

Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

UFP Technologies, Inc.

Rating: Buy

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UFPT \$22.86 — (NASDAQ CM)

	2014A	2015A	2016E	2017E
Revenues (millions)	\$139.3	\$138.9	\$147.0	\$153.1
Earnings per share (diluted)	\$1.05	\$1.05	\$1.45	\$1.73

52-Week range	\$25.50 – \$17.51	Fiscal year ends:	December
Shares outstanding as of 3/2/16	7.2 million	Revenue per share (TTM)	\$19.23
Approximate float	5.7 million	Price/Sales (TTM)	1.2X
Market capitalization	\$165 million	Price/Sales (2017)E	1.1X
Tangible book value/share	\$13.34	Price/Earnings (TTM)	21.8X
Price/tangible book	1.7X	Price/Earnings (2017)E	13.2X

UFP Technologies, headquartered in Georgetown, Massachusetts, designs and manufactures packaging and custom products for the medical, automotive, consumer, electronics, industrial, and aerospace and defense markets using foams, plastics, composites, and natural fiber materials. (www.ufpt.com)

Key investment considerations:

Reiterating Buy rating on UFP Technologies. Lowering twelve-month price target to \$25.00 from \$26.50 previously due to diminished valuation.

Continued strong demand from the medical market (sales up 14% in 2015), and the positive outlook for this market (as evidenced by a five-year, \$45 million deal with a key medical customer that will more than double the annual revenue from that customer), should help drive growth in UFPT's sales through our forecast horizon.

Plant consolidations in 2015 and 2016 will cut costs by approximately \$1 million annually, driving gross margin improvement from 27.3% in 2015, to 29% in 2016, and 30% in 2017.

For 2016, we project revenue growth of 6% to \$147 million (\$148.4 million previously) and EPS of \$1.45 (\$1.65 previously). Our lower projections are primarily due to the loss of a packaging contract by one of the company's customers in 2015.

For 2017, we project revenue growth of 4.1% to \$153.1 million and EPS of \$1.73. Our revenue projection takes into account the projected growth rates of the company's end markets and revenue from a five-year medical contract worth an estimated \$45 million.

4Q15 revenue (10-K released 3/11/16) decreased 4% to \$33.9 million while EPS increased to \$0.23 from \$0.22. Excluding restructuring costs of \$796,000 in 4Q15 and \$460,000 in 4Q14, EPS \$0.30 in 4Q15 versus \$0.26 in 4Q14. We projected 4Q15 sales of \$35.6 million and EPS of \$0.28.

Please view our disclosures on pages 11 - 13.

Recommendation and Valuation

We are reiterating our Buy rating on UFP Technologies. Lowering twelve-month price target to \$25.00 from \$26.50 previously due to diminished valuation.

Shares of UFPT currently trade at a trailing price to earnings multiple of 22X, down from 23X in our last report (November 2015). The company's direct competitors are trading at an average multiple of 19X TTM earnings (excludes Sealed Air's 30X multiple). In light of UFPT's diminished valuation, we lowered our multiple to 16X earnings (down from 18X previously). Applying a multiple of 16X to our 2017 earnings estimate of \$1.73 per share, discounted to account for execution risk, we obtain a year-ahead value of approximately \$25.00.

Business

UFP Technologies, headquartered in Georgetown, Massachusetts, designs and manufactures packaging and custom products for the medical, automotive, consumer, electronics, industrial, and aerospace and defense markets using foams, plastics, composites, and natural fiber materials.

UFPT's products include automotive interior trim, medical device components, disposable wound care components, athletic padding, air filtration, high-temperature insulation, and military uniform and gear components.

Approximately 41% of sales are to the medical device industry for applications such as compression-molded foam finger splints, orthopedic foam components, and dental fluoride trays. UFPT's other end markets (automotive, defense, consumer electronics, and industrial) each account for approximately 10% to 20% of the company's revenue.

The company differentiates itself through the design and production of customized products (such as foam case inserts pictured at right). Through a combination of materials, technology, and engineering, the company is able to produce unique case inserts for surgical instruments, customized repair kits, electronic parts, emergency response equipment, and many other applications.



Industry Outlook

In November 2015, IBISWorld forecasted the urethane foam manufacturing industry to grow at an average annual rate of 1.8% to \$11.3 billion through 2021. However, UFP Technologies' revenue should grow at a higher rate reflecting faster end market growth driven by an aging population, increasing automotive demand, and innovative new electronics products.

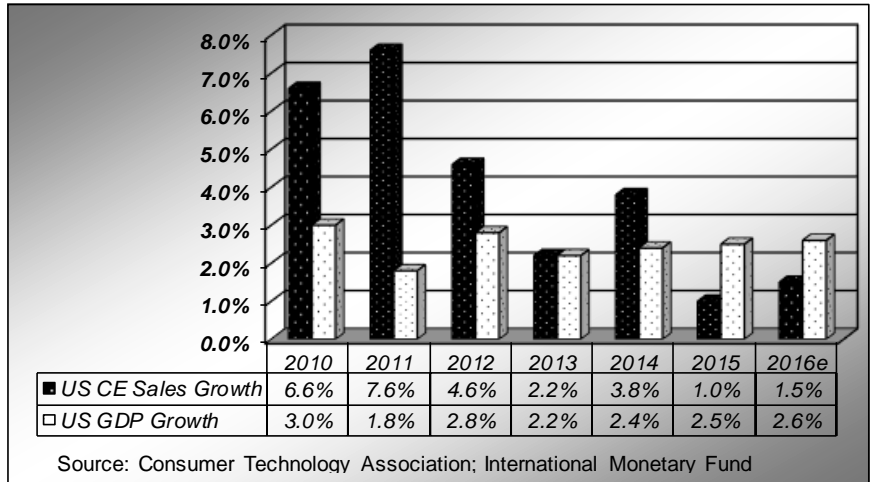
The company's medical products are used in packaging systems for surgical tools, electronic devices, endoscopes and orthopedic implants. An aging population and technological advancements are among the top factors driving the medical device industry's growth over the next five years.

The Patient Protection and Affordable Care Act (PPAC) has created a degree of uncertainty for medical device companies. Healthcare reform has tightened the pricing environment for these companies and may pressure pricing across the board. However, PPAC may benefit the industry as it aims to increase the number of insured people, driving increased usage of medical devices.

In January 2016, IBISWorld forecasted medical device industry average annual sales growth of approximately 3.5% to \$55.1 billion during the six years to 2022.

In December 2015, IBISWorld projected the US car and automobile industry to show average annual sales growth of 2.3% to \$140.6 billion in the six years to 2021. Growth will be driven by renewed consumer spending and a move toward green (hybrid and electric fuel-efficient) vehicles.

UFP Technologies makes products used in the packaging of consumer electronics, sales of which are economically sensitive. The chart at right shows how US consumer electronics sales were affected by changes in the economy over the past five years with projections to 2016.



In January 2016, The Consumer Technology Association forecasted US consumer electronics retail sales to grow at an annual rate of approximately 1.5% to \$287 billion in 2016. Growth will be driven by technologies such as smartphones, televisions and laptops.

UFP Technologies’ aerospace and defense products are used in applications such as protective cases and inserts for military equipment (i.e. tools used for large engine rebuilds), uniform and gear components such as backpacks and duty belts used by soldiers in combat, and explosion suppressant foams used in fuel systems of aircrafts. The Pentagon’s latest budget proposal of \$583 billion for US defense spending in 2017 is \$3 billion higher than 2016 and \$23 billion higher than 2015. This boost in defense spending over the next two years should bode well for UFPT’s sales to this market.

Economic Outlook

Most of UFPT’s sales are to economically sensitive end markets.

In January 2016, the International Monetary Fund (IMF) lowered its economic growth estimate for the US to 2.6% in both 2016 and 2017, down from an earlier (October 2015) growth forecast of 2.8% in both 2016 and 2017. The IMF said that the strengthening US dollar was weighing on manufacturing activity and lower oil prices were curtailing investment in mining structures and equipment. However, overall activity in the US remained resilient and was supported by still-easy financial conditions and strengthening housing and labor markets.

The third estimate of US GDP growth (released on March 25, 2016) showed the US economy grew at an annual rate of 1.4% in 4Q15, down from 2% growth in 3Q15. The 4Q15 US GDP growth estimate primarily reflects a rise in consumer spending. Spending on services, durable and nondurable goods also rose. Partly offsetting these contributions to GDP growth were declines in business investment, exports, inventory investment, and state and local government spending.

With UFPT’s business conducted primarily in the US, the slowing economic growth projections for this area could constrain growth.

Competition

The packaging industry is highly competitive. While there are several national companies that sell interior packaging, the company’s primary competition for its packaging are smaller independent regional manufacturing companies. The company’s foam and fiber packaging products also compete against products made from alternative materials, including expanded polystyrene foams, die-cut corrugated, plastic peanuts, plastic bubbles,

and foam-in-place urethane. The company's component products compete with smaller companies that typically concentrate on production of component products for specific industries.

Proximity is a key competitive factor in the packaging business. Companies shipping products typically buy packaging from vendors that are relatively close to their manufacturing facilities to increase shipping efficiency and decrease costs. As many US companies move their manufacturing operations overseas, particularly to the Far East, the associated packaging business often follows. UFP Technologies has lost customers in the past and may lose customers in the future as a result of customers moving their manufacturing facilities offshore, then hiring competitors that operate packaging-production facilities perceived to be more territorially advantageous.

Other competitive factors are price, product performance, product reliability, and customer service. We believe the company's ability to custom design proprietary manufacturing equipment in conjunction with its machinery suppliers enables the company to effectively differentiate its products. For example, UFPT has custom-designed its own lamination machines allowing the company to achieve adhesive bonds between cross-linked foam and fabric and other materials that do not easily combine. These specialty laminates typically command higher prices than traditional foam products.

Some of UFPT's public competitors include Graphic Packaging, Packaging Corp. of America, Greif, Bemis Company, and Sealed Air Corp. TTM sales and gross margins for UFP Technologies and its public competitors are shown at right.

Company	Sales TTM	Gross Margin
Graphic Packaging	\$4.2B (12/15)	19.0%
Packaging Corp. of America	\$5.7B (12/15)	21.1%
Greif	\$3.6B (10/15)	18.5%
Bemis Company	\$4.1B (12/15)	21.5%
Sealed Air Corp.	\$7.0B (12/15)	36.8%
UFP Technologies	\$138.9M (12/15)	27.0%

Source: Yahoo! Finance

UFPT's margins are at the high end of the range for our comparison group, due arguably to the company's ability to differentiate its products. Most of the company's competitors primarily offer conventional shipping and packaging products (i.e. shipping containers and boxes) or flexible packaging products (i.e. plastic bags, films and laminates) whereas UFP Technologies offers products that are custom designed and engineered for specific applications (i.e. customized foam case inserts for the electronics industry).

Projections

In 2015, the company ceased operations at its Raritan, New Jersey, plant and consolidated operations into its Newburyport, Massachusetts, facility and other UFPT facilities. UFPT also relocated all operations in its Haverhill, Massachusetts, and Byfield, Massachusetts facilities into its Newburyport, Massachusetts, facility in 2015.

The company plans to relocate certain operations in its Georgetown, Massachusetts facility into its Newburyport, Massachusetts facility by June 30, 2016. Approximately \$2.1 million in one-time expenses are expected in connection with these consolidations of which approximately \$1.7 million has been incurred in 2015 with the remaining \$400,000 expected to be recognized in 1Q16. Annual cost savings from these consolidations, primarily in reduced real estate and labor costs, should be approximately \$1 million.

2016 Forecast

For 2016, we project revenue growth of 6% to \$147 million (\$148.4 million previously) and net income of \$10.6 million or \$1.45 per share (\$11.9 million or \$1.65 per share previously). Our lower projections are primarily due to the loss of a packaging contract by one of the company's customers in 2015.

A full year of cost savings from the 2015 plant consolidations and increased overhead coverage should widen gross margins to 28% in 2016 from 27% in 2015 (gross margins improved 0.5% in 2015 with roughly ½ year of consolidation savings). SG&A expenses should increase to \$24.7 million from \$24 million in 2015 due primarily to increased compensation costs. SG&A margins are projected to decrease to 16.8%. Operating income is

projected to increase to \$16.1 million from \$11.7 million with margins increasing to 10.9% from 8.4%. Taxes are estimated at 35%.

In 2016, we project \$15.7 million cash from operations consisting primarily of cash earnings. Cash from operations should cover capital expenditures and repayments of long-term debt, increasing cash by \$9.2 million to \$39 million at the end of 2016.

2017 Forecast

For 2017, we project revenue growth of 4.1% to \$153.1 million and net income of \$12.6 million or \$1.73 per share. Our revenue growth rate takes into account the 2.6% projected weighted average growth rates of the company's end markets and revenue from a five-year contract worth an estimated \$45 million that will more than double UFPT's current annual revenue from a key customer in the medical industry.

We project gross margins of 29% due primarily to a full year of cost savings from the 2016 plant consolidation and increased overhead coverage. SG&A expenses should increase to \$25.2 million from \$24.7 million in 2016 due primarily to increased compensation costs. SG&A margins are projected to decrease to 16.5%. Operating income is projected to increase to \$19.2 million from \$16.1 million with margins increasing to 12.5% from 10.9%. Taxes are estimated at 35%.

In 2017, we project \$19.1 million cash from operations consisting primarily of cash earnings. Cash from operations should cover capital expenditures and repayments of long-term debt, increasing cash by \$12.8 million to \$52.8 million at the end of 2017.

4Q and FY 2015 Financial Results

4Q15 - Sales decreased 4% to \$33.9 million. Net income increased to \$1.7 million or \$0.23 per share from \$1.6 million or \$0.22 per share. Excluding restructuring costs of \$796,000 in 4Q15 and \$460,000 in 4Q14, net income was \$2.2 million or \$0.30 per share in 4Q15 versus \$1.9 million or \$0.26 per share in 4Q14. We projected 4Q15 sales of \$35.6 million and net income of \$2.1 million or \$0.28 per share.

The decrease in sales was primarily due to the loss of a large military order. Gross margins increased to 26.5% from 23.8% due primarily to a large, low margin order in 4Q14 that was not repeated in 4Q15. SG&A expenses increased to \$5.6 million from \$5.5 million and restructuring costs associated with the company's plant consolidations were \$796,000.

Operating income increased to \$2.6 million in 4Q15 from \$2.5 million in 4Q14 for margins of 7.7% and 7%, respectively. Excluding restructuring costs, operating income was \$3.4 million versus \$2.9 million in the comparable period in 2014, resulting in margins of 10% and 8.3%, respectively. The company showed an effective income tax rate of 36.5%.

FY 2015 - Sales and net income were relatively flat at \$139 million and \$7.6 million or \$1.05, respectively.

Gross margins increased to 27% from 26.5% due primarily to lower overhead stemming from reduced employee healthcare costs. SG&A expenses increased to \$24 million from \$23.8 million due primarily to higher technology-related costs stemming from the company's ERP (Enterprise Resource Planning) software implementation. Restructuring costs associated with the company's plant consolidations were \$1.8 million and the company recognized a \$24,000 gain on the sale of fixed assets.

Operating income increased to \$11.7 million in 2015 from \$11.6 million in 2014 for margins of 8.4% and 8.3%, respectively. Excluding restructuring costs, operating income was \$13.5 million versus \$13.1 million in the comparable period in 2014, resulting in margins of 9.7% and 9.4%, respectively. The company showed an effective income tax rate of 35.3%.

Liquidity

The company has a strong balance sheet. Total debt is \$1.9 million, tangible equity is \$95.6 million, and cash (approximately \$4.16 per share) exceeds all indebtedness and liabilities. UFPT's debt/equity ratio is less than 0.1 versus 1.7 for the packaging and containers industry.

Cash earnings of \$13.6 million and a \$518,000 increase in working capital resulted in \$13.1 million cash from operations in 2015. The increase in working capital was primarily due to increases in accounts receivable, inventories and prepaid expenses partially offset by a decrease in refundable income taxes. Capital expenditures of \$16.3 million, including additions of manufacturing machinery and equipment associated with plant consolidations and the purchase of a new manufacturing and headquarters building in Massachusetts, were the primary drain on cash resulting in a \$4.2 million decrease in cash to \$29.8 million as of December 31, 2015.

UFPT has a \$40 million revolving credit facility with Bank of America with no borrowings as of December 31, 2015. The credit facility bears interest at LIBOR plus 1.0% to 1.5%, or the bank's prime rate less a margin that ranges from 0.25% to zero. In both cases the applicable margin is dependent upon company performance. The company's revolving credit facility matures November 30, 2018. Under the credit facility, the company is subject to a minimum fixed-charge coverage financial covenant as well as a maximum total funded debt to EBITDA financial covenant which the company was in compliance with at December 31, 2015.

UFPT has a \$5 million 1.83% fixed rate loan agreement to finance the purchase of two molded fiber machines. The outstanding balance was \$1.9 million as of December 31, 2015. The loan is secured by the related molded fiber machines.

Risks

In our view, these are the principal risks underlying the stock:

Dependence on a small number of customers

The company's top ten customers represented approximately 26% of total revenues in 2015. The loss of sales to a large customer would have a material adverse effect on projected financial results.

Competition

The packaging and component products industries are highly competitive. The company's primary competition for its packaging products has been from smaller independent regional manufacturers. UFPT's component products face competition from smaller companies that typically concentrate on production of component products for specific industries.

Economic conditions

Poor economic conditions could negatively impact sales of the company's packaging customers.

Environmental considerations

Future government action may impose restrictions affecting the industries in which the company operates. There can be no assurance that any such action will not adversely impact UFP Technologies.

Liquidity

With only 7.2 million shares outstanding and 5.7 million in the float, liquidity issues must be considered. Average daily volume has been approximately 13,000 shares. Any significant trading in shares of UFPT could result in large swings in the price of the stock.

Miscellaneous

The company's financial results and equity values are subject to other risks and uncertainties including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

UFP Technologies, Inc.

Balance Sheets
(in thousands \$)

	<u>2013A</u>	<u>2014A</u>	<u>2015A</u>	<u>2016E</u>	<u>2017E</u>
Cash and cash equivalents	37,303	34,052	29,804	38,968	50,750
Receivables	17,032	16,470	17,481	18,507	19,275
Inventories	11,048	12,893	14,202	14,820	15,225
Prepaid expenses	690	664	930	930	930
Refundable income taxes	1,537	3,192	1,186	1,186	1,186
Deferred income taxes	<u>1,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	68,832	67,271	63,603	74,411	87,366
Net property, plant and equipment	25,507	34,843	46,555	47,865	49,051
Goodwill	7,322	7,322	7,322	7,322	7,322
Intangible assets	1,346	953	636	318	-
Other assets	<u>2,013</u>	<u>2,159</u>	<u>1,834</u>	<u>1,834</u>	<u>1,834</u>
Total assets	<u>105,020</u>	<u>112,548</u>	<u>119,950</u>	<u>131,750</u>	<u>145,573</u>
Current portion of long-term debt	976	993	1,011	859	-
Accounts payable	3,081	5,398	4,598	4,798	4,929
Accrued expenses	<u>8,265</u>	<u>5,222</u>	<u>5,374</u>	<u>5,689</u>	<u>5,926</u>
Total current liabilities	12,322	11,613	10,983	11,346	10,855
Long-term debt	2,867	1,873	859	-	-
Deferred income taxes	2,436	2,446	2,883	2,883	2,883
Other liabilities	<u>1,805</u>	<u>1,624</u>	<u>1,653</u>	<u>1,653</u>	<u>1,653</u>
Total liabilities	<u>19,430</u>	<u>17,556</u>	<u>16,378</u>	<u>15,882</u>	<u>15,391</u>
Total stockholders' equity	<u>85,590</u>	<u>94,992</u>	<u>103,572</u>	<u>115,867</u>	<u>130,182</u>
Total liabilities & stockholders' equity	<u>105,020</u>	<u>112,548</u>	<u>119,950</u>	<u>131,750</u>	<u>145,573</u>

Source: Company filings and Taglich Brothers' estimates

UFP Technologies, Inc.

Annual Income Statements
(in thousands \$)

	<u>2013A</u>	<u>2014A</u>	<u>2015A</u>	<u>2016E</u>	<u>2017E</u>
Net sales	139,223	139,307	138,850	147,000	153,100
Cost of sales	<u>98,574</u>	<u>102,427</u>	<u>101,397</u>	<u>105,808</u>	<u>108,701</u>
Gross profit	40,649	36,880	37,453	41,193	44,399
Extraordinary items	11	1,472	1,731	400	-
SG&A	<u>23,240</u>	<u>23,847</u>	<u>24,009</u>	<u>24,700</u>	<u>25,200</u>
Operating income	17,398	11,561	11,713	16,093	19,199
Non-operating (expenses) income	<u>(205)</u>	<u>204</u>	<u>27</u>	<u>200</u>	<u>200</u>
Income before taxes	17,193	11,765	11,740	16,293	19,399
Income tax	<u>5,917</u>	<u>4,206</u>	<u>4,147</u>	<u>5,702</u>	<u>6,790</u>
Net Income / (Loss)	<u>11,276</u>	<u>7,559</u>	<u>7,593</u>	<u>10,590</u>	<u>12,609</u>
EPS	<u>1.59</u>	<u>1.05</u>	<u>1.05</u>	<u>1.45</u>	<u>1.73</u>
Shares Outstanding	7,105	7,175	7,219	7,300	7,300
<u>Margin Analysis</u>					
Gross margin	29.2%	26.5%	27.0%	28.0%	29.0%
SG&A	16.7%	17.1%	17.3%	16.8%	16.5%
Operating margin	12.5%	8.3%	8.4%	10.9%	12.5%
Pretax margin	12.3%	8.4%	8.5%	11.1%	12.7%
Tax rate	34.4%	35.8%	35.3%	35.0%	35.0%
<u>Year / Year Growth</u>					
Total Revenues	6.3%	0.1%	-0.3%	5.9%	4.1%
Net Income	3.5%	(33.0)%	0.4%	39.5%	19.1%
EPS	2.4%	(33.6)%	(0.2)%	37.9%	19.1%

Source: Company filings and Taglich Brothers' estimates

UFP Technologies, Inc.

Quarterly Income Statements 2015A - 2017E
(in thousands \$)

	<u>3/15A</u>	<u>6/15A</u>	<u>9/15A</u>	<u>12/15A</u>	<u>2015A</u>	<u>3/16E</u>	<u>6/16E</u>	<u>9/16E</u>	<u>12/16E</u>	<u>2016E</u>	<u>3/17E</u>	<u>6/17E</u>	<u>9/17E</u>	<u>12/17E</u>	<u>2017E</u>
Net sales	33,977	36,499	34,441	33,933	138,850	35,800	38,700	36,600	35,900	147,000	37,400	40,300	38,000	37,400	153,100
Cost of sales	<u>25,339</u>	<u>26,206</u>	<u>24,931</u>	<u>24,921</u>	<u>101,397</u>	<u>26,134</u>	<u>27,477</u>	<u>26,169</u>	<u>26,028</u>	<u>105,808</u>	<u>26,554</u>	<u>28,613</u>	<u>26,980</u>	<u>26,554</u>	<u>108,701</u>
Gross profit	8,638	10,293	9,510	9,012	37,453	9,666	11,223	10,431	9,873	41,193	10,846	11,687	11,020	10,846	44,399
Extraordinary items	47	30	851	803	1,731	400	-	-	-	400	-	-	-	-	-
SG&A	<u>6,024</u>	<u>6,776</u>	<u>5,604</u>	<u>5,605</u>	<u>24,009</u>	<u>6,050</u>	<u>6,500</u>	<u>6,100</u>	<u>6,050</u>	<u>24,700</u>	<u>6,150</u>	<u>6,650</u>	<u>6,250</u>	<u>6,150</u>	<u>25,200</u>
Operating income	2,567	3,487	3,055	2,604	11,713	3,216	4,723	4,331	3,823	16,093	4,696	5,037	4,770	4,696	19,199
Non-operating (expenses) income	<u>(24)</u>	<u>8</u>	<u>9</u>	<u>34</u>	<u>27</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>200</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>200</u>
Income before taxes	2,543	3,495	3,064	2,638	11,740	3,266	4,773	4,381	3,873	16,293	4,746	5,087	4,820	4,746	19,399
Income tax	<u>890</u>	<u>1,223</u>	<u>1,072</u>	<u>962</u>	<u>4,147</u>	<u>1,143</u>	<u>1,671</u>	<u>1,533</u>	<u>1,355</u>	<u>5,702</u>	<u>1,661</u>	<u>1,780</u>	<u>1,687</u>	<u>1,661</u>	<u>6,790</u>
Net Income / (Loss)	<u>1,653</u>	<u>2,272</u>	<u>1,992</u>	<u>1,676</u>	<u>7,593</u>	<u>2,123</u>	<u>3,102</u>	<u>2,848</u>	<u>2,517</u>	<u>10,590</u>	<u>3,085</u>	<u>3,307</u>	<u>3,133</u>	<u>3,085</u>	<u>12,609</u>
EPS	<u>0.23</u>	<u>0.32</u>	<u>0.28</u>	<u>0.23</u>	<u>1.05</u>	<u>0.29</u>	<u>0.42</u>	<u>0.39</u>	<u>0.34</u>	<u>1.45</u>	<u>0.42</u>	<u>0.45</u>	<u>0.43</u>	<u>0.42</u>	<u>1.73</u>
Shares Outstanding	7,193	7,210	7,230	7,248	7,219	7,300	7,300	7,300	7,300	7,300	7,300	7,300	7,300	7,300	7,300
<u>Margin Analysis</u>															
Gross margin	25.4%	28.2%	27.6%	26.6%	27.0%	27.0%	29.0%	28.5%	27.5%	28.0%	29.0%	29.0%	29.0%	29.0%	29.0%
SG&A	17.7%	18.6%	16.3%	16.5%	17.3%	16.9%	16.8%	16.7%	16.9%	16.8%	16.4%	16.5%	16.4%	16.4%	16.5%
Operating margin	7.6%	9.6%	8.9%	7.7%	8.4%	9.0%	12.2%	11.8%	10.6%	10.9%	12.6%	12.5%	12.6%	12.6%	12.5%
Pretax margin	7.5%	9.6%	8.9%	7.8%	8.5%	9.1%	12.3%	12.0%	10.8%	11.1%	12.7%	12.6%	12.7%	12.7%	12.7%
Tax rate	35.0%	35.0%	35.0%	36.5%	35.3%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
<u>Year / Year Growth</u>															
Total Revenues	-1.8%	7.3%	(2.7)%	-3.8%	-0.3%	5.4%	6.0%	6.3%	5.8%	5.9%	4.5%	4.1%	3.8%	4.2%	4.1%
Net Income	(19.8)%	22.2%	(3.6)%	6.7%	0.4%	28.4%	36.6%	43.0%	50.2%	39.5%	45.3%	6.6%	10.0%	22.6%	19.1%
EPS	(20.3)%	21.4%	(4.2)%	5.9%	(0.2)%	26.5%	34.9%	41.6%	49.1%	37.9%	45.3%	6.6%	10.0%	22.6%	19.1%

Source: Company filings and Taglich Brothers' estimates

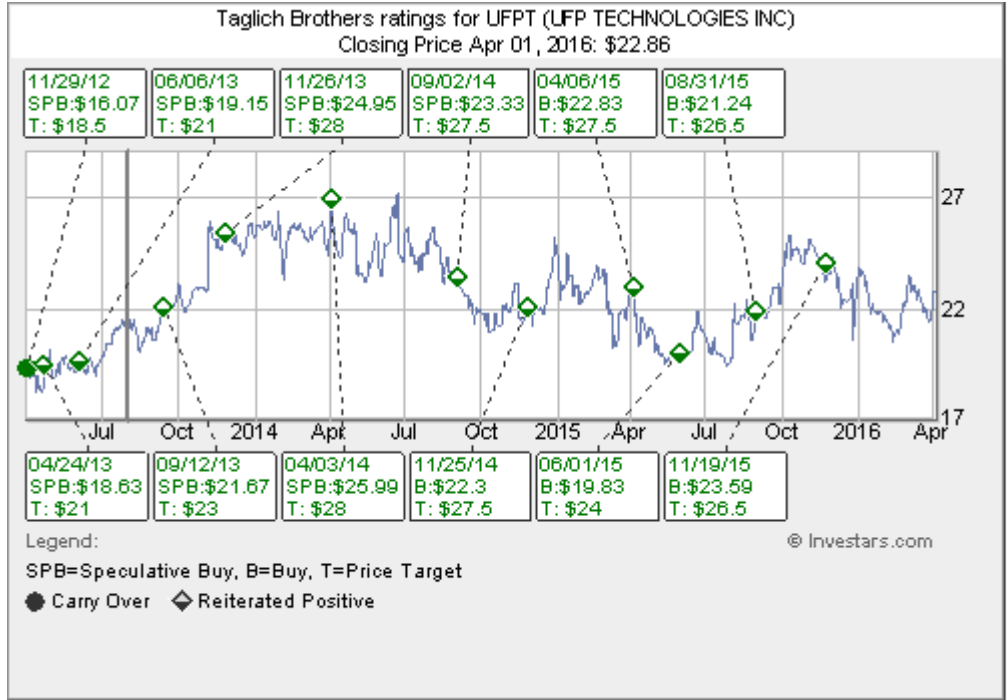
UFP Technologies, Inc.

Statement of Cash Flows for the Periods Ended
(in thousands \$)

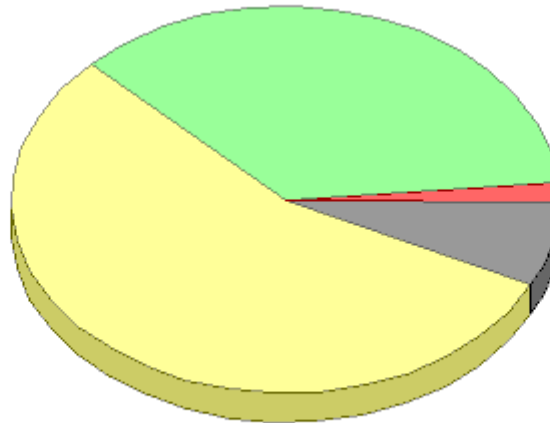
	2013A	2014A	2015A	2016E	2017E
Net income	11,276	7,559	7,593	10,590	12,609
Depreciation & amortization	4,084	4,376	4,846	5,008	5,132
(Gain) loss on disposal of property, plant and equipment	11	5	27	-	-
Share-based compensation	924	1,119	1,069	1,200	1,200
Excess tax benefit on share-based compensation	(818)	(1,219)	(356)	(356)	(356)
Deferred income taxes	740	1,232	437	356	357
Cash earnings	16,217	13,072	13,616	16,798	18,942
<i>Changes in assets and liabilities</i>					
Receivables	804	562	(1,011)	(1,026)	(768)
Inventories	(1,353)	(1,845)	(1,309)	(618)	(405)
Prepaid expenses	(36)	26	(266)	-	-
Refundable income taxes	994	(436)	2,362	-	-
Accounts payable	(1,007)	2,317	(800)	200	131
Accrued expenses and other	1,272	(2,243)	152	315	236
Retirement and other liabilities	(417)	(181)	29	-	-
Other assets	(368)	(146)	325	-	-
(Increase) decrease in working capital	(111)	(1,946)	(518)	(1,128)	(806)
Net Cash Provided by Operations	16,106	11,126	13,098	15,670	18,136
Additions to property, plant and equipment	(5,830)	(13,436)	(16,321)	(6,000)	(6,000)
Redemption of cash value life insurance	37	-	-	-	-
Proceeds from sale of property, plant and equipment	1	112	53	-	-
Acquisitions	(600)	-	-	-	-
Net Cash Used in Investing	(6,392)	(13,324)	(16,268)	(6,000)	(6,000)
Proceeds from long-term borrowings	580	-	-	-	-
Distribution to United Development Company partners	-	-	-	-	-
Repurchases of common stock	-	-	(587)	-	-
Tax benefit from exercise of non-qualified stock options	818	1,219	356	356	356
Proceeds from exercise of stock options	191	336	358	358	358
Payment of statutory withholdings for stock options exercised	(879)	(831)	(209)	(209)	(209)
Principal repayments of long-term debt	(6,601)	(977)	(996)	(1,011)	(859)
Payment of contingent note payable	-	(800)	-	-	-
Cash settlement of restricted stock units	-	-	-	-	-
Net Cash Provided by (Used in) Financing	(5,891)	(1,053)	(1,078)	(506)	(354)
Net Change in Cash	3,823	(3,251)	(4,248)	9,164	11,782
Cash - Beginning of Period	33,480	37,303	34,052	29,804	38,968
Cash - End of Period	37,303	34,052	29,804	38,968	50,750

Source: Company filings and Taglich Brothers' estimates

Price Chart



Taglich Brothers' Current Ratings Distribution



36.23 % Buy 55.07 % Hold 7.25 % Not Rated 1.45 % Sell

Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	2	7
Hold		
Sell		
Not Rated		

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Analyst Certification

I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Public Companies Mentioned in this Report

Graphic Packaging (NYSE: GPK)
Packaging Corp. of America (NYSE: PKG)
Greif (NYSE: GEF)
Bemis Company (NYSE: BMS)
Sealed Air Corp. (NYSE: SEE)

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Dropping Coverage – Research coverage discontinued due to the acquisition of the company, termination of research services, non-payment for such services, diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.