Audette Matthew J
Form 4
November 01, 2017

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
Audette Matthew J

(Last) (First) (Middle)

C/O LPL FINANCIAL HOLDINGS INC., 75 STATE STREET, 22ND FLOOR

(Street)

BOSTON, MA 02109

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
LPL Financial Holdings Inc. [LPLA]

3. Date of Earliest Transaction (Month/Day/Year)
10/30/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Financial Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	10/30/2017		F		3,063	D	$ 49.44	33,414 (1)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Audette Matthew J C/O LPL FINANCIAL HOLDINGS INC. 75 STATE STREET, 22ND FLOOR BOSTON, MA 02109			Chief Financial Officer	

Signatures

/s/ Gregory M. Woods, attorney-in-fact	11/01/2017
**Signature of Reporting Person	Date

Explanation of Responses:

***** If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

****** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Consists of (i) 8,834 shares of Common Stock; (ii) 7,686 restricted stock units that vest ratably on each of February 25, 2018 and February 25, 2019; (iii) 3,111 restricted stock units that vest in full on February 25, 2019; (iv) 5,867 restricted stock units that vest in full on October 30, 2018; and (v) 7,916 restricted stock units that vest ratably on each of March 13, 2018, March 13, 2019 and March 13, 2020.

Remarks:

The signatory is signing on behalf of Matthew J. Audette pursuant to a Power of Attorney dated September 30, 2015.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Other countries

8,068 7,227

Net Sales

$25,994 $24,139

Explanation of Responses:

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9. Share-based Compensation

Our Third Amended and Restated 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 March 31,	
	2018	2017
	(in thousands)	
Stock option awards	$ 389	$ 314
Restricted stock units	232	173
Total share-based compensation	$ 621	$ 487

Stock-based compensation is included in our statements of operations as follows:

	Three months ended March 31,	
	2018	2017
	(in thousands)	
Cost of sales	$ 64	$ 53
Sales and marketing	138	116
General and administrative	351	274
Research and development	68	44
Total stock-based compensation	$ 621	$ 487

We did not grant any options during the three months ended March 31, 2018. Option grants during the three months ended March 31, 2017 were not material. We did not issue awards of restricted stock during the three months ended March 31, 2018 or 2017.

We issued approximately 35,000 and 115,000 shares of common stock following the exercise or vesting of underlying stock options or restricted stock units in the three months ended March 31, 2018 and 2017, respectively.

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10. Net Income per Share

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

	Three months ended March 31,	
	2018	2017
	(in thousands, except per share data)	
Basic:		
Net income available for common stockholders	$ 3,853	$ 3,219
Weighted average shares outstanding	19,283	18,631
Basic earnings per share	$ 0.20	$ 0.17
Diluted:		
Net income available for common stockholders	$ 3,853	$ 3,219
Weighted-average shares outstanding	19,283	18,631
Common stock equivalents, if dilutive	898	1,076
Shares used in computing diluted earnings per common share	20,181	19,707
Diluted earnings per share	$ 0.19	$ 0.16
Shares excluded in computing diluted earnings per share as those shares would be anti-dilutive	218	1

11. Stockholders Equity

Share Repurchase Program

On July 25, 2017, our Board of Directors approved a stock repurchase program under which the Company is authorized to repurchase up to $7.5 million of its common stock through transactions on the open market, in privately negotiated purchases or otherwise. This program may be suspended or discontinued at any time, and expires on the earlier of July 25, 2018 or when the authorized aggregate $7.5 million repurchase limit is reached, unless extended by our Board of Directors. We have not made any share repurchases under this program.

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 2018			
March 22, 2018	April 5, 2018	$ 0.070	$ 1,351
Fiscal Year 2017			
March 22, 2017	April 6, 2017	$ 0.055	$ 1,029
May 24, 2017	June 8, 2017	$ 0.055	$ 1,036
August 23, 2017	September 6, 2017	$ 0.055	$ 1,055
November 22, 2017	December 7, 2017	$ 0.055	$ 1,060

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On April 23, 2018 our Board of Directors approved a quarterly cash dividend on our common stock of $0.07 per share payable on June 7, 2018 to stockholders of record at the close of business on May 22, 2018, which will total approximately $1.4 million.

12. Supplemental Cash Flow Information

	Three months ended March 31,	
	2018	2017
	(in thousands)	
Cash paid for income taxes, net	$ 1,562	$ 275

13. 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.

Level 1 assets being measured at fair value on a recurring basis as of March 31, 2018 included our short-term investment mutual fund account.

We had no Level 2 assets being measured at fair value on a recurring basis as of March 31, 2018.

As discussed in Note 4, several of our acquisition-related assets and liabilities have been measured using Level 3 techniques. During 2016, we recorded contingent liabilities associated with our acquisitions of the RestoreFlow allograft and ProCol biologic graft businesses. In the case of the Restore Flow allograft acquisition, the agreement included the potential for us to pay up to $5.1 million of additional consideration, with $1.1 million contingent on the continued employment by LeMaitre of certain retained employees, and another $4.0 million contingent on the achievement of specified levels of revenues in the first 12 and 24 months following the acquisition date. This additional consideration was initially valued in total at $1.0 million and is being re-measured each reporting period until the payment requirement ends, with any adjustments reported in income from operations. The amount attributable to the first 12 months of revenue following the acquisition date was not paid as the associated revenue metric was not achieved. In the case of ProCol, additional consideration is payable to the former shareholders for a three-year period following the closing, calculated at 10% of ProCol revenues. This additional consideration was initially valued at $0.3 million and is being re-measured each reporting period until the payment requirement ends,

with any adjustments reported in income from operations. These arrangements are described more fully in Note 4. The following table provides a rollforward of the fair value of these liabilities, as determined by Level 3 unobservable inputs including management s forecast of future revenues for these acquired businesses, as well as, in the case of the Restore Flow allograft acquisition, management s estimate of the likelihood of continued employment of certain retained employees.

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	Three months ended March 31,	
	2018	2017
	(in thousands)	
Beginning balance	$ 1,300	$ 1,320
Additions		
Payments	(35)	(23)
Change in fair value included in earnings	30	23
Ending balance	$ 1,295	$ 1,320

14. Accumulated Other Comprehensive Loss

	Three months ended March 31,	
	2018	2017
	(in thousands)	
Beginning balance	$ (2,289)	$ (4,583)
Other comprehensive income (loss) before reclassifications	283	620
Amounts reclassified from accumulated other comprehensive loss		
Ending Balance	$ (2,006)	$ (3,963)

Changes to our accumulated other comprehensive loss consisted primarily of foreign currency translation for the three months ended March 31, 2018 and 2017.

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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, 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 of significant fluctuations in our quarterly and annual results due to numerous factors; the risk that we may not be able to maintain our recent levels of profitability; the risk that the Company may not realize the anticipated benefits of its strategic activities; 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 the integration of acquisition targets; risks related to product demand and market acceptance of the Company s products and pricing; the risk that a recall of our products could result in significant costs or negative publicity; 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, 2017, as filed with the SEC on March 9, 2018. 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 indicates otherwise, references to LeMaitre Vascular, we, our, and us in this Quarterly Report o Form 10-Q refer to LeMaitre Vascular, Inc. and its subsidiaries.

LeMaitre, AnastoClip, Omniflow, ProCol, RestoreFlow 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. We also provide processing and cryopreservation services of human tissue for implantation into patients. 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 exceeds $5 billion, within which our core product lines address roughly $870 million. We have grown our business by using a three-pronged strategy: 1) pursuing a focused call point, 2) competing for

sales of low-rivalry niche products, and 3) expanding our worldwide direct sales force while 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 continued our efforts to expand our vascular device offerings through research and development. We currently manufacture most of our product lines at our Burlington, Massachusetts headquarters.

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Our products are used primarily 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: anastomotic clips, angioscopes, balloon catheters, biologic vascular grafts, biologic vascular patches, carotid shunts, laparoscopic cholecystectomy devices (subsequently divested in Q2 2018), powered phlebectomy devices, radiopaque marking tape, remote endarterectomy devices, synthetic vascular grafts, and valvulotomes. With the November 10, 2016 acquisition of the RestoreFlow allografts business, we also provide services related to the processing and cryopreservation of human vascular tissue.

Our biologic devices, which include vascular patches and vascular grafts (including allografts, ovine grafts and bovine grafts), have become a larger proportion of our total sales over time, and in the current quarter represented 36% of worldwide sales. We generally view the biologic device segment favorably, as we believe it contains differentiated and growing product segments.

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 direct sales force in North America, Europe, Asia and the Pacific Rim;
- 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 or registrations in these territories; and
- the consolidation of, and automation of, product manufacturing at our facilities in our Burlington, Massachusetts corporate headquarters.

We sell our products and services primarily through a direct sales force. As of March 31, 2018 our sales force was comprised of 94 sales representatives in North America, Europe, Japan, China and Australia. We also sell our products in other countries through distributors. Our worldwide headquarters is located in Burlington, Massachusetts. Our European operations are headquartered in Sulzbach, Germany. We also have sales offices located in Tokyo, Japan; Vaughan, Canada; Madrid, Spain; Milan, Italy; Shanghai, China; and North Melbourne, Australia, and we have a processing facility in Fox River Grove, Illinois and a manufacturing facility in North Melbourne, Australia. During

the three months ended March 31, 2018 and 2017, approximately 95% and 93%, respectively, of our net sales were generated in territories in which we employ direct sales representatives.

Historically we have experienced success in lower-rivalry niche product segments, for example the markets for biologic vascular patches and valvulotome devices. In the biologic vascular patch market the number of competitors is limited, and we believe that we have been able to increase market share and increase selling prices, mainly due to the strength of our sales force. In the valvulotome market, we have been able to increase our selling prices while maintaining our unit market share. In contrast, we have experienced less success in highly competitive markets such as synthetic grafts, where we face stronger competition from larger companies with greater resources and lower production costs. While we believe that these challenging market dynamics can be mitigated by our relationships with vascular surgeons, there can be no assurance that we will be successful in these highly competitive markets.

In recent years we have also experienced success in international markets, such as Europe, where we sometimes offer comparatively lower average selling prices. If we continue to seek growth opportunities outside of North America, we may experience downward pressure on our gross margin.

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Because we believe that direct-to-hospital sales engender closer customer relationships, and allow for higher selling prices and gross margins, we periodically enter into transactions with our distributors to transition their sales of our medical devices to our direct sales organization:

- During 2015, we entered into definitive agreements with seven former UreSil, LLC distributors in Europe in order to terminate their distribution of our Tru-Incise valvulotome and we began selling direct-to-hospital in those geographies. The termination fees totaled approximately $0.2 million

- 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 began selling direct-to-hospital in Finland as of January 1, 2016. The termination fee was approximately $0.2 million.

- In December 2015, we signed a master distribution agreement with Meheco Yonstron Pharmaceutical Co. Ltd., a Chinese distribution and logistics company, and began selling our Chinese market products to Meheco in 2016. Meheco then sold our products to multiple sub-distributors who then sold to Chinese hospitals. This agreement expired in December 2017, and we are currently in the process of signing distribution agreements with sub-distributors and have begun selling our products directly to sub-distributors in China.

- In March 2018 we terminated our master distribution agreement with Sinopharm United Medical Device Co., Ltd. under which we sold our powered phlebectomy device and related disposable devices to them for distribution in China. In April 2018 we began selling these products directly to sub-distributors in China.

We anticipate that the expansion of our sales organization in China will result in increased sales, marketing and regulatory expenses during 2018. As of March 31, 2018 we had seven employees in China.

Our strategy for growing our business includes the acquisition of complementary product lines and companies and occasionally the discontinuance or divestiture of products or activities that are no longer complementary:

- In May 2015, we acquired the production and distribution rights of UreSil LLC s Tru-Incise valvulotome for sales outside of the United States for $1.4 million.

- In March 2016, we acquired substantially all of the assets as well as the production and distribution rights of the ProCol business from Hancock Jaffe Laboratories and CryoLife, Inc. for $2.7 million plus 10% of net sales for three years following the closing. ProCol is a biologic vascular graft used for dialysis access and is approved for sale in the United States.

- In November 2016, we acquired substantially all of the assets related to the peripheral vascular allograft operations of Restore Flow Allografts, LLC for $12.0 million plus additional payments of up to $4.0 million as of March 31, 2018 depending upon the satisfaction of certain contingencies.

In April 2018, we sold our Reddick cholangiogram catheter and Reddick Saye-Screw product lines to Specialty Surgical Instrumentation, Inc. for $7.4 million.

In addition to relying upon acquisitions to grow our business, we also rely on our product development efforts to bring differentiated and next-generation products to market. These efforts have led to the following recent product developments:

In October 2016, we launched additional sizes of our XenoSure patch.

In December 2016, we launched the 7.0mm diameter size Omniflow graft.

In October 2017, we launched XenoSure biologic pledgets.

In April 2018, we expanded the indications for our Anastoclip GC in the United States to include dura tissue repair.

In addition to our sales growth strategies, we have also executed several operational initiatives designed to consolidate and streamline manufacturing within our Burlington, Massachusetts facilities. We expect that these plant consolidations will result in improved production control as well as reduced costs over the long-term. Our most recent manufacturing transitions included:

In May 2015, we initiated a project to transfer the manufacturing of the newly acquired Tru-Incise valvulotome product line to our Burlington facility. The manufacturing transition was completed in 2017.

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In March 2016, we initiated a project to transfer the manufacturing of the newly acquired ProCol biologic product line to our Burlington facility. This transition was completed in 2018.

In 2017 we completed the renovation of a portion of our manufacturing facility in Burlington, in which we expect most of our biologic offerings, including the XenoSure patch as well as certain biologic grafts, to be produced or processed. The cost of the facility renovation was approximately $3.0 million.

Our execution of these business opportunities may affect the comparability of our financial results from period to period and may cause substantial fluctuations from period to period as we incur related process engineering and other charges, as well as longer term impacts to revenues and operating expenditures.

For the three months ended March 31, 2018, approximately 43% of our sales were to customers located outside the United States. Fluctuations in the rate of exchange between the U.S. dollar and foreign currencies, primarily the Euro, affect our financial results. Selling, marketing, and administrative costs related to these sales are largely denominated in the local currency, thereby partially mitigating our exposure to exchange rate fluctuations. However, as most of our foreign sales are denominated in local currency, if there is an increase in the rate at which a foreign currency is exchanged for U.S. dollars, it will require more of the foreign currency to equal a specified amount of U.S. dollars. In such cases we will record less revenue in U.S. dollars than we did prior to the rate increase. For the three months ended March 31, 2018, the effects of changes in foreign exchange rates increased our reported sales by approximately $1.2 million as compared to the rates in effect in the year-earlier period.

Net Sales and Expense Components

The following is a description of the primary components of our net sales and expenses:

Net sales. We derive our net sales from the sale of our products and services, less discounts and returns. Net sales include the shipping and handling fees paid for by our customers. Most of our sales are generated by our direct sales force and are shipped and billed to hospitals or clinics throughout the world. In countries where we do not have a direct sales force, sales are primarily to distributors, who in turn sell to hospitals and clinics. In certain cases our products are held on consignment at a hospital or clinic prior to purchase; in those instances we recognize revenue at the time the product is used in surgery rather than at shipment.

Cost of sales. We manufacture the majority of the products that we sell. Our cost of sales consists primarily of manufacturing personnel, raw materials and components, depreciation of property and equipment, and other allocated manufacturing overhead, as well as freight expense we pay to ship products to customers.

Sales and marketing. Our sales and marketing expense consists primarily of salaries, commissions, stock based compensation, travel and entertainment, attendance at vascular congresses, training programs, advertising and product promotions, direct mail and other marketing costs.

General and administrative. General and administrative expense consists primarily of executive, finance and human resource salaries, stock based compensation, legal and accounting fees, information technology expense, intangible asset amortization expense and insurance expense.

Research and development. Research and development expense includes costs associated with the design, development, testing, enhancement and regulatory approval of our products, principally salaries, laboratory testing and supply costs. It also includes costs associated with design and execution of clinical studies, regulatory submissions and costs to register, maintain, and defend our intellectual property, and royalty payments associated with

licensed and acquired intellectual property.

Other income (expense). Other income (expense) primarily includes interest income and expense, foreign currency gains (losses), and other miscellaneous gains (losses).

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Income tax expense. We are subject to federal and state income taxes for earnings generated in the United States, which include operating losses in certain foreign jurisdictions for certain years depending on tax elections made, and foreign taxes on earnings of our wholly-owned foreign subsidiaries. Our consolidated tax expense is affected by the mix of our taxable income (loss) in the United States and foreign subsidiaries, permanent items, discrete items, unrecognized tax benefits, and amortization of goodwill for U.S tax reporting purposes.

Results of Operations

Comparison of the three months ended March 31, 2018 to the three months ended March 31, 2017:

The following tables set forth, for the periods indicated, our net sales by geography, and the change between the specified periods expressed as a percentage increase or decrease:

	Three months ended March 31,		
(unaudited)	**2018**	**2017**	**Percent change**
	($ in thousands)		
Net sales	$ 25,994	$ 24,139	8%
Net sales by geography:			
Americas	$ 15,860	$ 14,980	6%
Europe, Middle East and Africa	$ 8,755	$ 7,614	15%
Asia/Pacific Rim	1,379	1,545	(11%)
Total	$ 25,994	$ 24,139	8%

Net sales. Net sales increased $1.9 million or 8% to $26.0 million for the three months ended March 31, 2018, compared to $24.1 million for the three months ended March 31, 2017. The sales increase for the three months ended March 31, 2018 occurred across multiple product lines including our biologic vascular patches which increased by $0.6 million, allografts $0.6 million, valvulotomes $0.5 million, shunts $0.3 million and Omniflow II biologic grafts $0.2 million. Partly offsetting these increases were sales declines of powered phlebectomy systems of $0.4 million, and anastomotic clips of $0.2 million.

Direct-to-hospital net sales were 95% and 93% of our total net sales for the three months ended March 31, 2018 and 2017, respectively.

Net sales by geography. Net sales in the Americas increased $0.9 million or 6% for the three months ended March 31, 2018. The increase was primarily driven by increased revenues from our allograft cryopreservation services and valvulotomes.

Europe, Middle East and Africa (or EMEA) net sales increased $1.1 million, or 15% for the three months ended March 31, 2018. The increase was primarily driven by the favorable effect of foreign exchange rate changes versus the comparative period.

Asia/Pacific Rim net sales decreased $0.2 million, or 11% for the three months ended March 31, 2018. The decrease was primarily driven by decreased sales of our powered phlebectomy systems of $0.4 million in China. This decrease was partly offset by higher sales in Japan of catheters, shunts and valvulotomes.

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The following table sets forth the change in our gross profit and gross margin for the periods indicated:

(unaudited)	Three months ended March 31,			
	2018	2017	Change	Percent change
	($ in thousands)			
Gross profit	$ 18,474	$ 17,353	$ 1,121	6%
Gross margin	71.1%	71.9%	(0.8%)	*

* Not applicable

Gross Profit. Gross profit increased $1.1 million to $18.5 million for the three months ended March 31, 2018, while gross margin decreased 80 basis points to 71.1% in the period. The gross profit dollar increase was a result of higher sales. The gross margin decrease was largely driven by higher manufacturing costs of certain of our products, increased scrap costs for defective materials, and increased allograft revenues which have a lower gross margin. These effects were partially offset by higher average selling prices across most product lines, the favorable impact of foreign exchange rate changes and lower sales in China, where we typically realize lower gross margins than in the United States.

Operating Expenses

The following tables set forth changes in our operating expenses for the periods indicated and the change between the specified periods expressed as a percentage increase or decrease:

(unaudited)	Three months ended March 31,			
	2018	2017	$ Change	Percent change
Sales and marketing	$ 7,090	$ 6,954	$ 136	2%
General and administrative	4,697	4,548	149	3%
Research and development	1,825	1,658	167	10%
Total	$ 13,612	$ 13,160	$ 452	3%

	Three months ended March 31,		
	2018 % of Net Sales	2017 % of Net Sales	Change
Sales and marketing	27%	29%	(2%)
General and administrative	18%	19%	(1%)
Research and development	7%	7%	0%

Sales and marketing. For the three months ended March 31, 2018, sales and marketing expense increased 2% to $7.1 million. The increase was driven mainly by increased spending in 2018 on our annual sales meeting which occurs in January, as well as severance costs. These increases were partly offset by lower compensation-related costs and travel due to fewer sales personnel in the 2018 period. As a percentage of net sales, sales and marketing expense was 27% in the three months ended March 31, 2018.

General and administrative. For the three months ended March 31, 2018, general and administrative expense increased 3% to $4.7 million. The general and administrative expense increases were driven by compensation costs, professional fees and bad debt expense, which were partly offset by lower acquisition-related charges. As a percentage of net sales, general and administrative expense was 18% for the three months ended March 31, 2018.

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Research and development. For the three months ended March 31, 2018, research and development expense increased 10% to $1.8 million. The increase was primarily related to costs for regulatory submissions for our products in China and Japan, as well as animal testing related to our biologic product offerings. As a percentage of net sales, research and development expense was 7% for the three months ended March 31, 2018.

Income tax expense**.** We recorded a tax provision of $1.1 million on pre-tax income of $4.9 million for the three months ended March 31, 2018, compared to a $1.0 million tax provision on pre-tax income of $4.2 million for the three months ended March 31, 2017. Our effective income tax rate was 21.6% for the three month period ended March 31, 2018. Our tax expense for the current period is based on an estimated annual effective tax rate of 24.6%, adjusted in the applicable quarterly periods for discrete stock option exercises and other discrete items. Our income tax expense for the current period varies from the statutory rate mainly due to federal and state tax credits, permanent items, different statutory rates from our foreign entities, and a discrete item for stock option exercises.

Our effective income tax rate was 24.1% for the three month period ended March 31, 2017. Our 2017 provision was based on the estimated annual effective tax rate of 36.0%, adjusted in the applicable quarterly period for discrete stock option exercises and other discrete items. Our income tax expense for 2017 varied from the statutory rate mainly due to federal and state tax credits, permanent items, lower statutory rates from our foreign entities, and a discrete item for stock option exercises.

We monitor the mix of profitability by tax jurisdiction and adjust our annual expected rate on a quarterly basis as needed. While it is often difficult to predict the final outcome or timing of the resolution for any particular tax matter, we believe that our tax reserves reflect the probable outcome of known contingencies.

We assess the likelihood that our deferred tax assets will be realized through future taxable income and record a valuation allowance to reduce gross deferred tax assets to an amount we believe is more likely than not to be realized. As of March 31, 2018, we have provided a valuation allowance of $2.0 million for deferred tax assets primarily related to Australian net operating loss and capital loss carry forwards and Massachusetts tax credit carry forwards that are not expected to be realized.

Liquidity and Capital Resources

At March 31, 2018, our cash and cash equivalents were $22.8 million as compared to $19.1 million at December 31, 2017. We also had $22.6 million in a short-term managed income mutual fund investment as of both March 31, 2018 and December 31, 2017. Our cash and cash equivalents are highly liquid investments with maturities of 90 days or less at the date of purchase, and consist primarily of operating bank accounts. Our short-term marketable securities consist of a managed income mutual fund investing mainly in short-term investment grade, U.S.-dollar denominated fixed and floating-rate debt. All of our cash held outside of the United States is available for corporate use, with the exception of $9.5 million held by subsidiaries in jurisdictions for which earnings are planned to be permanently reinvested.

On July 25, 2017, our Board of Directors approved a stock repurchase program under which the Company is authorized to repurchase up to $7.5 million of its common stock through transactions on the open market, in privately negotiated purchases or otherwise. This program may be suspended or discontinued at any time, and expires on the earlier of July 25, 2018 or when the authorized aggregate $7.5 million repurchase limit is reached, unless extended by our Board of Directors. To date, we have not made any repurchases under this program.

Operating and Capital Expenditure Requirements

We require cash to pay our operating expenses, make capital expenditures, and pay our long-term liabilities. Since our inception, we have funded our operations through public offerings and private placements of equity securities, short-term borrowings, and funds generated from our operations.

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We recognized operating income of $4.9 million for the three months ended March 31, 2018. For the year ended December 31, 2017, we had operating income of $21.1 million. We expect to fund any increased costs and expenditures from our existing cash and cash equivalents, though our future capital requirements depend on numerous factors. These factors include, but are not limited to, the following:

- the revenues generated by sales of our products and services;
- payments associated with potential future quarterly cash dividends to our common stockholders;
- future acquisition-related payments;
- payments associated with income and other taxes;
- the costs associated with expanding our manufacturing, marketing, sales, and distribution efforts;
- the costs associated with our initiatives to sell direct-to-hospital in new countries;
- the costs of obtaining and maintaining FDA and other regulatory clearances of our existing and future products;
- the number, timing, and nature of acquisitions, divestitures and other strategic transactions, and
- potential future share repurchases.

Our cash balances may decrease as we continue to use cash to fund our operations, make acquisitions, make payments under our quarterly dividend program, make share repurchases and make deferred payments related to prior acquisitions. We believe that our cash, cash equivalents, investments and the interest we earn on these balances will be sufficient to meet our anticipated cash requirements for at least the next twelve months. If these sources of cash are insufficient to satisfy our liquidity requirements beyond the next twelve months, we may seek to sell additional equity or debt securities or borrow funds from, or establish a revolving credit facility with, a financial institution. The sale of additional equity and debt securities may result in dilution to our stockholders. If we raise additional funds through the issuance of debt securities, such securities could have rights senior to those of our common stock and could contain covenants that would restrict our operations and possibly our ability to pay dividends. We may require additional capital beyond our currently-forecasted amounts. Any such required additional capital may not be available on reasonable terms, if at all.

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 2018			
March 22, 2018	April 5, 2018	$ 0.070	$ 1,351
Fiscal Year 2017			
March 22, 2017	April 6, 2017	$ 0.055	$ 1,029
May 24, 2017	June 8, 2017	$ 0.055	$ 1,036
August 23, 2017	September 6, 2017	$ 0.055	$ 1,055
November 22, 2017	December 7, 2017	$ 0.055	$ 1,060

On April 23, 2018 our Board of Directors approved a quarterly cash dividend on our common stock of $0.07 per share payable on June 7, 2018 to stockholders of record at the close of business on May 22, 2018, which will total approximately $1.4 million.

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Cash Flows

	Three months ended March 31, (in thousands)		
	2018	**2017**	**Net Change**
Cash and cash equivalents	$ 22,781	$ 25,810	$ (3,029)
Cash flows provided by (used in):			
Operating activities	$ 3,751	$ 2,476	$ 1,275
Investing activities	(521)	(1,691)	1,170
Financing activities	257	559	(302)

Net cash provided by operating activities. Net cash provided by operating activities was $3.8 million for the three months ended March 31, 2018, consisting of $3.9 million in net income adjusted for non-cash items of $1.9 million (including depreciation and amortization of $1.0 million, stock-based compensation of $0.6 million, and provisions for inventory write-offs and doubtful accounts of $0.2 million) and offset by changes in working capital of $1.9 million. The net cash used for working capital was driven by decreases in accounts payable and accrued expenses of $2.1 million and an increase in inventory and other deferred costs of $0.8 million, partly offset by decreases in accounts receivable of $0.6 million and prepaid expenses and other assets of $0.4 million.

Net cash provided by operating activities was $2.5 million for the three months ended March 31, 2017, consisting of $3.2 million in net income adjusted for non-cash items of $1.6 million (including depreciation and amortization of $1.0 million, stock-based compensation of $0.5 million, and provisions for inventory write-offs and doubtful accounts of $0.2 million) and offset by changes in working capital of $2.3 million. The net cash used for working capital was driven by increases in accounts receivable of $0.9 million and inventory of $1.1 million, as well as decreases in accounts payable and other liabilities of $0.4 million.

Net cash used in investing activities. Net cash used in investing activities was $0.5 million for three months ended March 31, 2018. This was primarily driven by expenditures on equipment and website technology improvements of $0.4 million as well as purchases of marketable securities of $0.1 million.

Net cash used in investing activities was $1.7 million for three months ended March 31, 2017. This was primarily driven by expenditures on leasehold improvements and equipment associated with the expansion of our Burlington, Massachusetts manufacturing operations.

Net cash provided by (used in) financing activities. Net cash provided by financing activities was $0.3 million for the three months ended March 31, 2018, consisting primarily of proceeds from stock option exercises.

Net cash provided by financing activities was $0.6 million for the three months ended March 31, 2017, consisting of proceeds from stock option exercises of $0.8 million, which were offset by payments related to prior acquisitions.

Contractual obligations. Our principal contractual obligations consist of operating leases and inventory purchase commitments, and have not changed significantly since December 31, 2017 as reported in our Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of March 31, 2018. We do not currently have, nor have we ever had, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts. As a result, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

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Critical Accounting Policies and Estimates

We have adopted various accounting policies to prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. Our most significant accounting policies are described in Note 1 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. With the exception of the adoption, effective January 1, 2018, of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* discussed in Note 1 to this Quarterly Report on Form 10-Q, there have been no material changes in our critical accounting policies during the three months ended March 31, 2018. The preparation of our consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Our estimates and assumptions, including those related to sales returns and discounts, share-based compensation, inventories, intangible assets, bad debts, and income taxes are reviewed on an ongoing basis and updated as appropriate. Actual results may differ from those estimates.

Recent Accounting Pronouncements

A summary of recent accounting pronouncements that may impact our financial statements upon adoption in future periods can be found in Note 1 to our financial statements included under Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of conducting business, we are exposed to certain risks associated with potential changes in market conditions. These market risks include changes in currency exchange rates and interest rates which could affect operating results, financial position and cash flows. We manage our exposure to these market risks through our regular operating and financing activities and, if considered appropriate, we may enter into derivative financial instruments such as forward currency exchange contracts, although we have not done so in 2018 or in recent years. There have been no material changes in our quantitative and qualitative market risks since the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2017.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation and supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified under SEC rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. We design our disclosure controls and procedures to ensure, at reasonable assurance levels, that such information is timely recorded, processed, summarized and reported, and then accumulated and communicated appropriately.

Based on an evaluation of our disclosure controls and procedures as of March 31, 2018 our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at reasonable assurance levels.

Changes in Internal Control

There have been no changes in our internal control over financial reporting for the three months ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Inherent Limitations of Internal Controls

Notwithstanding the foregoing, our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any system will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Part II. Other Information

Item 1. Legal Proceedings

In the ordinary course of business, we are from time to time involved in lawsuits, claims, investigations, proceedings, and threats of litigation relating to employment, product liability, commercial arrangements, contracts, intellectual property and other matters. While the outcome of these proceedings and claims cannot be predicted with certainty, there are no matters, as of May 1, 2018, that management believes would have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

In addition to the information set forth in this report, you should consider the risks and uncertainties discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2017, which could materially affect our business, financial condition, or future results. There have been no substantive changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the Securities and Exchange Commission on March 9, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

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Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed Herewith
10.1	Asset Purchase Agreement between the Registrant and Specialty Surgical Instrumentation, Inc. dated April 5, 2018.				X
31.1	Certification of Chief Executive Officer, as required by Rule 13a-14(a) or Rule 15 d-14(a).				X
31.2	Certification of Chief Financial Officer, as required by Rule 13a-14(a) or Rule 15d-14(a).				X
32.1	Certification by the Chief Executive Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350).*				X
32.2	Certification by the Chief Financial Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350).*				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				X

* The certifications attached as Exhibit 32.1 and Exhibit 32.2 that accompany this Quarterly Report on Form 10-Q, are not deemed filed with the SEC and are not to be incorporated by reference into any filing of LeMaitre Vascular, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on May 4, 2018.

LEMAITRE VASCULAR, INC.

/s/ George W. LeMaitre
George W. LeMaitre
Chairman and Chief Executive Officer

/s/ Joseph P. Pellegrino, Jr.
Joseph P. Pellegrino, Jr.
Chief Financial Officer and Director