versus next year when he'll be nonexecutive Chair. I mean what are the primary ways you're sort of utilizing them? Is it mostly just introductions to team and customers? Or are there other areas where you hope to utilize Fred over the next 60 days?

Martha Aronson^ Yes. So yes, Fred and I are, of course in pretty regular communication. I think one of the primary areas, as you all know because you know him well Fred is very, very knowledgeable in what technologies are around, right? And so he's really helpful as we think about, again whether it's organic or inorganic technology opportunities. So that's really one of the primary areas where we are leveraging his expertise and experience.

Operator^ Our next question comes from the line of Jim Sidoti with Sidoti & Company.

James Sidoti^ Another question on the Pentax acquisition. How does that product differ from the product you acquired last year from EndoGastric Solutions? Is it the same treatment? Is it complementary? And is it approved in Europe as well as in the U.S.?

Raul Parra^ Well I mean it is a different -- it's in the same call point, Jim, which is why the sales force is excited about it. I think it allows the sales force to highlight the C2 Balloon while also talking about EGS, right? And so as you -- as they think about the full portfolio of products, now it allows them to be talking about multiple devices within the same call point that they're in. So it really is a different product, but it's within the same call points.

Martha Aronson^ So Jim, it really -- yes, it really is different, right, in terms of, it's cryo, right? So it's using very, very cold. If you will, think of it, it's almost making ice, right? So you're delivering a frozen treatment, if you will, to drive a targeted ablation. So it is different. It destructs unwanted soft tissue. So I think the other thing that's exciting that could be some possibilities for us in the future is to see whether or not there are other applications of soft tissue beyond the current one that it's got approval for, right, which is in the gastroenterology space.

James Sidoti^ And in terms of approvals, is it just a U.S. product? Or do you expect it to be sold overseas as well?

Raul Parra^ It's sold overseas, too. Not materially, but it is.

James Sidoti^ Okay. Is that something that you think you could expand? Or do you think you'll focus on the U.S. market?

Raul Parra^ Jim, I think our approach is that we think we can take products just given our global footprint, our sales force, obviously that's an opportunity that we think we can exploit. Obviously it takes time now with MDR and all the regulatory kind of hurdles. We'll make the assessment as to what markets make sense. But we're always looking to take things internationally when we can.

James Sidoti^ And speaking of MDR, that expense has come down the past few quarters. Is there a light at the end of the tunnel for that? Or do you think it kind of levels out where it is spending right now?

Raul Parra^ I hope there is. I mean I think it's a long process. As you guys know you guys have heard us complain about it, right? I mean I think to reregister products that have been in those countries for 10-plus years with no serious impact. As a matter of fact, helping patients has been really frustrating. But I think there is a light at the end of the tunnel. I think there's rumors of positive changes to MDR, how those play out is yet to be decided. But I think that the regulatory burden for Medtech devices is really hard. I think Europe has seen the impact of those changes. So hopefully, they come to some common sense there and they make some changes. But for now the Merit way is just to be prepared and play by the rules. So that's what we'll do.

James Sidoti^ All right. Then the last one for me, $140 million of free cash flow in the year-to-date, I assume you'll generate another chunk in the fourth quarter. Is that all going to go to debt pay down? Or do you have any other plans right now?

Raul Parra^ Yes. Well we've got to convert, right? So there's really no debt to pay down, right? I mean I think for now we'll continue to hang the cash on the balance sheet and look for acquisitions or investments here within Merit to deploy that capital. But we are calling for a minimum of $175 million of free cash flow for the year. So there is additional free cash flow that we think we can get. But yes, super excited about how strong it's been, given that we're also building the distribution center across the street, so.

Operator^ Thank you. I would now like to hand the conference back over to Martha Aronson for closing remarks.

Martha Aronson^ Thanks very much. And just a huge thank you to all of our employees for all their hard work. Thank you, all for joining us today on the call and for your interest in Merit Medical.

Operator^ This concludes today's conference call. Thank you for your participation. You may now disconnect. Everyone have a great day.