

Analyst: Sung Nam

UFP Technologies Inc (UFPT)

Market Price:	\$15.15	EBITDA/Share:	\$2.74	Net Asset/Share:	\$6.53
DCF: EV/EBITDA Terminal Value	5.145%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value	-6.375%		
Current Net Tangible Asset	10.793%	EVA Analysis:	7.269%		

Overview

They design and/or manufacture customized foam/ plastic products, such as helmets, foam on microphones, tubes, egg crates. I love these businesses. We need exposure to these, which are correlated to the economy. We don't want to be highly hedged to the market, so we will continue to add the economy dependent businesses. Good side of UFPT was sales dropped only 10% in 2009, which was relatively good compared to other companies that we have researched.

Dividend?

Dividend yield is 0.0%.

Cashflow Generation

Cashflows are \$10 MM from operating cashflow. 6.25% EBITA margin, 9% EBITDA margin. Capex is \$4 MM. The company has \$30 MM in cash/short term investment and \$7 MM in debt.

Profitability

ROA is a respectable 12.9%, and ROC is 16.7%.

LBO?

We don't believe a 80% debt/20% equity would be sustainable.

Price

We are forecasting a \$17.94/share in Year 5, or a 18.4% holding return, or 3.4% annual return.

Thus, the 1 year forecasted price is \$15.70.

Daily Market Figures

2011-12-08

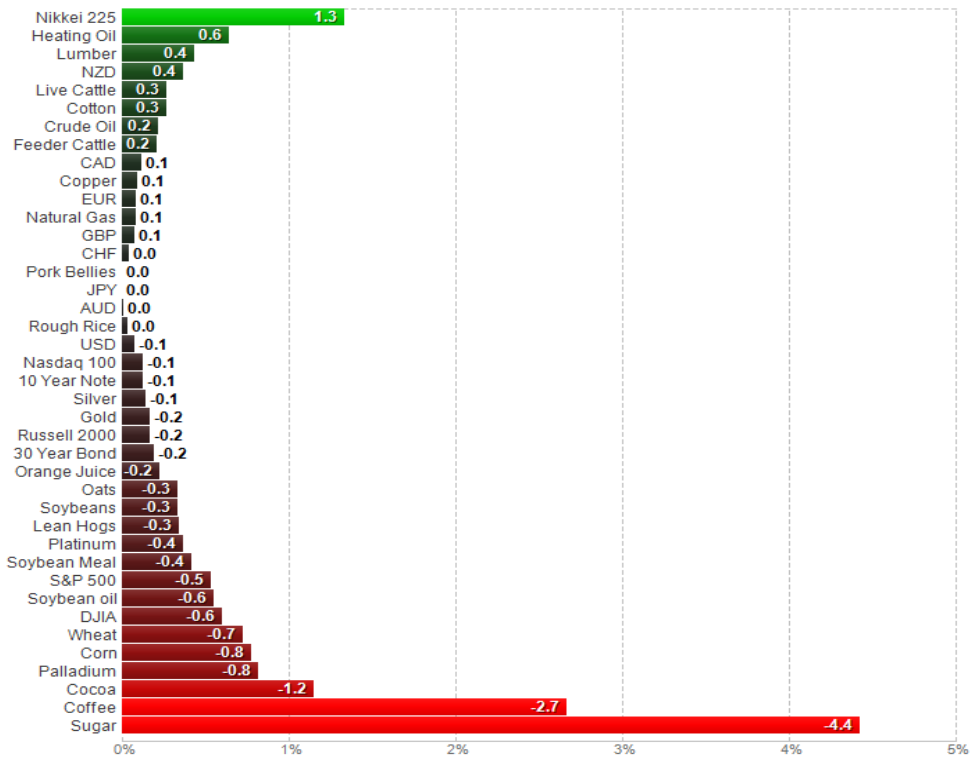
	Last	Change	Change %
Crude Oil	100.38	-0.11	-0.11%
Natural Gas	3.423	0.002	0.06%
Gold	1740.8	-4	-0.23%
S&P 500	1262	-2	-0.16%
Nasdaq 100	2322.75	1.25	0.05%
Kospi	1,905.7710:17PM EST	13.65(0.71%)	
Shanghai	2,312.3010:02PM EST	20.27(0.87%)	
Hang Seng	19,004.1910:02PM EST	236.39(1.23%)	
Nikkei 225	8,629.159:55PM EST	93.02(1.07%)	
5-Year Treasury	0.91	0.01	1.11%
10-Year Treasury	2.04	0.007	0.34%
30-Year Treasury	3.07	0.005	0.16%
EUR/USD	1.3398	-0.0016	-0.13%
USD/JPY	77.66	0.01	0.02%
GBP/USD	1.5702	-0.0009	-0.05%

	Today	Last Week	Change %
30 Year Fixed	3.98%	4.02%	-0.04%
15 Year Fixed	3.34%	3.39%	-0.05%
1 Year ARM	2.78%	2.78%	0.00%
30 Year Fixed Jumbo	4.72%	4.65%	0.07%
5/1 ARM	2.92%	2.94%	-0.02%
3/1 ARM	2.77%	2.85%	-0.08%

1 DAY RELATIVE PERFORMANCE

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*Source: Finviz.com; Bankrate.com; Yahoo.com
<http://finviz.com/futures.ashx>

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LBO Analysis

WACC Terminal Value:		Intrinsic Price in 5 Years:	17.94	Non-LBO Forecast	Year 1 Target	15.67	Non-LBO Forecast	Desired Return Rate	20.00%
EV/EBITDA with 5X Multiple Terminal Value:	\$19.47	Market Price:	15.15		Year 2 Target	16.21		Implied Today's Price	7.21
Net Tangible Asset Terminal Value:	\$10.90	LBO Price:	15.15		Year 3 Target	16.76		Overvalued/(Undervalued)	110.18%
EV/EBITDA with Today's Multiple Terminal Value:	\$21.15	Premium to Market Price:	0.00%		Year 4 Target	17.34			
EVA Enterprise Value:	\$20.23	LBO Price/Intrinsic Price Target:	3.43%		Year 5 Target	17.94			
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	6.90%						
Average (Excluding Dividend Discount):	\$17.94	Implied IRR at today's EV/EBIT:	6.90%	Implied IRR (Market Price):	3.43%				
		5 Year Return:	18.39%						

Current Evaluation				Exit Evaluation			
Current Market Price:	15.15	LBO Price:	15.15	Exit Price:	17.94	Exit Price:	21.15
Outstanding Shares:	6,530,000	Outstanding Shares:	6,530,000	Outstanding Shares:	6,530,000	Outstanding Shares:	6,530,000
Market Capitalization:	98,929,500	Market Capitalization:	98,929,500	Market Capitalization:	117,120,578	Market Capitalization:	138,085,938
Available Cash:	24,430,000	Available Cash:	24,430,000	Available Cash:	56,324,443	Available Cash:	56,324,443
Debt:	7,500,000	Debt:	7,500,000	Debt:	7,500,000	Debt:	7,500,000
Net Cash:	16,930,000	Net Cash:	16,930,000	Net Cash:	48,824,443	Net Cash:	48,824,443
Enterprise Value:	81,999,500	Enterprise Value:	81,999,500	Enterprise Value:	68,296,135	Enterprise Value:	89,261,495
Original EV/EBIT:	5.70	EV/EBIT:	5.70	EV/EBIT at 5 Years:	6.27	EV/EBIT at 5 Years:	5.70
Original EV/EBITDA:	4.59	EV/EBITDA:	5.70	EV/EBITDA at 5 Years:	5.85	EV/EBITDA at 5 Years:	5.70
Competitor Average EV/EBIT:	N/A						
Competitor Average EV/EBITDA:	N/A						

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	15.15	12.40	12.82	13.27	13.72	14.19	14.68
Shares Outstanding:	6,530,000	6,530,000	6,530,000	6,530,000	6,530,000	6,530,000	6,530,000
Market Capitalization:	98,929,500	80,967,162	83,747,219	86,622,731	89,596,976	92,673,343	95,855,339
Available Cash:	24,430,000	24,430,000	29,261,590	35,004,626	41,560,808	48,648,491	56,324,443
Debt:	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Net Cash:	16,930,000	16,930,000	21,761,590	27,504,626	34,060,808	41,148,491	48,824,443
Enterprise Value:	81,999,500	64,037,162	61,985,629	59,118,105	55,536,168	51,524,852	47,030,896
EBIT	11,230,000	11,230,000	8,307,756	9,138,531	9,854,613	10,416,373	10,891,100
EV/EBIT:	7.30	5.70	7.46	6.47	5.64	4.95	4.32
EBITDA	14,380,000	14,380,000	11,956,230	13,151,853	14,204,001	14,914,201	15,659,911
EV/EBITDA:	5.70	5.70	5.18	4.50	3.91	3.45	3.00

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	15.15	12.40	10.59	12.19	13.82	15.40	16.99
Shares Outstanding:	6,530,000	6,530,000	6,530,000	6,530,000	6,530,000	6,530,000	6,530,000
Market Capitalization:	98,929,500	69,135,152	69,135,152	79,615,544	90,255,057	100,546,085	110,929,086
Available Cash:	24,430,000	24,430,000	29,261,590	35,004,626	41,560,808	48,648,491	56,324,443
Debt:	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Net Cash:	16,930,000	16,930,000	21,761,590	27,504,626	34,060,808	41,148,491	48,824,443
Enterprise Value:	81,999,500	64,037,162	47,373,562	52,110,918	56,194,249	59,397,593	62,104,643
EBIT	11,230,000	11,230,000	8,307,756	9,138,531	9,854,613	10,416,373	10,891,100
EV/EBIT:	7.30	5.70	5.70	5.70	5.70	5.70	5.70
EBITDA	14,380,000	14,380,000	11,956,230	13,151,853	14,204,001	14,914,201	15,659,911
EV/EBITDA:	5.70	5.70	3.96	3.96	3.96	3.98	3.97

LBO Price	15.15	Equity Partners:	98,929,500	Weighting	100.00%	Annualized Return for Equity Partners:	6.90%
Shares Outstanding	6,530,000	Debt Partners:	0		0.00%		
Market Capitalization	98,929,500	Total Funds for LBO:	98,929,500		100.00%		

Book Value		Enterprise Value		Stock Valuation		Debt Reduction	
Beginning Book Value	98.93	Beginning Enterprise Value	82.00	Current Market Price	\$15.15	Starting Debt	6.85
Year 5 Book Value	129.55	Year 5 Enterprise Value	89.26	Year 5 Market Price	\$21.15	Debt Repayment	0.00
Annualized Return	5.54%	Annualized Return	1.71%	Annualized Return	6.90%	Year 5 Ending Debt	6.85
						% of Starting Debt	100.00%

	Historical				Forecasted				
	12 months ending 2007-12-31	12 months ending 2008-12-31	12 months ending 2009-12-31	12 months ending 2010-12-31	2011	2012	2013	2014	2015
Revenue	93.60	110.03	99.23	120.77	132.85	146.13	157.82	165.71	174.00
COGS (excluding depreciation)	70.78	81.47	72.51	86.15	98.31	108.14	116.79	122.63	128.76
Gross margin	22.82	28.56	26.72	34.62	34.54	37.99	41.03	43.09	45.24
SG&A	15.56	18.82	18.54	20.24	22.58	24.84	26.83	28.17	29.58
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	1.32	-0.84	0.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	2.82	2.98	2.90	3.15	3.65	4.01	4.35	4.50	4.77
Operating Income (EBITA)	4.44	5.44	6.12	11.23	8.31	9.14	9.85	10.42	10.89
Interest income/(expense)	-0.46	-0.32	-0.23	-0.11	-0.60	-0.60	-0.60	-0.60	-0.60
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.03	0.06	0.01	0.16	0.12	0.14	0.15	0.16	0.16
Income before tax	6.82	8.16	8.80	14.43	7.59	8.40	9.10	9.66	10.13
Tax	2.59	3.00	2.82	2.82	2.28	2.52	2.73	2.90	3.04
Income after tax	4.23	5.16	5.98	9.41	5.31	5.88	6.37	6.76	7.09
Minority Interest	-0.07	-0.04	-0.05	-0.16	-0.13	-0.15	-0.17	-0.17	-0.18
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	4.16	5.12	5.93	9.25	5.18	5.73	6.21	6.59	6.91
*Figures are in millions (\$)									
Revenue Growth	N/A	17.55%	-9.82%	21.71%	10.00%	10.00%	8.00%	5.00%	5.00%
Tax Rate	37.98%	36.76%	32.05%	34.79%	30.00%	30.00%	30.00%	30.00%	30.00%
Implied Debt Interest Rate	-5.98%	-5.10%	-2.83%	-1.47%	-8.00%	-8.00%	-8.00%	-8.00%	-8.00%
Margins									
COGS (excluding depreciation)	75.62%	74.04%	73.07%	71.33%	74.00%	74.00%	74.00%	74.00%	74.00%
Gross margin	24.37%	25.96%	26.93%	28.67%	26.00%	26.00%	26.00%	26.00%	26.00%
Depreciation	3.01%	2.71%	2.92%	2.61%	2.75%	2.75%	2.76%	2.71%	2.74%
SG&A	16.62%	17.10%	18.68%	16.76%	17.00%	17.00%	17.00%	17.00%	17.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	1.20%	-0.85%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	4.74%	4.94%	6.17%	9.30%	6.25%	6.25%	6.24%	6.29%	6.26%
Interest income/(expense)	-0.49%	-0.42%	-0.23%	-0.09%	-0.45%	-0.41%	-0.38%	-0.36%	-0.34%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.03%	0.05%	0.01%	0.13%	0.09%	0.09%	0.10%	0.09%	0.09%
Income before tax	7.29%	7.42%	8.87%	11.95%	5.71%	5.75%	5.77%	5.83%	5.82%
Tax	2.77%	2.73%	2.84%	4.16%	1.71%	1.72%	1.73%	1.75%	1.75%
Income after tax	4.52%	4.69%	6.03%	7.79%	4.00%	4.43%	4.80%	5.09%	5.34%
Minority Interest	-0.07%	-0.04%	-0.05%	-0.13%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	4.44%	4.65%	5.98%	7.66%	3.90%	3.92%	3.93%	3.98%	3.97%

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LBO Adjusted Proforma Balance Sheet

	As of 2010-12-31	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
		+	-						
Cash	24.43			24.43	29.26	35.00	41.56	48.65	56.32
Short term investment	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	24.43			24.43	29.26	35.00	41.56	48.65	56.32
Accounts Receivable	14.63			14.63	14.63	14.63	14.63	14.63	14.63
Other receivables	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	14.63			14.63	14.63	14.63	14.63	14.63	14.63
Deferred Income Tax	1.42			1.42	1.42	1.42	1.42	1.42	1.42
Total Inventory	8.04			8.04	8.04	8.04	8.04	8.04	8.04
Prepaid Expenses	1.04			1.04	1.04	1.04	1.04	1.04	1.04
Other Current Assets	1.21			1.21	1.21	1.21	1.21	1.21	1.21
Current Assets	50.77	0.00	0.00	50.77	55.60	61.34	67.90	74.99	82.66
PP&E, Gross	45.46			45.46	49.46	53.46	57.46	61.46	65.46
Change in Depreciation	3.15			3.15	3.65	4.01	4.35	4.50	4.77
Accumulated Depreciation	34.97			34.97	38.62	42.63	46.98	51.48	56.25
PP&E, Net	10.49			10.49	10.84	10.83	10.48	9.98	9.21
Goodwill	6.48	49.24		55.72	55.72	55.72	55.72	55.72	55.72
Intangibles	0.59			0.59	0.59	0.59	0.59	0.59	0.59
Long term investments	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	1.39			1.39	1.39	1.39	1.39	1.39	1.39
Long Term Assets	18.95			68.19	68.54	68.53	68.18	67.68	66.91
Total Assets	71.81	49.24	0.00	118.96	124.14	129.87	136.08	142.67	149.58
Accounts Payable	5.17			5.17	5.17	5.17	5.17	5.17	5.17
Accrued Expense	5.99			5.99	5.99	5.99	5.99	5.99	5.99
Other current Liabilities	0.69			0.69	0.69	0.69	0.69	0.69	0.69
Total Current Liabilities	11.85	0.00	0.00	11.85	11.85	11.85	11.85	11.85	11.85
Notes Payables/Short Term Debt	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	0.65			0.65	0.65	0.65	0.65	0.65	0.65
Long term Debt	6.85	0.00		6.85	6.85	6.85	6.85	6.85	6.85
Capital Lease Obligations	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	7.50	0.00	0.00	7.50	7.50	7.50	7.50	7.50	7.50
Deferred Income tax	0.88			0.88	0.88	0.88	0.88	0.88	0.88
Minority Interest	0.53			0.53	0.53	0.53	0.53	0.53	0.53
Other liabilities	1.35			1.35	1.35	1.35	1.35	1.35	1.35
Total Liabilities	22.11	0.00	0.00	22.11	22.11	22.11	22.11	22.11	22.11
Redeemable Preferred Stock	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.06		0.06	0.00	0.00	0.00	0.00	0.00	0.00
Additional Paid-in capital	16.92	98.93	16.92	98.93	98.93	98.93	98.93	98.93	98.93
Dividends Paid	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	32.71		32.71	0.00	5.18	10.91	17.12	23.71	30.62
Treasury Stock	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	49.69	98.93	49.69	98.93	104.11	109.84	116.05	122.64	129.55
Liability + Equity	71.80	98.93	49.69	121.04	126.22	131.95	138.16	144.75	151.66
Variance	0.01			-2.08	-2.08	-2.08	-2.08	-2.08	-2.08
Debt/Equity	0.15			0.08	0.07	0.07	0.06	0.06	0.06
Inventory Turnover	15.02			15.02	16.52	18.18	19.63	20.61	21.64
Inventory Turnover Days	24.30			24.30	22.09	20.08	18.59	17.71	16.87
Days Inventory Outstanding	34.06			34.06	29.85	27.14	25.13	23.93	22.79
Accounts Receivable Turnover	8.25			8.25	9.08	9.99	10.79	11.33	11.89
Accounts Receivable Turnover Days	44.22			44.22	40.20	36.54	33.84	32.22	30.69
Days Payable Outstanding	21.90			21.90	19.20	17.45	16.16	15.39	14.66

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LBO Adjusted Proforma Cash Flow

	12 months ending 2010-12-31	2011	2012	2013	2014	2015
Net Income	9.41	5.18	5.73	6.21	6.59	6.91
Depreciation	3.15	3.65	4.01	4.35	4.50	4.77
Amortization	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	0.31	0.00	0.00	0.00	0.00	0.00
Non Cash Items	1.03	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-1.33	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	-0.41	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	-0.39	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	-0.56	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.90	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	12.57	8.83	9.74	10.56	11.09	11.68
Capital Expenditures	-3.29	-4.00	-4.00	-4.00	-4.00	-4.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	0.01	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-3.28	-4.00	-4.00	-4.00	-4.00	-4.00
Financing Cash flow items	0.26	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.51	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-0.62	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	0.15	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	15.00	24.43	29.26	35.00	41.56	48.65
Net Change in Cash	9.44	4.83	5.74	6.56	7.09	7.68
Ending Cash Balance	24.44	29.26	35.00	41.56	48.65	56.32

Depreciation to Sales	2.61%	2.75%	2.75%	2.76%	2.71%	2.74%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	12.11%	11.01%	10.01%	9.27%	8.83%	8.41%

Appreciation Potential:

#DIV/0!

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LBO Debt Schedule

	Proforma	2011	2012	2013	2014	2015
CSS						
Net Change in Cash	9.44	4.83	5.74	6.56	7.09	7.68
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	7.50	7.50	7.50	7.50	7.50	7.50
Current Portion Debt Balance	0.65	0.65	0.65	0.65	0.65	0.65
Long Term Debt Balance	6.85	6.85	6.85	6.85	6.85	6.85
Forward Libor Curve		4.00%	4.50%	5.00%	5.50%	6.00%
Spread		4.00%	3.50%	3.00%	2.50%	2.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		0.60	0.60	0.60	0.60	0.60
EBITDA		8.31	9.14	9.85	10.42	10.89
EBITDA/Interest Expense Coverage		13.85	15.23	16.42	17.36	18.15

Interest Rate Coverage Table

Debt Rating					
AAA	AAA	AAA	AAA	AAA	AAA
AA					
A+					
A					
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

*Source: NYU; Professor Damodaran