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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
June 6, 2012

UFPT $16.16 — (NASDAQ CM)

	2010A	2011A	2012E	2013E
Revenues (millions)	$120.8	$127.2	$130.7	$138.5
Earnings per share (diluted)	$1.37	$1.48	$1.47	$1.69

52-Week range	$19.96 – $12.65	Fiscal year ends:	December
Shares outstanding as of 5/1/12	6.7 million	Revenue per share (TTM)	$18.23
Approximate float	4.6 million	Price/Sales (TTM)	0.9X
Market capitalization	$108 million	Price/Sales (2013)E	0.9X
Tangible book value/share	$8.47	Price/Earnings (TTM)	10.8X
Price/tangible book	1.9X	Price/Earnings (2013)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:

Raising UFP Technologies to Speculative Buy from Neutral due to a more attractive valuation. Setting twelve-month price target of $18.50 based on a multiple of 12X applied to our discounted 2013 earnings estimate.

Industry research firm IBISWorld projects growth over the next five years for UFPT's principal end markets (medical equipment: 6.4% average annual growth rate, automotive: 3.3%, consumer electronics: 3.0%) driven by an aging population, increasing automotive demand, and innovative new electronics products.

The company is tooling up to meet the strong demand for its molded fiber product line and has invested in new state-of-the-art equipment that is scheduled to be online by Q3/12.

The company's revenue growth has slowed over the past three quarters due to the loss of a significant portion of a long-term automotive program. However, the projected growth of the automotive industry (averaging approximately 5% over the next two years) should help to offset in part the lost sales from this program. Also, UFP is scheduled to launch a new door panel program for Cadillac ATS and XTS vehicles starting in June 2012.

We project 2012 revenue of $130.7 million, up from our previous revenue projection of $130.1 million. The increase reflects Q1/12 results. Our EPS projection of $1.47 is unchanged.

For 2013, we project revenue of $138.5 million and EPS of $1.69, largely unchanged from previous projections.

UFPT reported Q1/12 sales (released 5/3/12) increased 1% to $32.0 million and EPS of $0.33. We estimated Q1/12 sales of $31.4 million and EPS of $0.34.

Please view our disclosures on pages 13 - 15.

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Recommendation and Valuation

We are raising our rating on UFP Technologies to **Speculative Buy** from Neutral and setting a **twelve-month price target of $18.50 per share.**

From 2004 to 2011, UFPT traded at an average earnings multiple of 12X, higher than the current multiple of 11X making the stock attractive at these levels. We believe that with the growth we are projecting, the market will accord the stock a multiple of 12X. Applying a multiple of 12X to our 2013 earnings of $1.69 per share discounted to a twelve-month value of $1.56 per share gives us a price target of approximately $18.50.

Recent Development

On February 29, 2012, UFP Technologies purchased the manufacturing building that it leased from United Development Company Limited (UDT), a variable interest entity, for $1.35 million. Subsequently, UDT was dissolved and its assets were distributed. The amount paid for the building over its carrying value totaled $535,481 and has been recorded in stockholders' equity as a reduction to additional paid-in capital. The transaction did not impact the consolidated results of operations.

Business

Founded in 1963 and 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.

In 2009, the company completed three acquisitions, Foamade Industries, E.N. Murray, and Advanced Materials. Foamade specialized in the fabrication of technical urethane foams for a myriad of industries, and both E.N. Murray and Advanced Materials specialized in the fabrication of technical urethane foams primarily for the medical industry.

Components products accounted for 67% of sales in 2011 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.

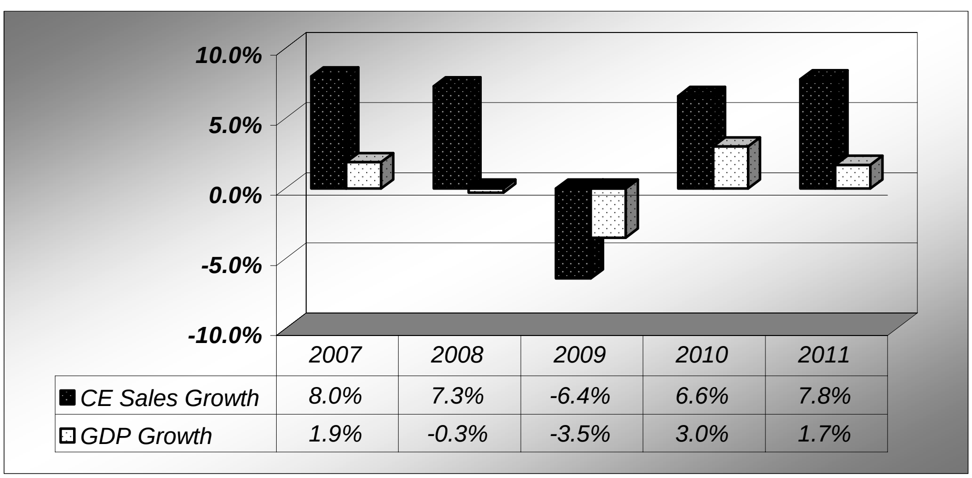
Industry Outlook

IBISWorld forecasts urethane and foam products industry growth averaging 3.4% annually over the five years to 2016. The industries that UFP sells to are projected to show growth going forward.

The company's medical products are used in packaging systems for surgical tools, electronic devices, endoscopes and orthopedic implants. UFP Technologies fabricates products used for mammography pads, tool sterilization systems, and dental fluoride trays. 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, lackluster growth could restrain the number of high-value elective procedures involving medical devices, resulting in a slowdown of growth for this industry. In April 2012, IBISWorld forecasted medical device industry average annual sales growth of 6.4% to $88.2 billion during the five years to 2017, much slower than the 12.8% average annual growth in the five years to 2012.

The automotive research firm Edmunds.com said that after delaying purchases over the last couple of years, consumers are eager to jump into the new-car market. Vehicle trade-in rates have sustained highs in recent months, which suggest that consumers have decided that they've held on to their cars for too long. US auto sales rose 2.3% in April 2012 from a year earlier and are on pace to rise by 10% or more in 2012 compared with 2011 according to researcher Autodata Corp. IBISWorld projected revenue growth of 4.8% in 2012 and 5.0% in 2013 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. As the economy gains traction, consumer sentiment and per capita disposable income are estimated to increase on average 0.9% and 2.3%, respectively, per year over the five years to 2017. This renewed confidence in the economy and higher available discretionary income should drive retail consumer electronics purchases. The Conference Board forecasts US GDP growth averaging 2.3% from 2012 – 2016. The following chart shows how consumer electronics sales were affected by changes in the economy over the past five years.



	2007	2008	2009	2010	2011
CE Sales Growth	8.0%	7.3%	-6.4%	6.6%	7.8%
GDP Growth	1.9%	-0.3%	-3.5%	3.0%	1.7%

Source: Consumer Electronics Association and Bureau of Economic Analysis

In May 2012, IBISWorld forecasted sales from US consumer electronics stores to grow at an average annual rate of approximately 3.0% to $93.7 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. However, in June 2012, the US Census Bureau reported that new orders for computers and electronics products fell 0.8% in April. This follows a 0.8% decrease in March. If the US economic recovery stalls, consumer spending could fall below current projections.

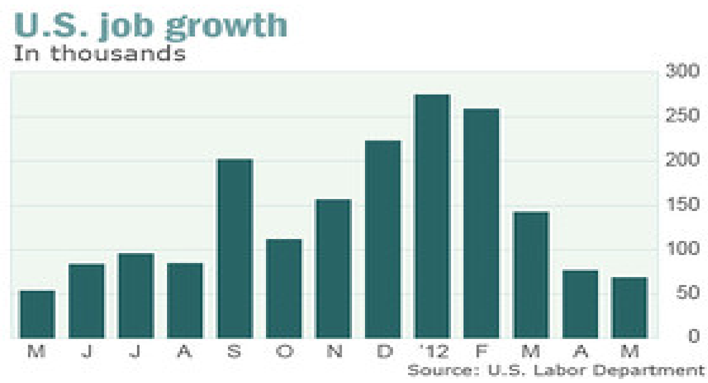
UFP Technologies' aerospace and defense products are used in applications such as protective cases and inserts for military equipment (i.e. tools used for large engine rebuilds), uniform and gear components such as backpacks and duty belts used by soldiers in combat, and explosion suppressant foams used in fuel systems of aircrafts. The latest forecast (December 2011) from the industry research firm Datamonitor projects the global aerospace and defense market to have a value of $1,204.2 billion in 2015, for a compound annual growth rate of approximately 3%.

Economic Outlook

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

The global economic outlook has dimmed in recent weeks. Worries about the economy are mounting amid concerns that Greece may be forced out of the Euro zone and Spain's economy may collapse under the pressure of a high deficit and fragile banking system. China's economy has also shown signs of slowing as recent manufacturing data were weak. These worries have put pressure on policy makers to take steps to bolster their economies. Greece's June 17 elections could determine whether it can remain within the Euro zone. Also, the Federal Reserve's rate-setting committee, scheduled for June 19 and 20, could signal leanings toward further stimulus, and on June 28 and 29, a summit of European Union leaders in Brussels will be closely watched by investors for evidence that policy makers will increase efforts to solve the region's crisis.

The latest US jobs data suggests that the US economy may be under pressure for some time. The US economy added just 69,000 jobs in May 2012, far below estimates and the smallest gain in the past year (pictured at right). Also, the US unemployment rate ticked up to 8.2% from 8.1%, the first increase in 11 months. Hiring has slowed down significantly since the 252,000 per month average of new jobs created from December 2011 to February 2012.



Most economists currently believe the US is on track to add an average of 150,000 to 200,000 jobs a month in 2012. However, faster job creation – at least 250,000 a month for several years – would be required to bring employment back to pre-recession levels. That rate of job growth seems improbable. The European crisis is unlikely to end soon. We believe that the slowdown in the European economy could have a significant drag on the US economy as US exports to Europe account for approximately 22% of total exports.

The latest growth projection for the US economy from the International Monetary Fund (April 2012) was increased to 2.1% in 2012 and 2.4% in 2013, up from earlier projections of 1.8% in 2012 and 2.2% in 2013. However, recent economic events could result in a downward revision to these projections.

As the company sells 95% of its products in the US, a slowing US economy could limit 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 products has been from 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 face competition primarily from 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 ($4.2B 2011 sales, up 3% versus 2010), Packaging Corp. of America ($2.6B 2011 sales, up 8%), Greif ($4.2B 2011 sales, up 23%), Bemis Company ($5.3B 2011 sales, up 10%), and Sealed Air Corp ($5.6B 2011 sales, up 26%). UFPT's margins are greater than that of most of its competitors. UFP Technologies' 2011 gross margins were 28.5% versus 15.2% for Graphic Packaging, 20.7% for Packaging Corporation of America, 18.2% for Grief, 17.1% for Bemis, and 29.1% for Sealed Air. We believe that the reason for UFPT's greater margins compared to the industry is due to the company's ability to differentiate its products from competitors. 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

Over the past five years, UFPT's sales have grown at an average annual rate of 6%, slowing to 5% in 2011 due to the loss of a significant portion of a long-term automotive program that accounted for 9% of 2010 sales. During the past five years, GDP growth averaged 2.8% annually, slowing to 1.7% in 2011. Considering the slow growing economy in 2011 and the loss of a significant portion of a long-term automotive program, the company's sales during this time period showed good resilience to these adverse events. This was primarily due to a new contract in 2011 to supply backpack components to the US marines. We believe revenue will return to its historic growth rate of 6% starting in the second half of 2012, as the company is scheduled to launch a new door panel program for Cadillac ATS and XTS vehicles in June 2012. This new program will utilize the equipment formerly committed to the discontinued long-term Mercedes program. Also, the company is tooling up to meet the strong demand for its molded fiber product line and has invested in new equipment that is scheduled to be online by Q3/12.

2012 Forecast

For 2012, we project revenue of $130.7 million and net income of $10.4 million or $1.47 per share. Recent results have resulted in an increase to our revenue estimate (previously $130.1 million) but kept our net income projection virtually unchanged.

The higher than expected Q1/12 gross margins resulted in a slight increase to our gross margin forecast to 29.3% (previously 29.2%). SG&A expenses should increase to $22.1 million from $21.4 million with the increased business resulting in SG&A margins of 16.9%. Taxes are estimated at approximately 35% due to increased deductions associated with domestic manufacturing.

In 2012, we project $14 million cash from operations, cash earnings of $15.1 million and an increase in working capital of $1.2 million. The increase in working capital is primarily due to a $418,000 increase in receivables, a $151,000 increase in inventories, a $441,000 increase in prepaid expenses, and a $0.5 million increase in other assets, offset in part by a $260,000 increase in retirement and other liabilities and a $148,000 increase in accrued expenses. We project 44 days sales outstanding in 2012 and inventory turnover of 9X, both figures in line with 2011 actual numbers. We project $8.0 million of capital expenditures primarily due to the $4.8 million costs listed in the latest 10-K filing for new molded fiber equipment in addition to $3.2 million of typical capital expenditures. Financing activities consist primarily of $1 million principal repayments of long-term debt and a $1.2 million distribution to United Development Company. We project an increase in cash of $4 million for a year end cash balance of $33.9 million.

2013 Forecast

For 2013, we project revenue of $138.5 million and net income of $12.3 million or $1.69 per share, largely unchanged from previous projections. Higher sales volume should increase overhead coverage, raising gross margins to 30.4%. SG&A expenses should increase to $23.2 million from $22.1 million with margins remaining at 16.8%. Taxes are estimated at 35%.

In 2013, we project $15.9 million cash from operations, cash earnings of $17.3 million and increases in working capital of $1.4 million. The increase in working capital is primarily due to a $1 million increase in receivables, a $422,000 increase in inventories, and a $300,000 increase in other assets, offset in part by a $342,000 increase in accrued expenses and a $145,000 increase in accounts payable. We project 44 days sales outstanding in 2012 and inventory turnover of 9X, both figures in line with 2011 actual numbers and our 2012 estimates. We project $3.5 million of capital expenditures. Financing activities consist primarily of $1 million repayments of long-term debt. We project an increase in cash of $11.6 million for a year end cash balance of $45.5 million.

Q1 Financial Results

Q1/12 sales increased 1% to $32.0 million. Net income increased 7% to $2.3 million or $0.33 per share. We projected Q1/12 sales of $31.4 million and net income of $2.4 million or $0.34 per share. The results for Q1/11 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 interest attributable to UFPT.

The increase in Q1/12 sales was primarily due to increased sales of $485,000 to the medical industry as well as an increase of $1 million in sales of molded fiber packaging, mostly offset by a $1.1 million decrease in sales to the automotive industry. The decline in sales to the automotive industry was largely due to the phase-out of a significant portion of a large door panel program (due to a redesigned model vehicle) which ended on June 30, 2011. The company still supplies door panels to the customer for other model vehicles. Sales of door panels for the discontinued model vehicle were approximately $1.8 million in the three-month period ended March 31, 2011. Excluding the door panel program, sales grew 8%.

Gross margins increased to 28.8% from 27.9% primarily due to lower material and direct labor costs as a percentage of sales. SG&A expenses decreased to $5.5 million from $5.7 million primarily due to a $150,000 decrease in professional fees.

Excluding net income attributable to non-controlling interests, the company showed an effective income tax rate of approximately 36% in Q1/12, up from 37% in Q1/11 due to higher than expected domestic manufacturing deductions.

Liquidity

The company has a strong balance sheet. Long-term debt is $5.5 million and cash (approximately $4.16 per share) exceeds all indebtedness and liabilities. UFPT's debt/equity ratio is 0.1 versus 1.3 for the industry.

Cash of $1.7 million from operations in Q1/12 consisted mainly of cash earnings of $3 million partially offset by increases in working capital of $1.3 million. The increase in working capital was due primarily to a decrease in accrued taxes and other expenses, and increased receivables and inventory, offset in part by increased accounts payable and decreased taxes receivable. Capital expenditures were $2.3 million. A $1.2 million distribution to UDT and a $0.7 million payment of statutory withholdings for stock options exercised accounted for most of the cash used in financing activities. The net result was a $2.2 million decrease in cash to $27.6 million as of March 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 March 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 March 31, 2012. The interest rate on these facilities was 1.24% at March 31, 2012.

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 28% of total revenues in 2011. A single automotive program accounted for approximately 7% of total sales in 2011. A substantial portion of this program was phased out in 2011.

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.

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

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.

Liquidity
With only 6.7 million shares outstanding and 4.6 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.

Balance Sheet for the Periods Ended
(in thousands $)

	2009A	2010A	2011A	3/12A	2012E	2013E
Cash and cash equivalents	14,999	22,103	29,849	27,616	33,896	45,463
Receivables	14,218	14,634	15,619	16,389	16,037	17,001
Inventories	7,647	8,044	9,758	10,066	9,909	10,331
Prepaid expenses	476	1,035	559	950	1,000	1,100
Refundable income taxes	-	1,414	1,086	410	1,188	1,250
Deferred income taxes	1,411	1,209	1,169	1,196	1,278	1,450
Total current assets	38,751	48,439	58,040	56,627	63,309	76,595
Net property, plant and equipment	12,218	12,575	13,346	15,018	18,011	17,811
Goodwill	6,481	6,481	6,481	6,481	6,481	6,481
Intangible assets	818	594	399	355	239	79
Other assets	1,184	1,389	1,455	1,864	1,761	1,921
Total assets	**59,452**	**69,478**	**79,721**	**80,345**	**89,801**	**102,887**
Current portion of long-term debt	623	654	581	581	600	600
Accounts payable	4,274	2,838	3,344	3,956	3,396	3,540
Accrued expenses	6,153	6,679	5,540	4,443	5,688	6,030
Total current liabilities	11,050	10,171	9,465	8,980	9,684	10,170
Long-term debt	7,502	6,847	5,639	5,493	4,639	3,639
Deferred income taxes	777	881	1,292	1,186	1,200	1,000
Other liabilities	1,118	1,352	1,340	1,545	1,600	1,600
Total liabilities	**20,447**	**19,251**	**17,736**	**17,204**	**17,123**	**16,409**
Total stockholders' equity	**39,005**	**50,227**	**61,985**	**63,141**	**72,678**	**86,478**
Total liabilities & stockholders' equity	**59,452**	**69,478**	**79,721**	**80,345**	**89,801**	**102,887**

Source: Company filings and Taglich Brothers' estimates

Annual Income Statements for the Years Ended
(in thousands $)

	2009A	2010A	2011A	2012E	2013E
Net sales	99,231	120,766	127,244	130,652	138,500
Cost of sales	72,512	86,150	90,999	92,411	96,344
Gross profit	26,719	34,616	36,245	38,241	42,157
Extraordinary items	-	-	(839)	(5)	-
SG&A	18,539	20,236	21,368	22,093	23,200
Operating income	8,180	14,380	15,716	16,153	18,957
Interest exp, other inc and exp	618	46	(27)	(22)	40
Income before taxes	8,798	14,426	15,689	16,131	18,997
Income tax	2,817	5,019	4,906	5,683	6,649
Income attrib. to noncontrol. interests	(52)	(160)	(437)	-	-
Net Income / (Loss)	5,929	9,247	10,346	10,448	12,348
EPS	0.94	1.37	1.48	1.47	1.69
Shares Outstanding	6,294	6,757	6,999	7,120	7,325
Margin Analysis					
Gross margin	26.9%	28.7%	28.5%	29.3%	30.4%
SG&A	18.7%	16.8%	16.8%	16.9%	16.8%
Operating margin	8.2%	11.9%	12.4%	12.4%	13.7%
Tax rate	32.0%	34.8%	31.3%	35.2%	35.0%
Year / Year Growth					
Total Revenues	-9.8%	21.7%	5.4%	2.7%	6.0%
Net Income	15.9%	56.0%	11.9%	1.0%	18.2%
EPS	15.3%	45.3%	8.0%	(0.7)%	14.9%

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statement for the Fiscal Years Ending December 31, 2011, 2012, and 2013
(in thousands $)

	2010A	3/11A	6/11A	9/11A	12/11A	2011A	3/12A	6/12E	9/12E	12/12E	2012E	3/13E	6/13E	9/13E	12/13E	2013E
Net sales	120,766	31,504	33,501	30,762	31,477	127,244	31,952	32,500	32,700	33,500	130,652	33,250	34,600	34,650	36,000	138,500
Cost of sales	86,150	22,702	23,498	22,278	22,522	90,999	22,751	23,075	23,135	23,450	92,411	23,375	24,047	24,082	24,840	96,344
Gross profit	34,616	8,802	10,003	8,484	8,955	36,245	9,201	9,425	9,565	10,050	38,241	9,875	10,553	10,568	11,160	42,157
Extraordinary items	-	(834)	-	-	(5)	(839)	(5)	-	-	-	(5)	-	-	-	-	-
SG&A	20,236	5,726	5,686	5,220	4,739	21,368	5,518	5,450	5,500	5,625	22,093	5,600	5,800	5,800	6,000	23,200
Operating income	14,380	3,910	4,317	3,264	4,221	15,716	3,688	3,975	4,065	4,425	16,153	4,275	4,753	4,768	5,160	18,957
Interest exp, other inc and exp	46	2	(12)	(6)	(8)	(27)	(17)	(10)	-	5	(22)	10	10	10	10	40
Income before taxes	14,426	3,912	4,305	3,258	4,213	15,689	3,671	3,965	4,065	4,430	16,131	4,285	4,763	4,778	5,170	18,997
Income tax	5,019	1,279	1,603	819	1,205	4,906	1,322	1,388	1,423	1,551	5,683	1,500	1,667	1,672	1,810	6,649
Income attrib. to noncontrol. interests	(160)	(428)	-	(4)	(4)	(437)	-	-	-	-	-	-	-	-	-	-
Net Income / (Loss)	9,247	2,205	2,702	2,435	3,004	10,346	2,349	2,577	2,642	2,880	10,448	2,785	3,096	3,106	3,361	12,348
EPS	1.37	0.32	0.39	0.35	0.43	1.48	0.33	0.36	0.37	0.40	1.47	0.38	0.42	0.42	0.45	1.69
Shares Outstanding	6,757	6,969	6,982	6,999	7,010	6,999	7,030	7,100	7,150	7,200	7,120	7,250	7,300	7,350	7,400	7,325
Margin Analysis																
Gross margin	28.7%	27.9%	29.9%	27.6%	28.4%	28.5%	28.8%	29.0%	29.3%	30.0%	29.3%	29.7%	30.5%	30.5%	31.0%	30.4%
SG&A	16.8%	18.2%	17.0%	17.0%	15.1%	16.8%	17.3%	16.8%	16.8%	16.8%	16.9%	16.8%	16.8%	16.7%	16.7%	16.8%
Operating margin	11.9%	12.4%	12.9%	10.6%	13.4%	12.4%	11.5%	12.2%	12.4%	13.2%	12.4%	12.9%	13.7%	13.8%	14.3%	13.7%
Tax rate	34.8%	32.7%	37.2%	25.1%	28.6%	31.3%	36.0%	35.0%	35.0%	35.0%	35.2%	35.0%	35.0%	35.0%	35.0%	35.0%
Year / Year Growth																
Total Revenues	21.7%	9.8%	11.8%	1.0%	(0.5)%	5.4%	1.4%	(3.0)%	6.3%	6.4%	2.7%	4.1%	6.5%	6.0%	7.5%	6.0%
Net Income	56.0%	45.9%	18.4%	3.0%	(2.8)%	11.9%	6.5%	(4.6)%	8.5%	(4.1)%	1.0%	18.6%	20.1%	17.6%	16.7%	18.2%
EPS	45.3%	39.1%	14.0%	(0.2)%	(4.6)%	8.0%	5.6%	(6.2)%	6.2%	(6.7)%	(0.7)%	15.0%	16.8%	14.4%	13.6%	14.9%

Source: Company filings and Taglich Brothers' estimates

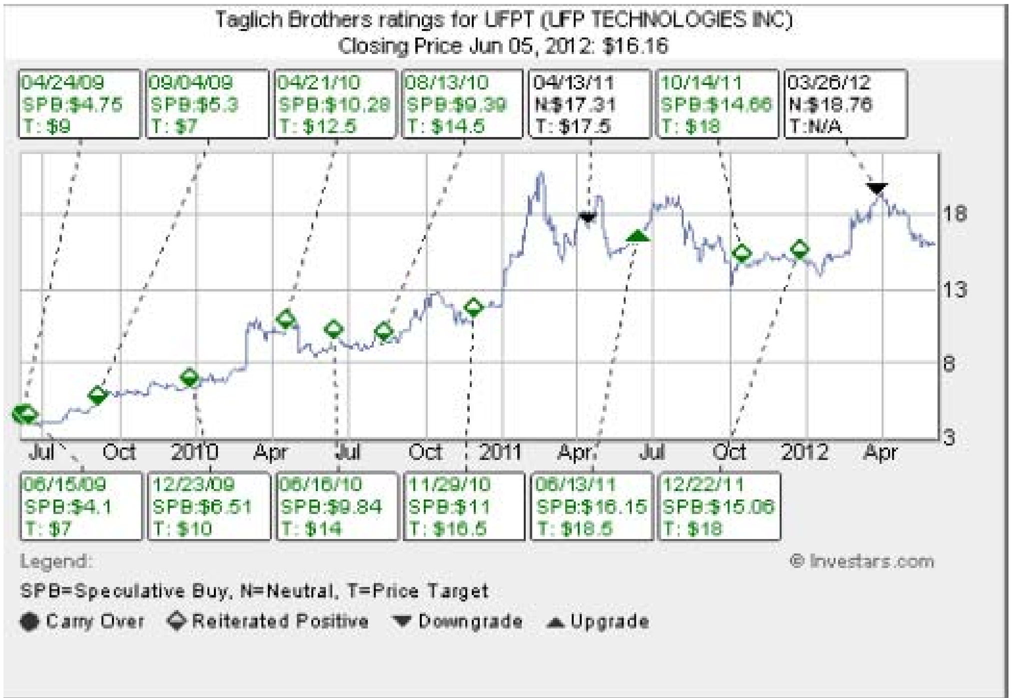
UFP Technologies, Inc.

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

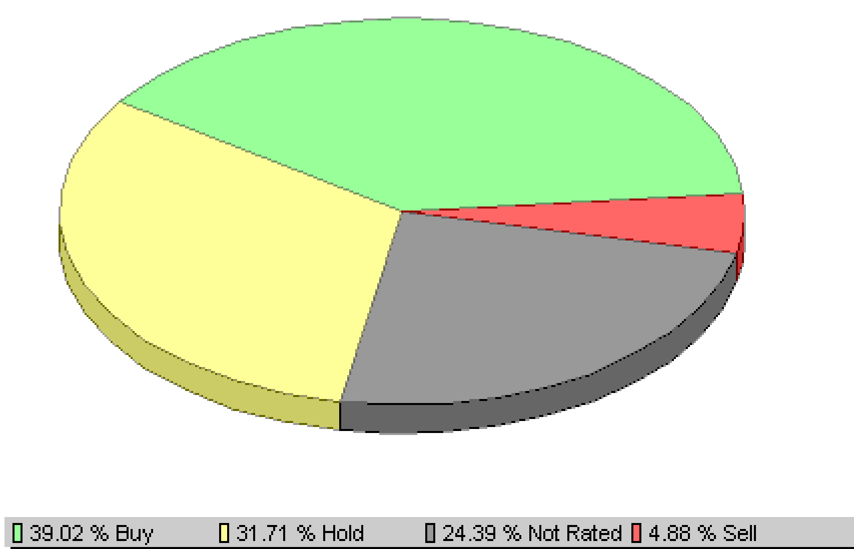
	2009A	2010A	2011A	3mos12A	2012E	2013E
Net income	5,982	9,407	10,784	2,349	10,448	12,348
Depreciation & amortization	2,895	3,152	2,781	681	3,660	3,860
Gain on acquisition	(840)	-	-	-	-	-
(Gain) loss on disposal of property, plant and equipment	(11)	(12)	(839)	(5)	(5)	-
Share-based compensation	901	964	1,089	187	1,200	1,200
Stock issued in lieu of compensation	183	79	55	-	100	100
Excess tax benefit on share-based compensation	(23)	(854)	(700)	(277)	(700)	(700)
Deferred income taxes	227	306	452	58	400	450
Changes in assets and liabilities						
Receivables	(342)	(415)	(985)	(770)	(418)	(963)
Inventories	1,863	(397)	(1,714)	(308)	(151)	(422)
Prepaid expenses	73	(559)	476	(391)	(441)	(100)
Refundable income taxes	-	(1,414)	327	677	(102)	(62)
Accounts payable	385	161	507	611	52	145
Accrued expenses and other	(307)	1,381	(440)	(820)	148	342
Retirement and other liabilities	204	234	(12)	205	260	-
Other assets	(509)	(205)	(65)	(541)	(500)	(300)
Net Cash Provided by Operations	**10,681**	**11,828**	**11,716**	**1,656**	**13,950**	**15,897**
Additions to property, plant and equipment	(1,857)	(3,286)	(3,741)	(2,309)	(8,000)	(3,500)
Redemption of cash value life insurance	-	-	-	132	132	-
Proceeds from sale of property, plant and equipment	13	12	1,223	5	5	-
Acquisitions	(2,435)	-	-	-	-	-
Net Cash Used in Investing	**(4,279)**	**(3,274)**	**(2,518)**	**(2,172)**	**(7,863)**	**(3,500)**
Proceeds from long-term borrowings	4,000	-	-	-	-	-
Distribution to United Development Company partners	(105)	(105)	(289)	(1,210)	(1,210)	-
Tax benefit from exercise of non-qualified stock options	23	854	700	276	700	700
Proceeds from exercise of stock options	130	507	250	34	300	300
Payment of statutory withholdings for stock options exercised	-	(485)	(830)	(672)	(830)	(830)
Principal repayments of long-term debt	(577)	(624)	(1,282)	(145)	(1,000)	(1,000)
Principle repayments of capital lease obligations	(1,612)	-	-	-	-	-
Cash settlement of restricted stock units	-	-	-	-	-	-
Net Cash Provided by (Used in) Financing	**1,859**	**147**	**(1,451)**	**(1,717)**	**(2,040)**	**(830)**
Net Change in Cash	**8,261**	**8,701**	**7,747**	**(2,233)**	**4,047**	**11,567**
Cash - Beginning of Period	**5,140**	**13,401**	**22,102**	**29,849**	**29,849**	**33,896**
Cash - End of Period	**13,401**	**22,102**	**29,849**	**27,616**	**33,896**	**45,463**
Cash Flow from Operations	10,681	11,828	11,716	1,656	13,950	15,897
Capital Expenditures	(1,857)	(3,286)	(3,741)	(2,309)	(8,000)	(3,500)
Free Cash Flow	8,824	8,542	7,975	(653)	5,950	12,397

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		
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.