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Research Report – Update

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

UFP Technologies, Inc.

Rating: Speculative Buy

John Nobile
April 24, 2013

UFPT $18.63 — (NASDAQ CM)

	2011A	2012A	2013E	2014E
Revenues (millions)	$127.2	$131.0	$146.0	$155.0
Earnings per share (diluted)	$1.48	$1.55	$1.80	$1.94

52-Week range	$20.00 – $15.27	Fiscal year ends:	December
Shares outstanding as of 2/26/13	6.8 million	Revenue per share (TTM)	$18.63
Approximate float	4.8 million	Price/Sales (TTM)	1.0X
Market capitalization	$127 million	Price/Sales (2014)E	0.9X
Tangible book value/share	$9.50	Price/Earnings (TTM)	12.0X
Price/tangible book	2.0X	Price/Earnings (2014)E	9.6X

UFP Technologies designs and manufactures high performance cushion packaging and molded fiber products and specialty foam and plastic products. These products are used as protection for fragile and valuable items, and are sold primarily to original equipment manufacturers in the computer, electronics, automotive, medical/pharmaceutical and industrial markets. (www.ufpt.com)

Key investment considerations:

Reiterating Speculative Buy rating on UFP Technologies. Increasing twelve-month price target to $21.00 from $18.50 based on a multiple of 12X applied to our discounted 2014 earnings estimate.

Growth is projected over the next five years for UFPT's principal end markets driven by an aging population, increasing automotive demand, and innovative new electronics products.

The company expanded its molded fiber product line to accommodate heavier products (such as PC's) in the second half of 2012 and increased capacity to meet the strong demand for its molded fiber products.

On December 31, 2012, UFP Technologies acquired Packaging Alternatives Corporation (PAC), specializing in technical polyurethane foams principally for the medical market. Annual sales are approximately $10 million.

We project 2013 revenue of $146.0 million and EPS of $1.80, up from our previous projection of $139.2 million revenue and EPS of $1.70. Most of the gain in our revenue projection stems from acquisition of PAC.

For 2014, we project revenue will grow at UFPT's core rate of 6% (barring further acquisitions) to $155 million and EPS of $1.94.

UFPT reported 4Q12 (released 2/28/13) revenue of $33.4 million and EPS of $0.45. We estimated 4Q12 revenue of 33.4 million and EPS of $0.34. The company recovered from the loss of a former automotive program by 4Q12 as it launched a new door panel program in the second half of 2012.

Please view our disclosures on pages 13 - 15.

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Recommendation and Valuation

We are reiterating our **Speculative Buy** rating on UFP Technologies and increasing our **twelve-month price target to $21.00 per share** from $18.50.

Over the past two years UFPT's TTM earnings multiple has averaged 11X. The multiple is currently 12X which we believe is due the market's perception of the company's growth prospects (from recent acquisitions and continued strengthening of financial condition allowing for further potential growth through acquisitions). Applying a multiple of 12X to our 2014 earnings estimate of $1.94 per share discounted to a twelve-month value of $1.76 per share gives us a price target of approximately $21.00.

Recent Acquisition

On December 31, 2012, UFP Technologies acquired Packaging Alternatives Corporation (PAC). Founded in 1977 and located in Costa Mesa, California, PAC is a full service designer, converter, and distributor of foam plastic products, specializing in technical polyurethane foams principally for the medical market. Annual sales are approximately $10 million (Source: UFPT's 2012 10-K filing).

Business

Headquartered in Georgetown, Massachusetts, UFP Technologies designs and manufactures engineered packaging solutions utilizing molded fiber, vacuum-formed plastics, and molded and fabricated foam plastic products. The company also designs and manufactures engineered component products using laminating, molding, and fabricating technologies. 95% of UFPT's sales are to the automotive, computer and electronics, medical, aerospace and defense, industrial, and consumer markets in the United States.

Components products accounted for 67% of sales in 2012 while packaging products comprised 33%. We believe that approximately 35% of total 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, electronics, and industrial) each account for an estimated 10% to 20% of the company's revenue.

The company's high-performance cushion packaging products provide protection for fragile and valuable items, and are sold primarily to original equipment and component manufacturers. Molded fiber products are used for packaging high volume consumer goods, including computer components, medical devices, other light electronics, candles, and health and beauty products.

UFPT's component products include automotive interior trim, athletic padding, industrial safety belts, components for medical equipment and devices, abrasive nail files and other beauty aids, anti-fatigue mats, and shock absorbing inserts used in athletic and leisure footwear.

The company differentiates itself through the design and production of customized foam case inserts for the automotive, computers and electronics, medical, aerospace and defense, consumer, and industrial markets (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

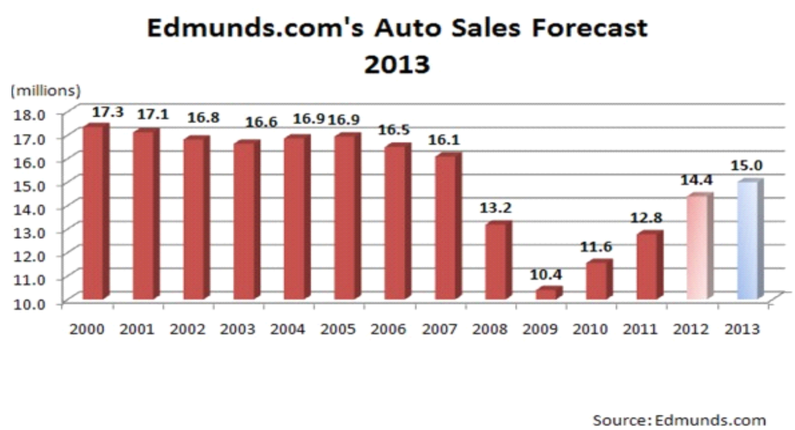
In January 2013, IBISWorld forecasted the urethane and foam products industry to grow at an average annual rate of 3.2% over the five years to 2017. However, UFP Technologies' revenue should grow at a higher rate given the growth projected for UFPT's principal end markets driven by an aging population, 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 that should influence the medical device industry over the next five years. Incidences of disease and disorders increase with age. For example, people aged 65 and older account for 40% of the total population diagnosed with some form of heart disease or arthritis, according to the Center for Disease Control.

Recent medical advancements have further boosted the size of the 65 and older age group, as superior nutrition and improved safety have Americans living longer than ever. However, a changing regulatory environment could slow the rate of growth for the medical device industry. For example, the FDA's impending 510(k) reform could increase regulatory costs and restrain innovation. One of the pathways that a new or significantly modified medical device must go through to be cleared for marketing in the US is an FDA regulatory review process known as the 510(k) premarket notification process.

One of the modifications that could be costly and burdensome for manufacturers of large or custom devices is a requirement for manufacturers to have one unit of a device available prior to receiving 510(k) clearance. This could force manufacturers to incur manufacturing costs without knowing whether a device will ultimately be cleared.

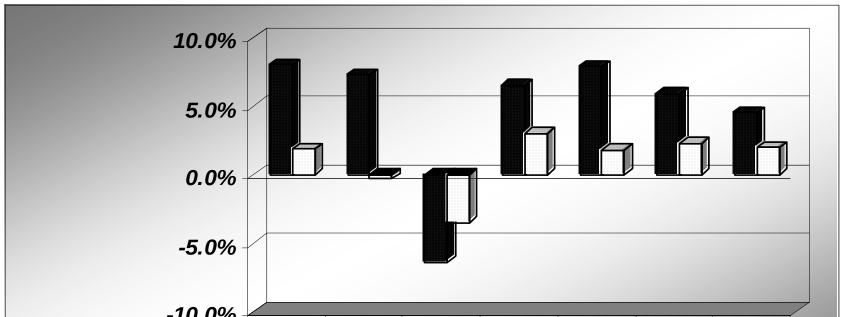
In March 2013, IBISWorld forecasted medical device industry average annual sales growth of 7% to $49.5 billion during the five years to 2018.



In March 2013, the automotive research firm Edmunds reported February 2013 car sales were up 3.8% from the comparable period in 2012 and up 14.4% from January 2013. Edmunds said that consumers were largely ignoring Washington's sequester and did not let rising gas prices deter their buying. The US auto industry has now recorded 1-million plus vehicle sales every month for a full year, according to Edmunds. So far it appears that Edmunds forecast for growth of 4% to 15 million vehicles sold in 2013 might be conservative as February 2013 car sales came in at a seasonally adjusted annual rate of 15.3 million vehicles for growth of 6% making it the fourth consecutive month of mid 15-million vehicles sold. Growing automotive sales should help drive growth of UFPT's automotive products.

In January 2013, IBISWorld projected revenue growth of 2.2% in 2013 and 4.2% in 2014 for the US automobile industry. Growth will be driven by renewed consumer spending and a move toward green vehicles. However, a slowing US economy could adversely impact sales of cars through our forecast horizon.

UFP Technologies makes products used in the packaging of consumer electronics, sales of which are economically sensitive. The chart at right shows how consumer electronics sales were affected by changes in the economy over the past six years with the Consumer Electronics Association's projection for 2013.



	2007	2008	2009	2010	2011	2012	2013e
CE Sales Growth	8.0%	7.3%	-6.4%	6.5%	7.9%	5.9%	4.5%
GDP Growth	1.9%	-0.3%	-3.5%	3.0%	1.8%	2.3%	2.0%

In January 2013, IBISWorld forecasted US consumer electronics retail sales to grow at an average annual rate of approximately 1.3% to $76.9 billion during the five years to 2017. Driving this growth will be the introduction of innovative new technologies (like tablet computers and 3D displays) and renewed consumer spending. In March 2013, the US Census Bureau reported that new orders for computers and electronics were down 4.6% sequentially in January 2013. However, computer and electronics orders increased sequentially by 2.7% in December following a 0.8% increase in November. If the US economic recovery stalls, consumer spending could fall below current projections.

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 automatic budget cuts that went into effect on March 1, 2013 (a.k.a. sequestration) are expected to reduce the US government's defense spending by roughly 13% over seven months.

Economic Outlook

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

In April 2013, the International Monetary Fund (IMF) revised its projections for US economic growth to 1.9% in 2013 and 3% in 2014. These are slightly changed from earlier projections (January 2013) of 2.1% in 2013 and 3.1% in 2014. The IMF said that recent policy actions in the US have improved the short-term risk picture but a larger-than-expected fiscal adjustment from automatic spending cuts (the sequester) or failure to raise the debt ceiling could exert a stronger drag on growth.

In March 2013, The Conference Board also revised downward its projection for US economic growth in 2013 to 1.3% from an earlier projection of 1.6% made in January 2013.

As the company sells 95% of its products in the US, the current (March 2013) downward revision for the US economy could result in limited sales through our forecast horizon.

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. In addition, the company's foam and fiber packaging products 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.

Historically, geography has been a large factor in the packaging business. Companies shipping products typically buy packaging from companies 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 again 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 (GPK), Packaging Corp. of America (PKG), Greif (GEF), Bemis Company (BMS), and Sealed Air Corp (SEE). Sales and gross margins for UFP Technologies and its public competitors are shown at right.

Symbol	Sales TTM	Growth %	Gross Margin
GPK	$4.3B (12/12)	3%	16.6%
PKG	$2.8B (12/12)	9%	22.5%
GEF	$4.3B (1/13)	-	18.3%
BMS	$5.1B (12/12)	(3)%	18.4%
SEE	$7.8B (12/12)	64%	29.8%
UFPT	$131M (12/12)	3%	28.8%

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

UFPT's sales growth has slowed to 5% in 2011 and 3% in 2012 due to the loss of a significant portion of a long-term automotive program that accounted for 9% of 2010 sales. Excluding sales from this automotive program, UFPT achieved organic sales growth of approximately 7% in 2012 and 8% in 2011. The company's growth rate increased to 6% by 4Q12 as it launched a new door panel program for Cadillac ATS and XTS vehicles in the second half of 2012.

The new door panel program has recouped the lost sales related to a discontinued program (average of approximately $2 million per quarter). Also, the company expanded its molded fiber product line to accommodate heavier products (such as PC's) in the second half of 2012 and increased capacity to meet the strong demand for its molded fiber products. The military budget cuts associated with the sequester could reduce demand for the company's defense products, however, the recent acquisition of Packaging Alternatives Corporation should be accretive to 2013 revenue by approximately $10 million, boosting revenue growth to 11%. Excluding sales from PAC, we project UFPT's organic sales growth would be approximately 4% in 2013.

2013 Forecast

For 2013, we project revenue of $146 million and net income of $12.9 million or $1.80 per share. Our projections are up from $139.2 million revenue and net income of $12.2 million or $1.70 per share previously due to the recent acquisition of Packaging Alternatives Corporation which should be responsible for approximately $10 million of UFPT's total revenue. SG&A expenses should increase to $24 million (of which $1.6 million is related to the acquisition) from $21.5 million in 2012 due to increased sales and headcount. SG&A margins are projected to remain at 16.4% (PAC margins are similar to UFPT's). Higher sales volume should increase overhead coverage, resulting in gross margins of 29.8% (versus 29.2% in 2012). Taxes are estimated at 34% as the company receives a domestic production deduction which typically offsets state taxes.

In 2013, we project $15.1 million cash from operations, cash earnings of $16.6 million and increases in working capital of $1.5 million. The increase in working capital is primarily due to a $2 million increase in receivables and a $1 million increase in inventories, offset in part by a $0.9 million increase in accrued expenses and a $430,000 increase in accounts payable. We project 49 days sales outstanding in 2013 and inventory turnover of 10X, both figures in line with 2012 actual numbers. We project $3.5 million of capital expenditures. Financing activities consist primarily of a $1 million repayment of long-term debt. We project an increase in cash of $11.1 million for a year end cash balance of $44.6 million.

2014 Forecast

For 2014, we project revenue will grow at UFPT's core rate of 6% (barring further acquisitions) to $155 million and net income of $14 million or $1.94 per share. Higher sales volume should increase overhead coverage, resulting in gross margins of 30.0% (versus 29.8% in 2013). SG&A expenses should increase to $25.4 million from $24 million in 2013 as sales increase while SG&A margins are projected to remain at 16.4%. Taxes are estimated at 34%.

In 2014, we project $17.1 million cash from operations, cash earnings of $17.9 million and increases in working capital of $0.8 million. The increase in working capital is primarily due to a $1.2 million increase in receivables and $0.6 million increase in inventories, offset in part by a $0.5 million increase in accrued expenses and a $263,000 increase in accounts payable. We project 49 days sales outstanding in 2013 and inventory turnover of 10X, both figures in line with 2012 actual numbers and our 2013 estimates. We project $3.5 million of capital expenditures. Financing activities consist primarily of a $1 million repayment of long-term debt. We project an increase in cash of $13.1 million for a year end cash balance of $57.7 million.

4Q and FY12 Financial Results

4Q12 sales increased 6% to $33.4 million. Net income increased to $3.2 million or $0.45 per share from $3 million or $0.43 per share. We projected 4Q12 sales of $31.5 million and net income of $3 million or $0.43 per share.

The increase in 4Q12 sales was primarily due to increased sales to the medical industry as well as an increase in sales of molded fiber packaging.

Gross margins increased to 30.2% from 28.4% primarily due to an improved mix of business as well as improved fixed overhead coverage. SG&A expenses increased to $5.5 million from $4.7 million. The company showed an effective income tax rate of approximately 30% in 4Q12.

Sales for FY12 increased 3% to $131 million. Net income increased to $10.9 million or $1.55 per share from $10.3 million or $1.48 per share. The results for 2011 include a $0.8 million gain from the sale of real estate by an affiliated partnership, UDT. Of this $0.8 million gain, approximately $428,000 related to non-controlling interests that have been deducted to determine net income attributable to UFPT and $250,000 represents a one-time fee paid to UFPT for managing the transaction.

The increase in sales for FY12 was primarily due to increased sales of $3.1 million to the medical industry as well as an increase of $2.7 million in sales of molded fiber packaging, partially offset by decreased automotive sales. The decline in automotive sales was primarily due to the phase-out of a significant portion of a large door panel automotive program which ended June 30, 2011. The automotive program phase-out was due to a redesigned model. The company still supplies door panels to the customer for other model vehicles. Sales of door panels for the discontinued model vehicle were approximately $5 million in FY11. Excluding the door panel program, sales grew 6.9%.

Gross margins increased to 29.2% from 28.5% primarily due to an improved mix of business. SG&A expenses increased to $21.5 million from $21.4 million primarily due to increased bonuses.

Excluding net income attributable to non-controlling interests, the company showed an effective income tax rate of approximately 34% in 2012, up from 31% in 2011. The low tax rate in 2011 was due to the reversal of previously established reserves associated with a favorable outcome from an Internal Revenue Service audit.

Liquidity

The company has a strong balance sheet. Long-term debt is $8.3 million, tangible equity is $64.1 million, and cash (approximately $4.96 per share) exceeds all indebtedness and liabilities. UFPT's debt/equity ratio is 0.1 versus 1.4 for the industry.

Cash of $16.2 million from operations in 2012 consisted mainly of cash earnings of $14.5 million and a $1.7 million decrease in working capital. The decrease in working capital was due primarily to a decrease in inventories and an increase in accrued taxes and accounts payable, partially offset by an increase in receivables. Capital expenditures were $12 million and net acquisition costs were $3.6 million. Proceeds of $4.4 million from long-term borrowings partially offset by a $1.2 million distribution to UDT accounted for most of the cash provided by financing activities. The net result was a $3.6 million increase in cash to $33.5 million as of December 31, 2012.

UFPT's available bank credit facilities are as follows: a $17 million revolving line of credit, a $2.1 million term loan with seven-year straight-line amortization, a $1.8 million term loan with 20-year straight-line amortization, and a $4 million term loan with 20-year straight-line amortization.

As of December 31, 2012, the company had approximately $16.9 million available on its revolving line of credit based upon available collateral. 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 $17 million revolving credit facility is due November 30, 2013; the term loans are all due on January 29, 2016. Under the credit facility, the company is subject to a minimum fixed-charge coverage financial covenant which the company was in compliance with at December 31, 2012. The interest rate on these facilities was 1.2% at December 31, 2012.

In October 2012, UFPT entered into a $5 million 1.83% fixed rate loan agreement to finance the purchase of two new molded fiber machines. The outstanding balance was $4.2 million as of December 31, 2012.

Risks

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

<u>Dependence on a small number of customers</u>
The company's top ten customers represented approximately 27% of total revenues in 2012. A single automotive program accounted for approximately 4% of total sales in 2012. The loss of sales to a large customer would have a materially adverse effect on projected financial results.

<u>Competition</u>
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.

<u>Economic conditions</u>
Poor economic conditions could negatively impact sales of the company's packaging customers.

<u>Environmental considerations</u>
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 6.8 million shares outstanding and 4.8 million in the float, liquidity issues must be considered. Average daily volume has been approximately 13,600 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.

Year End Balance Sheets
(in thousands $)

	2010A	2011A	2012A	2013E	2014E
Cash and cash equivalents	22,103	29,849	33,479	44,626	57,730
Receivables	14,634	15,619	17,836	19,884	21,110
Inventories	8,044	9,758	9,695	10,715	11,338
Prepaid expenses	1,035	559	654	654	654
Refundable income taxes	1,414	1,086	1,714	1,714	1,714
Deferred income taxes	1,209	1,169	1,116	1,116	1,116
Total current assets	48,439	58,040	64,494	78,709	93,662
Net property, plant and equipment	12,575	13,346	23,318	23,660	23,895
Goodwill	6,481	6,481	7,039	7,039	7,039
Intangible assets	594	399	2,084	2,084	2,084
Other assets	1,389	1,455	1,682	1,682	1,682
Total assets	**69,478**	**79,721**	**98,617**	**113,174**	**128,362**
Current portion of long-term debt	654	581	1,550	1,550	1,550
Accounts payable	2,838	3,344	4,088	4,518	4,781
Accrued expenses	6,679	5,540	7,593	8,465	8,987
Total current liabilities	10,171	9,465	13,231	14,533	15,317
Long-term debt	6,847	5,639	8,314	7,314	6,314
Deferred income taxes	881	1,292	1,589	1,589	1,589
Other liabilities	1,352	1,340	2,222	2,222	2,222
Total liabilities	**19,251**	**17,736**	**25,356**	**25,658**	**25,442**
Total stockholders' equity	**50,227**	**61,985**	**73,261**	**87,516**	**102,919**
Total liabilities & stockholders' equity	**69,478**	**79,721**	**98,617**	**113,174**	**128,362**

Source: Company filings and Taglich Brothers' estimates

Annual Income Statements
(in thousands $)

	2010A	2011A	2012A	2013E	2014E
Net sales	120,766	127,244	130,962	146,000	155,000
Cost of sales	86,150	90,999	92,777	102,540	108,500
Gross profit	34,616	36,245	38,185	43,460	46,500
Extraordinary items	-	(839)	(12)	-	-
SG&A	20,236	21,368	21,531	23,960	25,420
Operating income	14,380	15,716	16,666	19,500	21,080
Non-operating expenses	46	(27)	(92)	-	160
Income before taxes	14,426	15,689	16,574	19,500	21,240
Income tax	5,019	4,906	5,679	6,630	7,222
Minority interests	(160)	(437)	-	-	-
Net Income / (Loss)	9,247	10,346	10,895	12,870	14,018
EPS	1.37	1.48	1.55	1.80	1.94
Shares Outstanding	6,757	6,999	7,028	7,138	7,238
Margin Analysis					
Gross margin	28.7%	28.5%	29.2%	29.8%	30.0%
SG&A	16.8%	16.8%	16.4%	16.4%	16.4%
Operating margin	11.9%	12.4%	12.7%	13.4%	13.6%
Pretax margin	11.9%	12.3%	12.7%	13.4%	13.7%
Tax rate	34.8%	31.3%	34.3%	34.0%	34.0%
Year / Year Growth					
Total Revenues	21.7%	5.4%	2.9%	11.5%	6.2%
Net Income	56.0%	11.9%	5.3%	18.1%	8.9%
EPS	45.3%	8.0%	4.9%	16.3%	7.4%

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statements 2012 -2014E
(in thousands $)

	3/12A	6/12A	9/12A	12/12A	2012A	3/13E	6/13E	9/13E	12/13E	2013E	3/14E	6/14E	9/14E	12/14E	2014E
Net sales	31,952	33,673	31,967	33,370	130,962	34,000	37,775	36,250	37,975	146,000	36,500	39,900	38,400	40,200	155,000
Cost of sales	22,751	23,982	22,741	23,303	92,777	24,140	26,443	25,375	26,583	102,540	25,550	27,930	26,880	28,140	108,500
Gross profit	9,201	9,691	9,226	10,067	38,185	9,860	11,333	10,875	11,393	43,460	10,950	11,970	11,520	12,060	46,500
Extraordinary items	(5)	(7)	-	-	(12)	-	-	-	-	-	-	-	-	-	-
SG&A	5,518	5,392	5,156	5,465	21,531	5,580	6,200	5,950	6,230	23,960	5,990	6,540	6,300	6,590	25,420
Operating income	3,688	4,306	4,070	4,602	16,666	4,280	5,133	4,925	5,163	19,500	4,960	5,430	5,220	5,470	21,080
Non-operating expenses	(17)	(14)	(14)	(47)	(92)	(15)	(5)	5	15	-	25	35	45	55	160
Income before taxes	3,671	4,292	4,056	4,555	16,574	4,265	5,128	4,930	5,178	19,500	4,985	5,465	5,265	5,525	21,240
Income tax	1,322	1,545	1,460	1,352	5,679	1,450	1,743	1,676	1,760	6,630	1,695	1,858	1,790	1,879	7,222
Net Income / (Loss)	2,349	2,747	2,596	3,203	10,895	2,815	3,384	3,254	3,417	12,870	3,290	3,607	3,475	3,647	14,018
EPS	0.33	0.39	0.37	0.45	1.55	0.40	0.47	0.46	0.48	1.80	0.46	0.50	0.48	0.50	1.94
Shares Outstanding	7,030	7,055	7,075	7,055	7,028	7,100	7,125	7,150	7,175	7,138	7,200	7,225	7,250	7,275	7,238
Margin Analysis															
Gross margin	28.8%	28.8%	28.9%	30.2%	29.2%	29.0%	30.0%	30.0%	30.0%	29.8%	30.0%	30.0%	30.0%	30.0%	30.0%
SG&A	17.3%	16.0%	16.1%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%
Operating margin	11.5%	12.8%	12.7%	13.8%	12.7%	12.6%	13.6%	13.6%	13.6%	13.4%	13.6%	13.6%	13.6%	13.6%	13.6%
Pretax margin	11.5%	12.7%	12.7%	13.6%	12.7%	12.5%	13.6%	13.6%	13.6%	13.4%	13.7%	13.7%	13.7%	13.7%	13.7%
Tax rate	36.0%	36.0%	36.0%	29.7%	34.3%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
Year / Year Growth															
Total Revenues	1.4%	0.5%	3.9%	6.0%	2.9%	6.4%	12.2%	13.4%	13.8%	11.5%	7.4%	5.6%	5.9%	5.9%	6.2%
Net Income	6.5%	1.7%	6.6%	6.6%	5.3%	19.8%	23.2%	25.3%	6.7%	18.1%	16.9%	6.6%	6.8%	6.7%	8.9%
EPS	5.6%	0.6%	5.5%	5.9%	4.9%	18.7%	22.0%	24.0%	4.9%	16.3%	15.3%	5.1%	5.3%	5.2%	7.4%

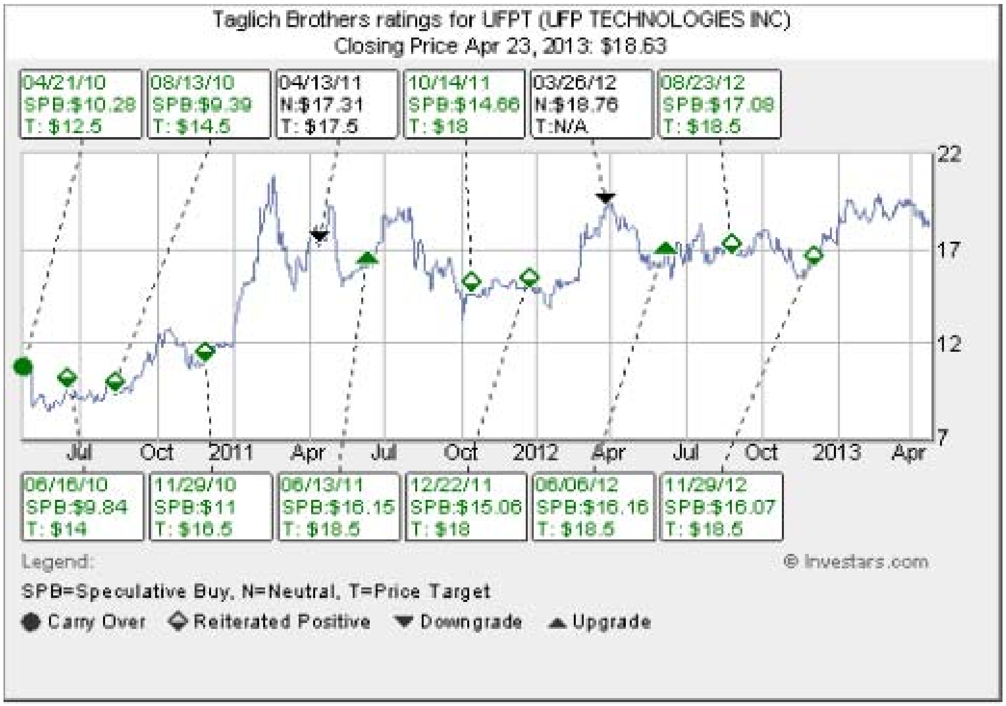
Source: Company filings and Taglich Brothers' estimates

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

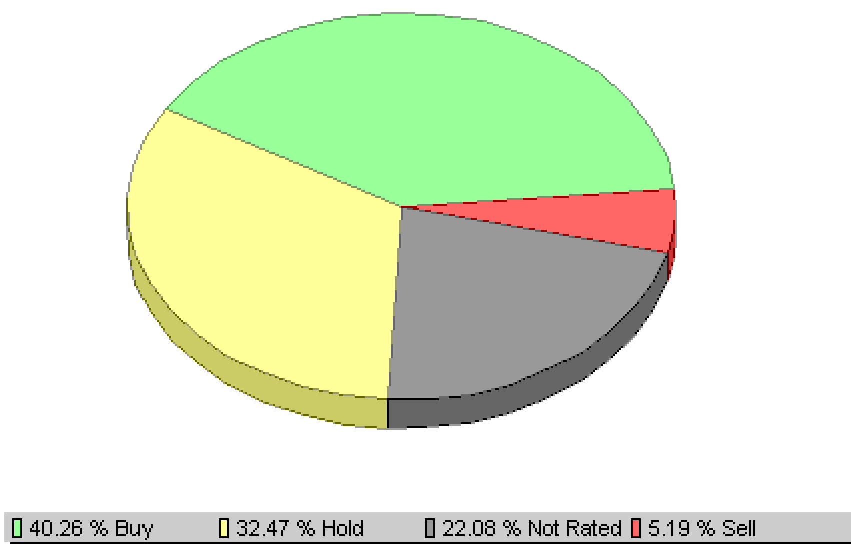
	2010A	2011A	2012A	2013E	2014E
Net income	9,407	10,784	10,895	12,870	14,018
Depreciation & amortization	3,152	2,781	2,928	3,093	3,265
Gain on acquisition	-	-	-	-	-
(Gain) loss on disposal of property, plant and equipment	(12)	(839)	(12)	-	-
Share-based compensation	964	1,089	860	860	860
Stock issued in lieu of compensation	79	55	-	-	-
Excess tax benefit on share-based compensation	(854)	(700)	(832)	(832)	(832)
Deferred income taxes	306	452	610	610	610
Changes in assets and liabilities					
Receivables	(415)	(985)	(842)	(2,048)	(1,226)
Inventories	(397)	(1,714)	801	(1,020)	(623)
Prepaid expenses	(559)	476	(65)	-	-
Refundable income taxes	(1,414)	327	(695)	-	-
Accounts payable	161	507	384	430	263
Accrued expenses and other	1,381	(440)	2,143	872	522
Retirement and other liabilities	234	(12)	190	-	-
Other assets	(205)	(65)	(203)	286	222
Net Cash Provided by Operations	**11,828**	**11,716**	**16,162**	**15,121**	**17,079**
Additions to property, plant and equipment	(3,286)	(3,741)	(11,994)	(3,500)	(3,500)
Redemption of cash value life insurance	-	-	-	-	-
Proceeds from sale of property, plant and equipment	12	1,223	86	-	-
Acquisitions	-	-	(3,596)	-	-
Net Cash Used in Investing	**(3,274)**	**(2,518)**	**(15,504)**	**(3,500)**	**(3,500)**
Proceeds from long-term borrowings	-	-	4,384	-	-
Distribution to United Development Company partners	(105)	(289)	(1,196)	-	-
Tax benefit from exercise of non-qualified stock options	854	700	832	832	832
Proceeds from exercise of stock options	507	250	365	365	365
Payment of statutory withholdings for stock options exercised	(485)	(830)	(672)	(672)	(672)
Principal repayments of long-term debt	(624)	(1,282)	(740)	(1,000)	(1,000)
Principle repayments of capital lease obligations	-	-	-	-	-
Cash settlement of restricted stock units	-	-	-	-	-
Net Cash Provided by (Used in) Financing	**147**	**(1,451)**	**2,973**	**(475)**	**(475)**
Net Change in Cash	**8,701**	**7,747**	**3,631**	**11,146**	**13,104**
Cash - Beginning of Period	**13,401**	**22,102**	**29,849**	**33,480**	**44,626**
Cash - End of Period	**22,102**	**29,849**	**33,480**	**44,626**	**57,730**
Cash Flow from Operations	11,828	11,716	16,162	15,121	17,079
Capital Expenditures	(3,286)	(3,741)	(11,994)	(3,500)	(3,500)
Free Cash Flow	8,542	7,975	4,168	11,621	13,579

Source: Company filings and Taglich Brothers' estimates

Price Chart



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	1	4
Hold	1	17
Sell		
Not Rated		

Important Disclosures

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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

We believe the company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical "buy" recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the company is significantly overvalued based on its current status. The future of the company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Dropping Coverage

We have discontinued research coverage due to acquisition of the company, termination of research services, non-payment for such services 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.