



# TAGLICH BROTHERS

The Standard of Excellence in the Microcap Market

Member: FINRA, SIPC

## Earnings Note

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

**UFP Technologies, Inc.**

**Rating: Speculative Buy**

John Nobile

**UFPT \$5.24 — (Nasdaq CM)**

November 3, 2008

UFP Technologies is a designer and manufacturer of a broad range of high performance cushion packaging and molded fiber products and specialty foam and plastic products. These products are custom designed and fabricated or molded to provide 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](http://www.ufpt.com))

On November 3, 2008, UFP Technologies reported fiscal 2008 third quarter results. The following table compares these results to Taglich Brothers' estimates (in thousands).

	<u>Q3(9/08)A</u>	<u>Q3(9/08)E</u>
<b>Net sales</b>	\$ <b>27,501</b>	\$ <b>27,250</b>
Cost of sales	<u>20,091</u>	<u>20,383</u>
Gross profit	7,410	6,867
<i>Gross Margin</i>	26.94%	25.20%
SG&A, restructuring charge	<u>5,341</u>	<u>5,700</u>
Operating income	2,069	1,167
<i>Operating Margin</i>	7.52%	4.28%
Interest expense, other income & expenses	<u>(58)</u>	<u>(100)</u>
Income before taxes	2,011	1,067
Income tax (benefit)	<u>764</u>	<u>405</u>
<i>Tax rate</i>	38.00%	37.96%
<b>Net Income / (Loss)</b>	<b>\$ <u>1,247</u></b>	<b>\$ <u>662</u></b>
<b>Basic EPS</b>	<b>\$ <u>0.22</u></b>	<b>\$ <u>0.12</u></b>
<b>Diluted EPS</b>	<b>\$ <u>0.20</u></b>	<b>\$ <u>0.10</u></b>
Basic Shares Outstanding	5,593	5,570
Diluted Shares Outstanding	6,315	6,440
<u>Percent of Revenue</u>		
Cost of goods sold	73.06%	74.80%
SG&A	19.42%	20.92%
<u>Year / Year Growth</u>		
Total Revenues	19.90%	18.80%
Net Income	41.20%	-25.03%
EPS	31.13%	-30.09%

*\* Please view our disclaimer located on page 5.*

405 Lexington Avenue, 51st Floor, New York, N.Y. 10174

(800) 383-8464 • Fax (631) 757-1333

[www.taglichbrothers.com](http://www.taglichbrothers.com)

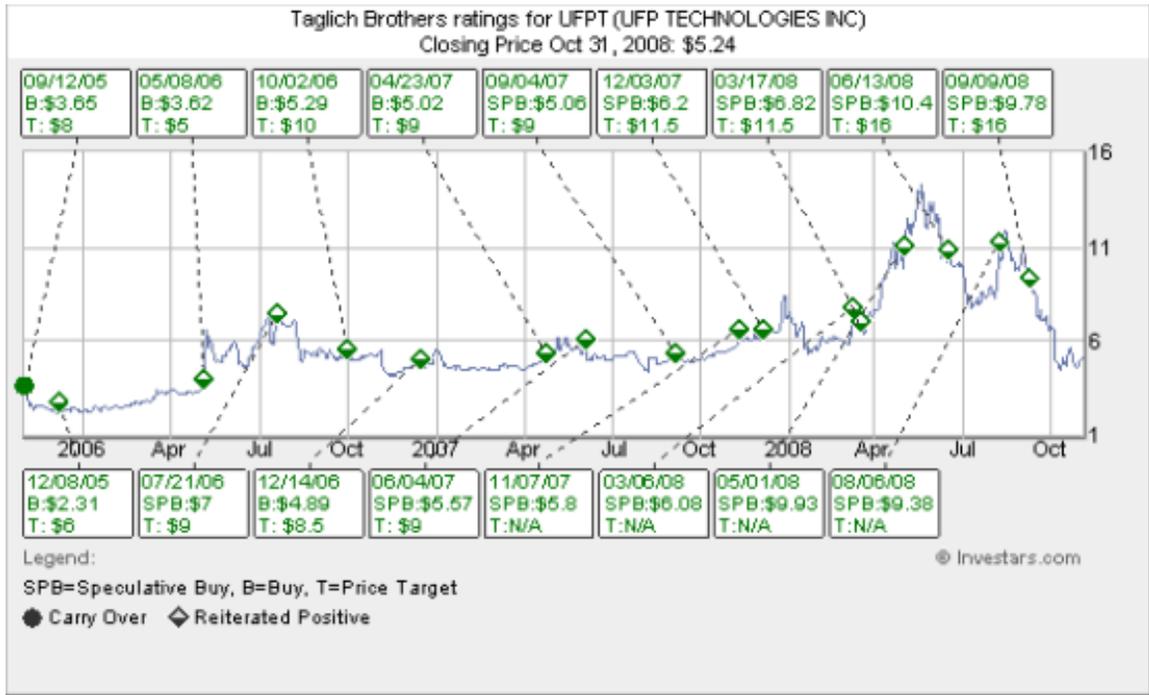
**Earnings Comment:** Earnings were better than we expected due to slightly higher than anticipated sales and gross margins that exceeded our expectations (26.9% actual versus 25.2% estimated). UFP grew sales by 20% and gross margins firmed to 26.9% from 23.1%. The better than expected earnings were also due to lower restructuring charges in the quarter than we originally anticipated (\$0.4 million actual versus \$0.7 million estimated which we included in SG&A expenses).

Management said that strength in the Company's medical, military, and electronics markets had more than offset a depressed automotive segment. Further, the Company's healthy cash reserves and bank line of credit position UFPT to pursue strategic acquisitions.

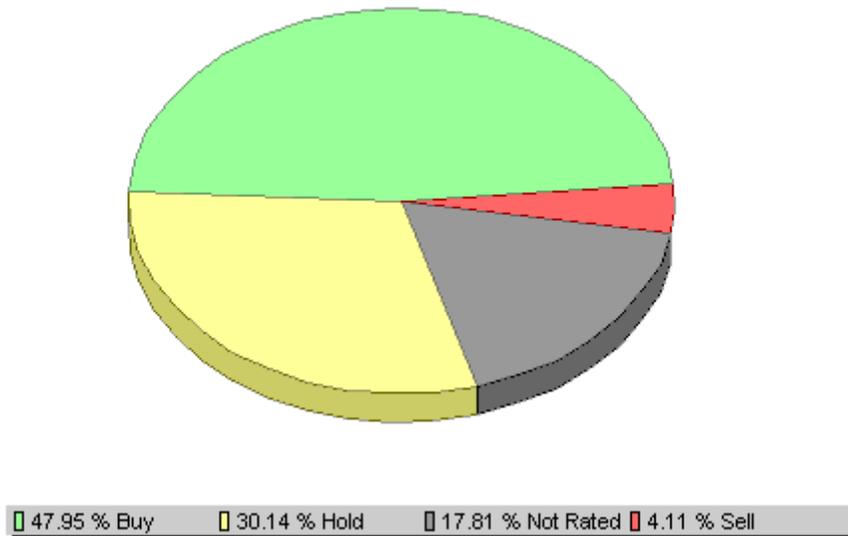
**Rating:** We are maintaining our Speculative Buy rating on UFP Technologies.

**Risks:** Please review our latest research report (September 9, 2008) for a summary of the principal risks underlying the stock.

UFP Technologies, Inc.



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	0	0.00%
Hold	1	6.67%
Sell	0	0.00%
Not Rated	0	0.00%

### 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.

### **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.

\* The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to changes in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an Analyst or member of the Research Department may sell such securities after obtaining expressed written permission from the Director of Research.

As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company mentioned in this report and was not a manager or co-manager of any offering for the company within the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. Since February 2000, the company pays a monthly monetary fee of \$1,000 (USD) to Taglich Brothers, Inc. for the creation and dissemination of research reports.

**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.**