LEMAITRE VASCULAR INC
Form 10-Q
November 06, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2015

Or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission File Number 001-33092

LEMAITRE VASCULAR, INC.

(Exact name of registrant as specified in its charter)

Delaware	**04-2825458**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
43 Second Avenue, Burlington, Massachusetts	**01803**
(Address of principal executive offices)	**(Zip Code)**

(781) 221-2266

(Registrant s telephone number, including area code)

63 Second Avenue

Burlington, MA 01803

(Former name or former address, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule12b-2 of the Exchange Act). Yes ¨ No x

The registrant had 18,116,429 shares of common stock, $.01 par value per share, outstanding as of November 2, 2015.

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LEMAITRE VASCULAR

FORM 10-Q

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Part I. Financial Information

Item 1. Financial Statements

LeMaitre Vascular, Inc.

Consolidated Balance Sheets

	(unaudited) September 30, 2015	December 31, 2014
	(in thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 23,629	$ 18,692
Accounts receivable, net of allowances of $253 at September 30, 2015 and $242 at December 31, 2014	11,339	10,803
Inventory	15,920	16,714
Prepaid expenses and other current assets	3,089	2,379
Total current assets	53,977	48,588
Property and equipment, net	6,788	6,878
Goodwill	17,717	17,281
Other intangibles, net	6,656	7,157
Deferred tax assets	1,306	1,418
Other assets	168	170
Total assets	$ 86,612	$ 81,492
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 931	$ 1,127
Accrued expenses	7,598	7,479
Acquisition-related obligations	304	1,435
Total current liabilities	8,833	10,041
Deferred tax liabilities	2,917	2,919
Other long-term liabilities	676	325
Total liabilities	12,426	13,285
Stockholders equity:		
Preferred stock, $0.01 par value; authorized 3,000,000 shares; none outstanding		
Common stock, $0.01 par value; authorized 37,000,000 shares; issued 19,499,818 shares at September 30, 2015, and 18,778,436 shares at December 31, 2014	195	188
Additional paid-in capital	80,188	75,389

Retained earnings	6,356		3,248
Accumulated other comprehensive loss	(4,033)		(2,365)
Treasury stock, at cost; 1,431,139 shares at September 30, 2015, and 1,407,211 shares at December 31, 2014	(8,520)		(8,253)
Total stockholders equity	74,186		68,207
Total liabilities and stockholders equity	$ 86,612	$	81,492

See accompanying notes to consolidated financial statements.

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LeMaitre Vascular, Inc.

Consolidated Statements of Operations

(unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
	(in thousands, except per share data)			
Net sales	$ 19,025	$ 17,501	$ 57,869	$ 52,416
Cost of sales	5,509	5,498	18,106	16,813
Gross profit	13,516	12,003	39,763	35,603
Sales and marketing	5,489	5,091	16,866	16,857
General and administrative	3,455	3,765	10,375	10,376
Research and development	1,421	1,109	3,904	3,590
Medical device excise tax	190	178	554	518
Restructuring charges		8		500
Impairment charges				161
Gain on divestiture	(360)		(360)	
Total operating expenses	10,195	10,151	31,339	32,002
Income from operations	3,321	1,852	8,424	3,601
Other income (expense):				
Interest income	3	1	7	2
Interest expense		(6)		(6)
Foreign currency gain (loss)	(185)	52	(142)	30
Income before income taxes	3,139	1,899	8,289	3,627
Provision for income taxes	1,047	965	3,061	1,628
Net income	$ 2,092	$ 934	$ 5,228	$ 1,999
Earnings per share of common stock:				
Basic	$ 0.12	$ 0.05	$ 0.30	$ 0.12
Diluted	$ 0.11	$ 0.05	$ 0.29	$ 0.12
Weighted-average shares outstanding:				
Basic	17,865	17,348	17,625	16,358

Diluted	18,497	17,709	18,136	16,772
Cash dividends declared per common share	$ 0.040	$ 0.035	$ 0.120	$ 0.105

See accompanying notes to consolidated financial statements.

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LeMaitre Vascular, Inc.

Consolidated Statements of Comprehensive Income

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
	(in thousands)			
Net income	$ 2,092	$ 934	$ 5,228	$ 1,999
Other comprehensive loss:				
Foreign currency translation adjustment, net	(508)	(1,378)	(1,668)	(1,375)
Total other comprehensive loss	(508)	(1,378)	(1,668)	(1,375)
Comprehensive income (loss)	$ 1,584	$ (444)	$ 3,560	$ 624

See accompanying notes to consolidated financial statements.

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LeMaitre Vascular, Inc.

Consolidated Statements of Cash Flows

(unaudited)

	For the nine months ended September 30,	
	2015	**2014**
	(in thousands)	
Operating activities		
Net income	$ 5,228	$ 1,999
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,497	2,422
Stock-based compensation	1,088	982
Accrued contingent earnout		138
Impairment charges		161
Provision of doubtful accounts	156	31
Provision for inventory write-downs	462	508
Excess tax benefits from stock-based compensation awards		(28)
Loss on disposal of property and equipment		4
Gain on divestitures	(360)	
Foreign currency transaction gain	130	2
Changes in operating assets and liabilities:		
Accounts receivable	(1,078)	(194)
Inventory	(33)	(2,488)
Prepaid expenses and other assets	(791)	(403)
Accounts payable and other liabilities	214	(304)
Net cash provided by operating activities	7,513	2,830
Investing activities		
Purchases of property and equipment	(1,558)	(774)
Proceeds from disposal of property and equipment	15	
Proceeds from divestitures, net of expenses	360	
Payments related to acquisitions, net of cash acquired	(1,426)	(5,577)
Purchase of intellectual property	(6)	(9)
Net cash used in investing activities	(2,615)	(6,360)
Financing activities		
Payments of long-term debt		(1,133)
Payment of deferred acquisition consideration	(1,100)	(366)
Proceeds from issuance of common stock	3,718	10,834
Purchase of treasury stock	(266)	(211)
Common stock cash dividend paid	(2,120)	(1,700)

Excess tax benefits from stock-based compensation awards		28
Net cash provided by (used in) financing activities	232	7,452
Effect of exchange rate changes on cash and cash equivalents	(193)	(279)
Net increase in cash and cash equivalents	4,937	3,643
Cash and cash equivalents at beginning of period	18,692	14,711
Cash and cash equivalents at end of period	$ 23,629	$ 18,354

Supplemental disclosures of cash flow information (see Note 13)

See accompanying notes to consolidated financial statements.

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LeMaitre Vascular, Inc.

Notes to Consolidated Financial Statements

September 30, 2015

(unaudited)

1. Organization and Basis for Presentation

Description of Business

Unless the context requires otherwise, references to LeMaitre Vascular, we, our, and us refer to LeMaitre Vascular, Inc. and our subsidiaries. We develop, manufacture, and market medical devices and implants used primarily in the field of vascular surgery. We operate in a single segment in which our principal product lines include the following: valvulotomes, balloon catheters, carotid shunts, biologic patches, biologic grafts, radiopaque marking tape, anastomotic clips, remote endarterectomy devices, laparoscopic cholecystectomy devices, vascular grafts, angioscopes, and powered phlebectomy devices. Our offices are located in Burlington, Massachusetts; Mississauga, Canada; Sulzbach, Germany; Milan, Italy; Madrid, Spain; North Melbourne, Australia; Tokyo, Japan; and Shanghai, China.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting only of normal, recurring adjustments considered necessary for a fair presentation of the results of these interim periods have been included. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Our estimates and assumptions, including those related to bad debts, inventories, intangible assets, sales returns and discounts, share-based compensation, and income taxes are updated as appropriate. The results for the nine months ended September 30, 2015 are not necessarily indicative of results to be expected for the entire year. The information contained in these interim financial statements should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2014, including the notes thereto, included in our Form 10-K filed with the Securities and Exchange Commission (SEC).

Consolidation

Our consolidated financial statements include the accounts of LeMaitre Vascular and the accounts of our wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued a new accounting standard that provides for a comprehensive model to use in the accounting for revenue arising from contracts with customers that will replace most existing revenue recognition guidance in GAAP. Under this standard, revenue will be recognized to depict the

transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard will be effective for annual reporting periods beginning after December 15, 2017, allows for either full retrospective or modified retrospective application, and early adoption is not permitted. We are assessing the new standard and which adoption method we will apply. We have not yet determined the impact on our results of operations.

2. Income Tax Expense

As part of the process of preparing our consolidated financial statements we are required to determine our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax expense together with assessing temporary differences resulting from recognition of items for income tax and accounting purposes.

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These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from taxable income during the carryback period or in the future; and to the extent we believe that recovery is not more likely than not, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must reflect this increase as an expense within the tax provision in the statement of operations. We do not provide for income taxes on undistributed earnings of foreign subsidiaries, as our intention is to permanently reinvest these earnings.

We recognize, measure, present and disclose in our financial statements any uncertain tax positions that we have taken, or expect to take on a tax return. We operate in multiple taxing jurisdictions, both within and without the United States, and may be subject to audits from various tax authorities. Management s judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, liabilities for uncertain tax positions, and any valuation allowance recorded against our net deferred tax assets. We will monitor the realizability of our deferred tax assets and adjust the valuation allowance accordingly.

Our policy is to classify interest and penalties related to unrecognized tax benefits as income tax expense.

Our 2015 income tax expense varies from the statutory rate mainly due to certain permanent items, offset by lower statutory rates from our foreign entities and a discrete item for stock option exercises. Our 2014 income tax expense varies from the statutory rate mainly due to certain permanent items, offset by lower statutory rates from our foreign entities, and discrete items related to certain foreign branch losses previously not deductible and the release of a valuation allowance on certain foreign loss carryforwards.

We have reviewed the tax positions taken, or to be taken, in our tax returns for all tax years currently open to examination by a taxing authority. As of September 30, 2015, the gross amount of unrecognized tax benefits exclusive of interest and penalties was $72,000. We remain subject to examination until the statute of limitations expires for each respective tax jurisdiction. The statute of limitations will be open with respect to these tax positions until 2024. A reconciliation of the beginning and ending amount of our unrecognized tax benefits is as follows:

	2015 (in thousands)
Unrecognized tax benefits at the beginning of year	$ 23
Additions for tax positions of current year	49
Additions for tax positions of prior years	
Reductions for settlements with taxing authorities	
Reductions for lapses of the applicable statutes of limitations	
Unrecognized tax benefits at the end of the period	$ 72

In September 2015, the Internal Revenue Service notified us that our 2013 Federal tax return would be audited. We expect the audit to commence during the fourth quarter of 2015. We believe there will be no material changes to our income tax liability as a result of this audit. As of September 30, 2015, a summary of the tax years that remain subject to examination in our taxing jurisdictions is as follows:

United States	2012 and forward
Foreign	2008 and forward

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3. Inventories

Inventories consist of the following:

	September 30, 2015	December 31, 2014
	(in thousands)	
Raw materials	$ 3,269	$ 3,367
Work-in-process	2,875	3,464
Finished products	9,776	9,883
Total inventory	$ 15,920	$ 16,714

We held inventory on consignment of $1.0 and $0.8 million as of September 30, 2015 and December 31, 2014, respectively.

4. Acquisition and Divestitures

Clinical Instruments International, Inc.

In July 2013, we entered into an asset purchase agreement with Clinical Instruments International, Inc. (Clinical Instruments) to acquire substantially all the assets of Clinical Instruments for $1.1 million. We paid $0.9 million at the closing and paid the remaining $0.2 million in October 2014. We accounted for the acquisition as a business combination. Assets acquired include inventory and intellectual property. We recorded $0.2 million of inventory, $0.3 million of intangible assets and $0.6 million of goodwill. The weighted-average amortization period for the acquired intangible assets as of July 31, 2013 was 5.7 years. The goodwill will be deductible for tax purposes over 15 years.

InaVein LLC

In August 2013, we entered into an asset purchase agreement with InaVein LLC (InaVein) to acquire substantially all the assets of InaVein for $2.5 million and potential acquisition-related contingent consideration totaling up to $1.4 million in 2014 and 2015 dependent on the sales performance of the acquired business and the timing of regulatory approval in China. We paid $2.1 million at the closing and paid the remaining $0.4 million in September 2014. We accounted for the acquisition as a business combination. Assets acquired include receivables, inventory, equipment, and intellectual property. Liabilities assumed include payables and service contracts. We recorded $0.8 million of tangible assets, $1.1 million of intangible assets, $0.7 million of goodwill, and $0.1 million of assumed liabilities. The weighted-average amortization period for the acquired intangible assets as of August 31, 2013 was 6.7 years. The goodwill will be deductible for tax purposes over 15 years.

The contingent consideration was initially valued at the date of acquisition and is remeasured each reporting period until the contingency is resolved. Based upon stronger than expected sales to China, we recorded an increase of $0.1 million in the contingent consideration dependent on the sales performance of the acquired business in the first year following the closing as a charge to general and administrative expense in 2014. In October 2014, we paid $0.2 million for the first sales related milestone. The milestone related to the timing of the regulatory approval in China was not achieved. The final potential milestone payment was dependent on sales performance of the acquired business

from August 2014 to August 2015. This milestone was not achieved.

Xenotis Pty Ltd

In August 2014, we entered into a stock purchase agreement with the shareholders of Xenotis Pty Ltd (Xenotis) to acquire all of the capital stock of Xenotis for $6.7 million based on foreign exchange rates in effect at the time of the closing, with a mechanism for a purchase price adjustment based on the net tangible assets of Xenotis at closing. Xenotis is the parent company of Bio Nova International, the manufacturer and marketer of the Omniflow II biosynthetic vascular graft for lower extremity bypass and AV access. We paid $5.1 million at the closing with the final payment of $1.1 million made in August 2015.

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The net tangible asset purchase price adjustment of $0.2 million was paid in November 2014. We accounted for the acquisition as a business combination. Assets acquired include receivables, inventory, equipment, a building, and intellectual property. We recorded $2.1 million of tangible assets, $2.1 million of property and equipment, $1.8 million of intangible assets, and $2.5 million of goodwill. The weighted-average amortization period for the acquired intangible assets as of August 31, 2014 was 6.8 years. Liabilities assumed include payables and debt which totaled $1.7 million and included $1.1 million of assumed debt, which we paid in full in August 2014. The purchase accounting is complete.

The goodwill of $2.5 million will not be deductible for tax purposes. In addition, we acquired deferred tax assets of $2.4 million which consist primarily of net operating loss carry-forwards and capital loss carry-forwards. We recorded a full valuation allowance on these deferred tax assets.

In September 2014, we entered into definitive agreements with eight former Xenotis distributors in Europe to terminate their distribution of our Omniflow II biosynthetic vascular grafts for $1.3 million. We paid approximately $1.1 million in 2014 and $0.2 million in 2015 with the remaining approximately $20,000 due in December 2015. We recorded $0.4 million of inventory and $0.9 million of intangible assets. We allocated the payment to the tangible and intangible assets acquired based on the estimated fair value of each of these elements to the transactions. The weighted-average amortization period for the acquired intangible assets as of September 30, 2014 was 5.0 years.

Tru-Incise Valvulotome

In May 2015, we entered into an asset purchase agreement with UreSil, LLC (UreSil) to acquire the production and distribution rights of UreSil s Tru-Incise valvulotome for sales outside the United States for $1.4 million. We paid $1.1 million with the remaining $0.3 million payable at various points in 2016 and 2017. We accounted for the acquisition as a business combination. Assets acquired include inventory and intellectual property. We did not assume any liabilities. The purchase accounting is complete.

The following table summarizes the purchase price allocation at the date of the acquisition:

	Allocated Fair Value (in thousands)
Inventory	$ 88
Intangible assets	545
Goodwill	742
Purchase price	$ 1,375

The goodwill will be deductible for tax purposes over 15 years.

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The following table reflects the allocation of the acquired intangible assets and related estimated useful lives:

	Allocated Fair Value (in thousands)	Weighted Average Useful Life
Non-compete agreement	$ 120	5.0 years
Tradename license	17	3.0 years
Technology	391	7.0 years
Customer relationships	17	3.0 years
Total intangible assets	$ 545	

Other Items

Following the Tru-Incise valvulotome acquisition, we entered into definitive agreements with seven UreSil distributors to terminate their distribution of the Tru-Incise valvulotome for $0.2 million. We paid approximately $0.1 million to date with the remainder primarily due in 2015. We recorded approximately $0.2 million of intangible assets with a weighted-average amortization period of 3.0 years.

In August 2015, we entered into a definitive agreement with Grex Medical Oy (Grex) our distributor in Finland in order to terminate their distribution of our products and we will begin selling direct to hospitals in Finland as of January 1, 2016. The agreement required us to pay approximately $0.2 million in exchange for the purchase of customer lists and a non-compete agreement.

Our acquisitions have historically been made at prices above the fair value of the acquired identifiable assets, resulting in goodwill, due to expectations of synergies that will be realized by combining businesses. These synergies include the use of our existing sales channel to expand sales of the acquired businesses products, consolidation of manufacturing facilities, and the leveraging of our existing administrative infrastructure.

Non-occlusive Modeling Catheter Divestiture

In July 2015, we entered into an asset sales agreement with Merit Medical Ireland Limited to sell our inventory, intellectual property, and customer lists associated with our non-occlusive modeling catheter product line for $0.4 million which was recognized as a gain on divestiture in the three months ended September 30, 2015. During the nine months ended September 30, 2014, we recognized an impairment charge of $0.2 million on our non-occlusive modeling catheter product line. Additionally, we recognized a $0.3 million charge to cost of sales related to the non-occlusive modeling catheter inventory.

The fair market valuations associated with these transactions fall within Level 3 of the fair value hierarchy, due to the use of significant unobservable inputs to determine fair value. The fair value measurements were calculated using unobservable inputs, primarily using the income approach, specifically the discounted cash flow method. The amount and timing of future cash flows within our analysis was based on our due diligence models, most recent operational budgets, long range strategic plans and other estimates.

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5. Goodwill and Other Intangibles

Goodwill consists of the following:

	(in thousands)
Balance at beginning of year	$ 17,281
Additions for acquisitions	742
Effects of currency exchange	(306)
Balance at September 30, 2015	$ 17,717

Other intangibles consist of the following:

	September 30, 2015			December 31, 2014		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
	(in thousands)					
Product technology	$ 7,083	$ 3,052	$ 4,031	$ 7,134	$ 2,777	$ 4,357
Trademarks and licenses	1,556	1,190	366	1,557	1,074	483
Customer relationships	3,791	2,054	1,737	3,694	1,781	1,913
Other intangible assets	1,295	773	522	1,084	680	404
Total identifiable intangible assets	$ 13,725	$ 7,069	$ 6,656	$ 13,469	$ 6,312	$ 7,157

These intangible assets are being amortized over their useful lives ranging from 1 to 13 years. The weighted-average amortization period for these intangibles as of September 30, 2015 is 7.3 years. Amortization expense is included in general and administrative expense and is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Amortization expense	$ 387	$ 359	$ 1,135	$ 1,098

Estimated amortization expense for the remainder of 2015 and each of the five succeeding fiscal years is as follows:

2015	2016	2017	2018	2019	2020
(in thousands)					

Amortization expense	$ 365	$ 1,456	$ 1,199	$ 1,012	$ 827	$ 578

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6. Accrued Expenses

Accrued expenses consist of the following:

	September 30, 2015	December 31, 2014
	(in thousands)	
Compensation and related taxes	$ 4,539	$ 4,819
Income and other taxes	657	444
Professional fees	476	496
Other	1,926	1,720
Total	$ 7,598	$ 7,479

7. Restructuring

In February 2014, we committed to a plan intended to improve operational efficiencies, which included a reduction in force of approximately 10% of our workforce and other cost-cutting measures, including the transfer of our Clinical Instruments manufacturing to our Burlington headquarters and corresponding closure of our Southbridge manufacturing facility. As a result, we recorded approximately $0.4 million of severance related restructuring expense for the three months ended March 31, 2014. We made approximately $0.1 million of severance related payments during the three months ended March 31, 2014.

In April 2014, we committed to an additional reduction in force of approximately seven employees. As a result, we recorded approximately $0.1 million of severance related restructuring expense for the three months ended June 30, 2014.

We did not incur restructuring charges during the nine months ended September 30, 2015.

8. Commitments and Contingencies

Purchase Commitments

As of September 30, 2015, as part of our normal course of business, we have commitments to purchase $2.5 million of inventory through 2017.

9. Segment and Enterprise-Wide Disclosures

The FASB establishes standards for reporting information regarding operating segments in financial statements. Operating segments are identified as components of an enterprise about which separate, discrete financial information is evaluated by the chief operating decision-maker in making decisions on how to allocate resources and assess performance. We view our operations and manage our business as one operating segment. No discrete operating information is prepared by us except for product sales by product line and by legal entity for local reporting purposes.

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Most of our revenues were generated in the United States, Germany, Italy, Japan, Canada, and other European countries, and substantially all of our assets are located in the United States. Net sales to unaffiliated customers by country were as follows:

	Three months ended September 30, 2015		Nine months ended September 30, 2015	
	2015	2014	2015	2014
	(in thousands)			
United States	$ 11,171	$ 10,605	$ 33,774	$ 31,221
Germany	2,208	1,789	6,900	5,551
Italy	579	635	1,991	1,976
Other countries	5,067	4,472	15,204	13,668
Net Sales	$ 19,025	$ 17,501	$ 57,869	$ 52,416

10. Share-based Compensation

Our 2006 Stock Option and Incentive Plan allows for granting of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock units, unrestricted stock awards, and deferred stock awards to our officers, employees, directors, and consultants.

The components of share-based compensation expense were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Stock option awards	$ 327	$ 294	$ 752	$ 687
Restricted stock units	152	145	336	295
Total share-based compensation	$ 479	$ 439	$ 1,088	$ 982

We have computed the weighted average fair values of employee stock options for option grants issued during the nine months ended September 30, 2015 and 2014 using the Black-Scholes option model with the following assumptions:

	2015	2014
Dividend yield	1.4%	1.8%
Volatility	28.6%	45.2%
Risk-free interest rate	1.8%	2.0%

Weighted average expected option term (in years)	5.6	5.5
Weighted average fair value per share of options granted	$ 2.80	$ 2.81

The weighted-average fair value per share of restricted stock unit grants issued for the nine months ended September 30, 2015 was $11.32. The weighted-average fair value per share of restricted stock unit grants issued for the nine months ended September 30, 2014 was $7.87.

We issued approximately 721,000 and 175,000 shares of common stock following the exercise or vesting of underlying stock options or restricted stock units in the nine months ended September 30, 2015 and 2014, respectively.

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11. Net Income per Share

The computation of basic and diluted net income per share was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(in thousands, except per share data)			
Basic:				
Net income available for common stockholders	$ 2,092	$ 934	$ 5,228	$ 1,999
Weighted average shares outstanding	17,865	17,348	17,625	16,358
Basic earnings per share	$ 0.12	$ 0.05	$ 0.30	$ 0.12
Diluted:				
Net income available for common stockholders	$ 2,092	$ 934	$ 5,228	$ 1,999
Weighted-average shares outstanding	17,865	17,348	17,625	16,358
Common stock equivalents, if diluted	632	361	510	414
Shares used in computing diluted earnings per common share	18,497	17,709	18,136	16,772
Diluted earnings per share	$ 0.11	$ 0.05	$ 0.29	$ 0.12
Shares excluded in computing diluted earnings per share as those shares would be anti-dilutive	40	356	81	228

12. Stockholders Equity

Share Offering

On June 4, 2014, we issued 1,644,500 shares of our common stock, $0.01 par value per share, at a price to the public of $7.00 per share less underwriting discounts. The net proceeds, after deducting the underwriting discounts and other estimated offering expenses, were approximately $10.5 million. We deployed the net proceeds from the offering on acquisitions consummated in 2014 and used the remainder for general corporate purposes, including continued development of our products, working capital and capital expenditures, payments under our quarterly dividend program, and payments related to acquisitions.

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Dividends

In February 2011, our Board of Directors approved a policy for the payment of quarterly cash dividends on our common stock. Future declarations of quarterly dividends and the establishment of future record and payment dates are subject to approval by our Board of Directors on a quarterly basis. The dividend activity for the periods presented is as follows:

Record Date	Payment Date	Per Share Amount	Dividend Payment
			(in thousands)
Fiscal Year 2015			
March 20, 2015	April 3, 2015	$ 0.040	$ 700
May 22, 2015	June 5, 2015	$ 0.040	$ 705
August 20, 2015	September 3, 2015	$ 0.040	$ 715
Fiscal Year 2014			
March 20, 2014	April 3, 2014	$ 0.035	$ 546
May 22, 2014	June 5, 2014	$ 0.035	$ 547
August 21, 2014	September 4, 2014	$ 0.035	$ 607
November 20, 2014	December 4, 2014	$ 0.035	$ 608

On October 22, 2015 our Board of Directors approved a quarterly cash dividend on our common stock of $0.04 per share payable on December 4, 2015 to stockholders of record at the close of business on November 20, 2015, which will total approximately $0.7 million.

13. Supplemental Cash Flow Information

	Nine months ended September 30,	
	2015	2014
	(in thousands)	
Cash paid for income taxes, net	$ 3,341	$ 1,276
Common stock repurchased for RSU tax withholdings	$ 266	$ 211

14. Fair Value Measurements

The fair value accounting guidance requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

As of September 30, 2015, we had cash equivalents in a money market fund that was valued using Level 1 inputs (quoted market prices for identical assets) at a fair value of $12.0 million.

We had no Level 2 assets being measured at fair value on a recurring basis as of September 30, 2015.

As discussed in Note 4, we had one remaining acquisition-related contingent liability which is remeasured each reporting period using Level 3 techniques based on an assessment of the probability that we will be required to make such future payment. There were no changes in estimated liability associated with this milestone as we were not required to pay the second sales related milestone.

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15. Accumulated Other Comprehensive Loss

Changes to our accumulated other comprehensive loss consisted of foreign currency translation for the nine months ended September 30, 2015 and 2014, respectively.

	Nine months ended September 30,	
	2015	2014
Beginning balance	$ (2,365)	$ (253)
Other comprehensive loss before reclassifications	(1,668)	(1,375)
Ending Balance	$ (4,033)	$ (1,628)

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements (within the meaning of the federal securities law) that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this report regarding our strategy, future operations, future financial position, future net sales, projected costs, projected expenses, prospects and plans and objectives of management are forward-looking statements. The words anticipates, believes, estimates, expects, intends, may, plans, projects, will, would, and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that the expectations underlying any of our forward-looking statements are reasonable, these expectations may prove to be incorrect, and all of these statements are subject to risks and uncertainties. Should one or more of these risks and uncertainties materialize, or should underlying assumptions, projections, or expectations prove incorrect, our actual results, performance, or financial condition may vary materially and adversely from those anticipated, estimated, or expected. These risks and uncertainties include, but are not limited to: the risk that the Company may not realize the anticipated benefits of its strategic activities; risks related to the integration of acquisition targets; the risk that assumptions about the market for the Company s products and the productivity of the Company s direct sales force and distributors may not be correct; risks related to product demand and market acceptance of the Company s products and pricing; the risk that the introduction of the HYDRO valvulotome will not be well received in the marketplace; risks related to attracting, training and retaining sales representatives and other employees in new markets such as Finland and New Zealand; adverse or fluctuating conditions in the general domestic and global economic markets; and the risk that the Company is not successful in transitioning to a direct-selling model in new territories.

Forward-looking statements reflect management s analysis as of the date of this quarterly report. Further information on potential risk factors that could affect our business and financial results is detailed in Part II, Item 1A, Risk Factors in this Quarterly Report on Form 10-Q and in our other filings with the Securities and Exchange Commission, including under the section headed Risk Factors in our most recent Annual Report on Form 10-K. Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. The following discussion and analysis should be read in conjunction with our consolidated financial statements and the related notes included in this report and our other SEC filings, including our audited consolidated financial statements and the related notes contained in our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC on March 18, 2015. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

Unless the context requires otherwise, references to LeMaitre Vascular, we, our, and us in this Quarterly Report on Form 10-Q refer to LeMaitre Vascular, Inc. and its subsidiaries.

LeMaitre, AlboSure, Omniflow, and XenoSure are registered trademarks of LeMaitre Vascular or one of its subsidiaries. This Quarterly Report on Form 10-Q also includes the registered and unregistered trademarks of other persons, which are the property of their respective owners.

Overview

We are a medical device company that develops, manufactures, and markets medical devices and implants for the treatment of peripheral vascular disease. Our principal product offerings are sold throughout the world, primarily in North America, Europe and, to a lesser extent, Asia and the Pacific Rim. We estimate that the annual worldwide market for all peripheral vascular devices approximates $4 billion, within which our core product lines address

roughly $750 million. We have grown our business by using a three-pronged strategy: competing for sales of niche products, expanding our worldwide direct sales force, and acquiring and developing complementary vascular devices. We have used acquisitions as a primary means of further accessing the larger peripheral vascular device market, and we expect to continue to pursue this strategy in the future. Additionally, we have increased our efforts to expand our vascular device offerings through new product development. We currently manufacture most of our product lines in our Burlington, Massachusetts headquarters.

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Our products are used by vascular surgeons who treat peripheral vascular disease through both open surgical methods and endovascular techniques. In contrast to interventional cardiologists and interventional radiologists, neither of whom are certified to perform open surgical procedures, vascular surgeons can perform both open surgical and minimally invasive endovascular procedures, and are therefore uniquely positioned to provide a wider range of treatment options to patients.

Our principal product lines include the following: valvulotomes, balloon catheters, carotid shunts, biologic vascular patches, radiopaque marking tape, anastomotic clips, remote endarterectomy devices, laparoscopic cholecystectomy devices, vascular grafts, biosynthetic vascular grafts, angioscopes, and powered phlebectomy devices.

To assist us in evaluating our business strategies, we regularly monitor long-term technology trends in the peripheral vascular device market. Additionally, we consider the information obtained from discussions with the medical community in connection with the demand for our products, including potential new product launches. We also use this information to help determine our competitive position in the peripheral vascular device market and our manufacturing capacity requirements.

Our business opportunities include the following:

- the long-term growth of our sales force in North America, Europe, Asia and the Pacific Rim, sometimes in connection with terminations of certain distributor relationships in order to expand our sales presence in new countries;
- the addition of complementary products through acquisitions;
- the updating of existing products and introduction of new products through research and development;
- the introduction of our products in new territories upon receipt of regulatory approvals in these territories; and
- the consolidation of product manufacturing into our Burlington, Massachusetts corporate headquarters facility.

We sell our products primarily through a direct sales force. As of September 30, 2015, our sales force was comprised of 82 sales representatives in North America, Europe, Japan, Australia, and New Zealand. We also sell our products in other countries through distributors. Our worldwide headquarters is located in Burlington, Massachusetts. Our international operations are headquartered in Sulzbach, Germany. We also have sales offices located i