



Second Quarter 2020 Results

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

All subsequent forward-looking statements attributable to Merit or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Actual results will likely differ, and may differ materially, from those projected or assumed in the forward-looking statements. Financial estimates are subject to change and are not intended to be relied upon as predictions of future operating results, and Merit assumes no obligation to update or disclose revisions to those estimates.

NON-GAAP FINANCIAL MEASURES

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

TRADEMARKS

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

Merit Medical Systems at a Glance

NIMBLE & POSITIONED FOR CONTINUED GROWTH

\$995M

2019 Revenue

~14%

10-Year CAGR



~ 6,000 Employees
~ 300 Sales Reps



7

R&D Facilities Globally

~\$600M

Capital Deployed in
M&A over Last 5 Years

DIVERSIFIED PORTFOLIO AND MANUFACTURING FOOTPRINT

~200

Proprietary Disposable
Medical Product
Categories

>13,000

Customers
Worldwide

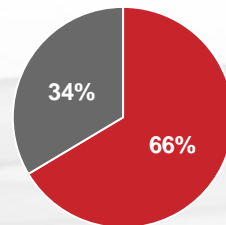
12



Manufacturing
facilities
> 1.3M Sq. Ft.

PROVEN INTERNATIONAL SCALE AND GROWTH

2009 Total Revenue

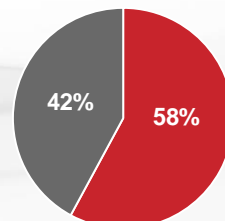


\$257M



~17% International
Sales CAGR

2019 Total Revenue



\$995M



OUS



U.S.

Merit's Investment Highlights

 Leading disposable medical product solutions provider across many of our target end markets

 Robust innovation engine driving substantial portfolio expansion and product growth

 Dedicated commercial engine of ~300 direct reps and distributor relationships in over 120 countries

 Global manufacturing across 8 countries and 5 continents with capacity to support long-term growth

 Sustained growth and margin expansion fueled by significant operating efficiency and process improvement opportunities

 Strong M&A track record to complement organic growth in our focused clinical end markets

Multiple Drivers of Sustainable Growth

Domestic Market

Bringing new technologies to market through innovation and acquisition



Innovation

- Driven by our long history of R&D
- Several recent product launches



Expand Served Markets

- Product line extensions and innovations



Opportunistic M&A

- Opportunistic acquisitions
- Distribution deals

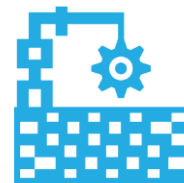
International Markets

Global expansion through development and leverage of commercial footprint



Distributor to Direct

- Selectively choosing to increase number of direct markets



Infrastructure

- Continued emphasis on global expansion and scaling global infrastructure

Key Merit Medical Updates

Update on operational targets and other initiatives previously disclosed:

- \$6-10 million annualized cost savings: 14 product line transfers to Tijuana, Mexico and Pearland, Texas and site consolidations:
 - Update: Transfer of product lines is on track to be completed by end of calendar year 2020.
 - Update: Temecula, CA site has been closed
 - Update: Malvern, PA on track to be closed
- Announced closure of procedure pack manufacturing site in Melbourne, Australia (from our 2017 ITL acquisition) by end of 2020.
 - Approximately \$10M of annual sales, but immediately accretive.
- Executive compensation tied to free cash flow and performance relative to Russell 2000.
 - Update: Free cash flow targets have been set and corresponding agreements have been executed with executive officers. \$47M YTD in free cash flow*
- Increased alignment between company performance and broad-based employee compensation, in line with executive compensation practices.
 - Update: Currently in the engagement and scope of project process with external advisors.
- Better investor visibility with new revenue reporting alignment in 2020
 - Update: Issued press release and filed Form 8-K on April 3rd for historical reporting; Current reporting is now under new revenue alignment.
- SKU and product line optimization.
 - Update: Early stages, but progress being made.
- Enhanced investor section of website
 - Update: Website is live.

* See "Notes to Non-GAAP Financial Measures" below for definition of Non-GAAP measures used in this presentation

COVID-19 Update – What we currently see

The decline in procedure volumes observed in the first half of 2020 is expected to continue to create a headwind throughout the year, but we are also seeing signs of recovery in some markets. Visibility for procedures continues to be limited, and we are not able to predict when or how quickly volumes will recover, nor do we expect tailwinds to outpace headwinds. Accordingly, guidance for the balance of 2020 is withdrawn.

- COVID-19 impact for the first half of the year resulted in a reduction of approximately \$70M from the revenue line, which includes \$10M in Q1 and \$60M in Q2. These numbers are within the range of our models.
 - The most impacted regions YTD are our US Direct business, which is ~\$33M off plan, EMEA with a ~\$12M YTD miss, and our WW Dealers markets currently ~\$20M below plan.
- Supply chain – We have not seen material disruptions in our supply chain. Vertical integration of molding and extrusion reduces supply chain risk.
- We continue to see some increased demand for many of our critical care products, such as hemodynamic monitoring, peritoneal dialysis catheters and insertion tools, as well as our infection control products.
- We have initiated production of a nasopharyngeal swab and transport vial, used to collect specimens with suspected presence of COVID-19. YTD sales are \$4.4M through June. While the outlook is positive, because this is a very new product, forecasting future sales with confidence is proving difficult.

COVID-19 Update – What we are doing

Given the impact of the COVID-19 pandemic on demand for procedures, we have taken and will continue to take the following actions to reduce operating expenses:

- Continued execution on previously disclosed operational efficiencies.
- Implemented salary reductions for our executive officers and certain non-production employees.
- Controlling discretionary spending across the organization including travel, tradeshow and events.
- Deferring/controlling capital and project spending.
- Adjusting manufacturing capacity based on demand.

Financial Summary

GAAP

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Revenues	\$218.4M	\$255.5M	\$461.9M	\$493.9M
Gross Margin	38.6%	43.8%	40.7%	43.9%
Operating Margin	(8.7%)	4.8%	(3.8%)	4.4%
Net Income (Loss)	(\$19.1M)	\$6.9M	(\$22.2M)	\$13.1M
Earnings (Loss) per Share	(\$0.34)	\$0.12	(\$0.40)	\$0.23

Financial Summary

Non-GAAP*

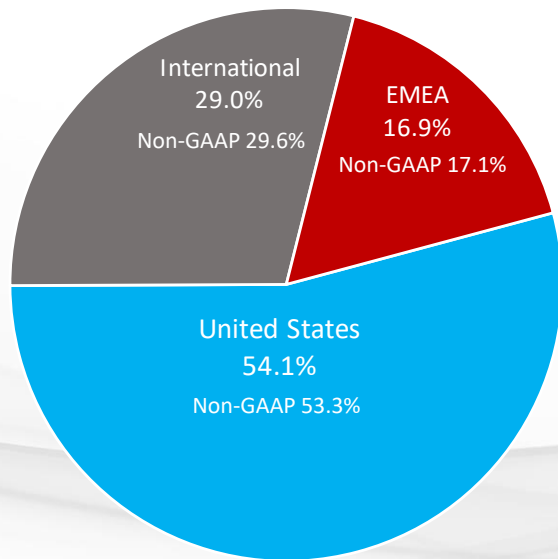
	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Revenues (Core Constant Currency) †	\$220.7M	\$255.5M	\$466.2M	\$493.9M
Gross Margin	44.7%	48.7%	46.7%	48.9%
Operating Margin	11.2%	13.3%	12.0%	12.7%
Net Income	\$17.4M	\$23.8M	\$38.5M	\$44.4M
Earnings per Share	\$0.31	\$0.42	\$0.69	\$0.79

* See "Notes to Non-GAAP Financial Measures" below for definition of Non-GAAP measures used in this presentation

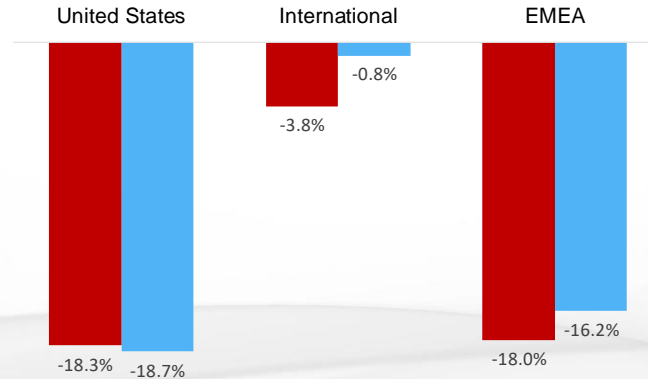
† Non-GAAP measure, representing net organic sales on a constant currency basis

Revenue by Geography - Q2

Q2 2020 REVENUE BREAKDOWN



REVENUE - Q2 2020 COMPARED TO Q2 2019

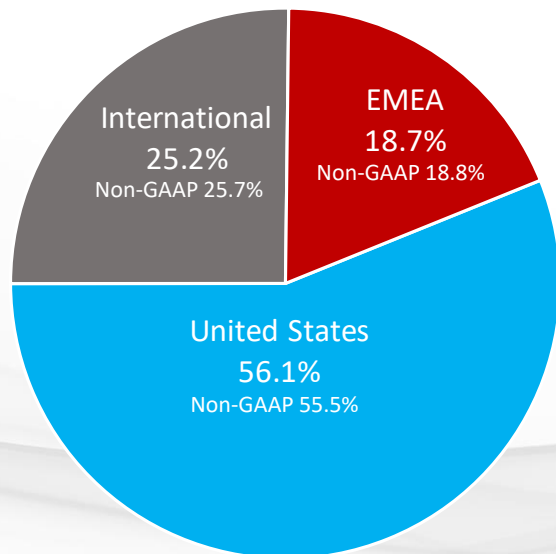


* Non-GAAP measure, representing net organic sales on a constant currency basis
See "Notes to Non-GAAP Financial Measures" below for definition of Non-GAAP measures used in this presentation

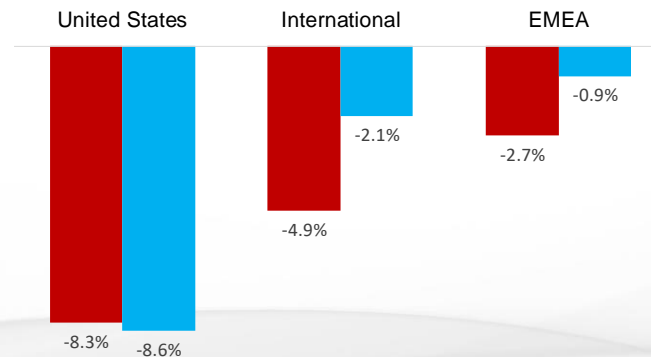
■ GAAP ■ Non-GAAP Core Constant Currency*

Revenue by Geography - YTD

Q2 2020 REVENUE BREAKDOWN



REVENUE - YTD 2020 COMPARED TO YTD 2019



* Non-GAAP measure, representing net organic sales on a constant currency basis
See "Notes to Non-GAAP Financial Measures" below for definition of Non-GAAP measures used in this presentation

GAAP Non-GAAP Core Constant Currency*

NOTES TO NON-GAAP FINANCIAL MEASURES

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

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

- constant currency revenue,
- core revenue,
- core revenue on a constant currency basis,
- non-GAAP gross margin,
- non-GAAP operating margin,
- non-GAAP net income,
- non-GAAP earnings per share, and
- free cash flow.

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

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

NOTES TO NON-GAAP FINANCIAL MEASURES (cont.)

Constant Currency Revenue

Merit's revenue on a constant currency basis is prepared by translating the current-period reported revenue of subsidiaries whose functional currency is a currency other than the U.S. dollar at the applicable foreign exchange rates in effect during the comparable prior-year period. The constant currency revenue adjustments of \$2.7 million and \$5.5 million to reported revenue and to core revenue for the three and six-month periods ended June 30, 2020, respectively, were calculated using the applicable average foreign exchange rates for the three and six-month periods ended June 30, 2019, respectively.

Core Revenue and Core Revenue on a Constant Currency Basis

Merit's core revenue is defined (a) with respect to prior fiscal year periods, as GAAP revenue, and (b) with respect to current fiscal year periods, as GAAP revenue, less revenue from certain acquisitions and strategic transactions. For the three and six-month periods ended June 30, 2020, Merit's core revenue excludes revenues attributable to the acquisition of (1) Brightwater Medical, Inc. in June 2019 (excluded through May 2020 only), and (2) Fibrovein Holdings Limited in August 2019. Core revenue on a constant currency basis is defined as core revenue (as described in the first sentence of this paragraph) adjusted to eliminate the foreign exchange impact related to those core revenues for the relevant period, using the applicable average foreign exchange rates in effect for the comparable prior-year periods presented.

Non-GAAP Gross Margin

Non-GAAP gross margin is calculated by reducing GAAP cost of sales by amounts recorded for amortization of intangible assets, certain inventory write-offs and inventory mark-up related to acquisitions.

Non-GAAP Operating Margin

Non-GAAP operating margin is calculated by adjusting GAAP operating income (loss) for certain items which are deemed by Merit's management to be outside of core operations and vary in amount and frequency among periods, such as expenses related to new acquisitions, non-cash expenses related to amortization or write-off of previously acquired tangible and intangible assets, severance expenses, performance-based stock compensation expenses, expenses resulting from non-ordinary course litigation or administrative proceedings and resulting settlements, governmental proceedings or changes in industry regulations, as well as other items set forth in the tables below.

Non-GAAP Net Income

Non-GAAP net income is calculated by adjusting GAAP net income (loss) for the items set forth in the definition of non-GAAP operating margin above, as well as for expenses related to debt issuance costs and changes in tax regulations, as well as other items set forth in the tables below.

Non-GAAP EPS

Non-GAAP EPS is defined as non-GAAP net income divided by the diluted shares outstanding for the corresponding period.

Free Cash Flow

Free cash flow is defined as cash flow from operations less capital expenditures as defined by GAAP in the consolidated statement of cash flows.

Other Non-GAAP Financial Measure Reconciliation

The following tables set forth supplemental financial data and corresponding reconciliations of non-GAAP net income and non-GAAP earnings per share to Merit's net income and earnings per share prepared in accordance with GAAP, in each case, for the three and six-month periods ended June 30, 2020 and 2019. The non-GAAP income adjustments referenced in the following tables do not reflect non-performance-based stock compensation expense of approximately \$2.4 million and \$2.5 million for the three-month periods ended June 30, 2020 and 2019, respectively, and approximately \$4.7 million and \$4.3 million for the six-month periods ended June 30, 2020 and 2019, respectively.

Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income

(Unaudited, in thousands except per share amounts)

	Three Months Ended June 30, 2020				Three Months Ended June 30, 2019			
	Pre-Tax	Tax Impact (a)	After-Tax	Per Share Impact	Pre-Tax	Tax Impact (a)	After-Tax	Per Share Impact
GAAP net income (loss)	\$ (22,300)	\$ 3,242	\$ (19,058)	\$ (0.34)	\$ 8,999	\$ (2,140)	\$ 6,859	\$ 0.12
Non-GAAP adjustments:								
Cost of Sales								
Amortization of intangibles	12,807	(3,300)	9,507	0.17	12,178	(3,118)	9,060	0.16
Inventory write-off (b)	345	(104)	241	0.00	—	—	—	—
Inventory mark-up related to acquisitions	146	(37)	109	0.00	212	(54)	158	0.00
Operating expenses								
Severance	1,301	(364)	937	0.02	494	(127)	367	0.01
Acquisition and restructuring-related (c)	715	(197)	518	0.01	1,173	(289)	884	0.02
Medical Device Regulation expenses (d)	303	(78)	225	0.00	113	(29)	84	0.00
Fair value adjustments to contingent consideration (e)	343	45	388	0.01	2,406	(44)	2,362	0.04
Acquired in-process research and development	—	—	—	—	500	(129)	371	0.01
Impairment and other charges (f)	3,894	(1,105)	2,789	0.05	971	(250)	721	0.02
Amortization of intangibles	1,975	(533)	1,442	0.03	2,699	(710)	1,989	0.03
Special legal expense (g)	1,710	(440)	1,270	0.02	1,015	(261)	754	0.01
DOJ Settlement (h)	18,200	(636)	17,564	0.31	—	—	—	—
Activist shareholder recovery fees	563	(145)	418	0.01	—	—	—	—
Performance-based share-based compensation (i)	1,064	(140)	924	0.02	—	—	—	—
Other (Income) Expense								
Amortization of long-term debt issuance costs	151	(39)	112	0.00	201	(52)	149	0.00
Tax expense related to restructuring (k)	—	—	—	—	—	2	2	0.00
Non-GAAP net income	\$ 21,217	\$ (3,831)	\$ 17,386	\$ 0.31	\$ 30,961	\$ (7,201)	\$ 23,760	\$ 0.42
Diluted shares (j)				56,250				56,555

Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income

(Unaudited, in thousands except per share amounts)

	Six Months Ended June 30, 2020				Six Months Ended June 30, 2019			
	Pre-Tax	Tax Impact (a)	After-Tax	Per Share Impact	Pre-Tax	Tax Impact (a)	After-Tax	Per Share Impact
GAAP net income (loss)	\$ (24,292)	\$ 2,080	\$ (22,212)	\$ (0.40)	\$ 15,845	\$ (2,791)	\$ 13,054	\$ 0.23
Non-GAAP adjustments:								
Cost of Sales								
Amortization of intangibles	25,624	(6,604)	19,020	0.34	24,157	(6,185)	17,972	0.32
Inventory write-off (b)	1,776	(472)	1,304	0.02	—	—	—	—
Inventory mark-up related to acquisitions	146	(37)	109	0.00	884	(228)	656	0.01
Operating expenses								
Severance	2,711	(727)	1,984	0.04	822	(212)	610	0.01
Acquisition and restructuring-related (c)	1,388	(357)	1,031	0.02	1,741	(435)	1,306	0.02
Medical Device Regulation expenses (d)	603	(155)	448	0.01	113	(29)	84	0.00
Fair value adjustments to contingent consideration (e)	5,240	66	5,306	0.10	3,181	(185)	2,996	0.05
Acquired in-process research and development	—	—	—	—	525	(135)	390	0.01
Impairment and other charges (f)	7,820	(1,219)	6,601	0.12	1,182	(304)	878	0.02
Amortization of intangibles	4,157	(1,124)	3,033	0.06	5,506	(1,450)	4,056	0.07
Special legal expense (g)	3,212	(827)	2,385	0.04	2,678	(689)	1,989	0.04
DOJ Settlement (h)	18,200	(636)	17,564	0.31	—	—	—	—
Activist shareholder recovery fees	563	(145)	418	0.01	—	—	—	—
Performance-based share-based compensation (i)	1,511	(192)	1,319	0.02	—	—	—	—
Other (Income) Expense								
Amortization of long-term debt issuance costs	302	(78)	224	0.00	402	(104)	298	0.01
Tax expense related to restructuring (k)	—	—	—	—	—	93	93	—
Non-GAAP net income	\$ 48,961	\$ (10,427)	\$ 38,534	\$ 0.69	\$ 57,036	\$ (12,654)	\$ 44,382	\$ 0.79
Diluted shares (j)				56,133				56,523

Reconciliation of GAAP Operating Income (Loss) to Non-GAAP Operating Income

(Unaudited, in thousands except percentages)

	Three Months Ended		Three Months Ended		Six Months Ended		Six Months Ended	
	June 30, 2020		June 30, 2019		June 30, 2020		June 30, 2019	
	Amounts	% Sales	Amounts	% Sales	Amounts	% Sales	Amounts	% Sales
Net Sales as Reported	\$ 218,371		\$ 255,532		\$ 461,896		\$ 493,881	
GAAP Operating Income (Loss)	(18,995)	(8.7) %	12,201	4.8 %	(17,633)	(3.8) %	21,724	4.4 %
Cost of Sales								
Amortization of intangibles	12,807	5.8 %	12,178	4.8 %	25,624	5.6 %	24,157	4.9 %
Inventory write-off (b)	345	0.2 %	—	—	1,776	0.5 %	—	—
Inventory mark-up related to acquisitions	146	0.1 %	212	0.1 %	146	0.0 %	884	0.2 %
Operating Expenses								
Severance	1,301	0.6 %	494	0.2 %	2,711	0.6 %	822	0.2 %
Acquisition and restructuring-related (c)	715	0.3 %	1,173	0.5 %	1,388	0.3 %	1,741	0.4 %
Medical Device Regulation expenses (d)	303	0.1 %	113	0.0 %	603	0.1 %	113	0.0 %
Fair value adjustment to contingent consideration (e)	343	0.2 %	2,406	0.9 %	5,240	1.1 %	3,181	0.6 %
Acquired in-process research & development	—	—	500	0.2 %	—	—	525	0.1 %
Impairment and other charges (f)	3,894	1.8 %	971	0.4 %	7,820	1.7 %	1,182	0.3 %
Amortization of intangibles	1,975	0.9 %	2,699	1.0 %	4,157	0.9 %	5,506	1.1 %
Special legal expense (g)	1,710	0.8 %	1,015	0.4 %	3,212	0.7 %	2,678	0.5 %
DOJ Settlement (h)	18,200	8.3 %	—	—	18,200	3.9 %	—	—
Activist shareholder recovery fees	563	0.3 %	—	—	563	0.1 %	—	—
Performance-based share-based compensation (i)	1,064	0.5 %	—	—	1,511	0.3 %	—	—
Non-GAAP Operating Income	\$ 24,371	11.2 %	\$ 33,962	13.3 %	\$ 55,318	12.0 %	\$ 62,513	12.7 %

Footnotes to Reconciliations of GAAP Net Income (Loss) to Non-GAAP Net Income and GAAP Operating Income (Loss) to Non-GAAP Operating Income

- (a) Reflects the tax effect associated with pre-tax income (loss) and the non-GAAP adjustments.
- (b) Represents write-off of inventory related to the announced closure of the ITL Healthcare Pty Ltd. ("ITL") procedure pack operations in Australia in Q2 2020 and our distribution agreement with NinePoint Medical, Inc in Q1 2020.
- (c) Represents transaction costs and certain integration costs related to acquisitions and certain restructuring costs including accelerated depreciation for certain fixed assets related to our announced closure of the ITL procedure pack operations in Australia.
- (d) Represents incremental expenses incurred to comply with the Medical Device Regulation (MDR) in Europe.
- (e) Represents changes in the fair value of contingent consideration liabilities and contingent receivables as a result of acquisitions.
- (f) Represents impairment charges related to abandoned patents, other long-term assets, certain acquired intangible assets, right-of-use operating lease assets, and in 2020 the option to purchase Bluegrass Vascular Technologies, Inc.
- (g) Costs incurred in responding to an inquiry from the U.S. Department of Justice.
- (h) Accrued amount anticipated to be paid in settlement of an inquiry from the U.S. Department of Justice.
- (i) Represents performance-based share-based compensation expense including stock-settled and cash-settled awards.
- (j) For the three and six-months periods ended June 30, 2020 the non-GAAP net income per diluted share calculation includes 844 and 807 shares, respectively, that were excluded from the GAAP net income per diluted share calculation.
- (k) Net tax expense related to non-recurring tax withholdings in connection with restructuring of certain international subsidiaries.

Reconciliation of Reported Revenue to Core Revenue (Non-GAAP), Constant Currency Revenue (Non-GAAP), and Core Revenue on a Constant Currency Basis (Non-GAAP)

(Unaudited, in thousands except percentages)

		Three Months Ended June 30,			Six Months Ended June 30,	
	% Change	2020	2019	% Change	2020	2019
Reported Revenue	(14.5) %	\$ 218,371	\$ 255,532	(6.5) %	\$ 461,896	\$ 493,881
Add: Impact of foreign exchange (a)		2,693	—		5,495	—
Constant Currency Revenue	(13.5) %	\$ 221,064	\$ 255,532	(5.4) %	\$ 467,391	\$ 493,881
		Three Months Ended June 30,			Six Months Ended June 30,	
	% Change	2020	2019	% Change	2020	2019
Reported Revenue	(14.5) %	\$ 218,371	\$ 255,532	(6.5) %	\$ 461,896	\$ 493,881
Less: Revenue from certain acquisitions (b)		(400)	—		(1,170)	—
Core Revenue	(14.7) %	\$ 217,971	\$ 255,532	(6.7) %	\$ 460,726	\$ 493,881
Add: Impact of foreign exchange (a)		2,693	—		5,495	—
Core Revenue on a Constant Currency Basis	(13.6) %	\$ 220,664	\$ 255,532	(5.6) %	\$ 466,221	\$ 493,881

(a) The constant currency revenue adjustments of \$2.7 million and \$5.5 million to reported revenue and to core revenue for the three and six months ended June 30, 2020, respectively, were calculated using the applicable average foreign exchange rates for the three and six months ended June 30, 2019, respectively.

(b) Merit's core revenue is defined (a) with respect to prior fiscal year periods, as GAAP revenue, and (b) with respect to current fiscal year periods, as GAAP revenue, less revenue from certain acquisitions and strategic transactions. For the three and six-month periods ended June 30, 2020, Merit's core revenue excludes revenues attributable to the acquisition of (1) Brightwater Medical, Inc. in June 2019 (excluded through May 2020 only), and (2) Fibroven Holdings Limited in August 2019. Core revenue on a constant currency basis is defined as core revenue (as described in the first sentence of this paragraph) adjusted to eliminate the foreign exchange impact related to those core revenues for the relevant period, using the applicable average foreign exchange rates in effect for the comparable prior-year periods presented.

Reconciliation of Reported Gross Margin to Non-GAAP Gross Margin

(Unaudited, as a percentage of reported revenue)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Reported Gross Margin	38.6 %	43.8 %	40.7 %	43.9 %
<i>Add back impact of:</i>				
Amortization of intangibles	5.9 %	4.8 %	5.6 %	4.8 %
Inventory write-off (a)	0.1 %	—	0.4 %	—
Inventory mark-up related to acquisitions	0.1 %	0.1 %	0.0 %	0.2 %
Non-GAAP Gross Margin	44.7 %	48.7 %	46.7 %	48.9 %

(a) Represents write-off of inventory related to the announced closure of the ITL procedure pack operations in Australia in Q2 2020 and our distribution agreement with NinePoint Medical, Inc in Q1 2020.

