TAGLICH BROTHERS

MEMBER: FINRA, SIPC | WWW.TAGLICHBROTHERS.COM

Research Report – Update

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

UFP Technologies, Inc.

Rating: Neutral

John Nobile
March 26, 2012

UFPT $18.76 — (NASDAQ CM)

	2010A	2011A	2012E	2013E
Revenues (millions)	$120.8	$127.2	$130.1	$138.4
Earnings per share (diluted)	$1.37	$1.48	$1.47	$1.70

52-Week range	$19.68 – $12.65	Fiscal year ends:	December
Shares outstanding as of 3/7/12	6.6 million	Revenue per share (TTM)	$18.18
Approximate float	4.5 million	Price/Sales (TTM)	1.0X
Market capitalization	$124 million	Price/Sales (2013)E	1.0X
Tangible book value/share	$8.30	Price/Earnings (TTM)	12.7X
Price/tangible book	2.3X	Price/Earnings (2013)E	11.0X

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:

Lowering our rating on UFP Technologies to Neutral from Speculative Buy as we believe the stock is fairly valued at the current price.

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: 4.2%, consumer electronics: 3.2%) 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 ordered new state-of-the-art equipment that is scheduled to be online by Q3/12.

Sales in 2011 increased 5%, down from 10% sales growth in 2010. The slowdown in growth was due to the loss of a significant portion of a long-term automotive program. However, the projected growth of the automotive industry should help to offset in part the lost sales from this program. UFP announced that it is scheduled to launch a new door panel program for Cadillac ATS and XTS vehicles starting in June 2012.

We project 2012 revenue of $130.1 million and EPS of $1.47, down from our previous projections of revenue of $138.4 million and EPS of $1.65. Our 2012 forecast anticipates slower growth than UFPT achieved in 2011.

For 2013, we project revenue of $138.4 million and EPS of $1.70.

UFPT reported 2011 sales increased 5% to $127.4 million and EPS of $1.48. We estimated 2011 sales of $129.1 million and EPS of $1.44.

Please view our disclosures on pages 11 - 13.

790 New York Avenue, Huntington, N.Y. 11743
(800) 383-8464 • Fax (631) 757-1333

Recommendation

We are lowering our rating on UFP Technologies to **Neutral** from Speculative Buy as we believe the stock is fairly valued at the current price.

Business

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. UFP sells mainly to the automotive, computer and electronics, medical, aerospace and defense, industrial, and consumer markets in the United States.

Sales of the company's components products were responsible for 67% of total sales in 2011 while packaging products comprised 33%. Judging by the magnitude of revenue changes generated by UFPT's principal end markets, 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 are made primarily from polyethylene and polyurethane foams, and a wide range of sheet plastics. These products provide protection for fragile and valuable items, and are sold primarily to original equipment and component manufacturers. Molded fiber products are made primarily from 100% recycled paper principally derived from waste newspaper. These products are used for packaging high volume consumer goods, including computer components, medical devices, other light electronics, candles, and health and beauty products.

In addition to packaging products, UFPT fabricates and molds component products made from cross-linked polyethylene foam (closed-cell foam characterized by a compact feel and resistance to water) and other materials. The company also laminates fabrics and other materials to cross-linked polyethylene foams, polyurethane foams and other substrates. 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.

Cross-linked foams have many advantages over traditional foams, including the ability to be thermoformed (molded), availability in vibrant colors, a fine cell structure providing improved esthetics and lower abrasiveness, and enhanced resistance to chemicals and ultraviolet light. Certain grades of cross-linked foams can be radiation-sterilized and have been approved by the U.S. Food and Drug Administration for open wound skin contact.

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

Medical device sales are primarily dependent on demographics. IBISWorld has observed that an aging population and technological advancements are among the top factors that should influence the medical device industry over the next five years. The International Monetary Fund (IMF) in January 2012 forecasted global economic growth of approximately 3.3% in 2012 and 3.9% in 2013, down from earlier projections (September 2011) of 4.0% growth in 2012 and 4.5% in 2013. Lackluster growth could restrain the number of high-value elective procedures involving medical devices, resulting in a slower growth rate for this industry. In December 2011, IBISWorld forecasted medical device industry average annual sales growth of 6.4% to $82.1 billion during the five years to 2016, much slower than the 16.4% average annual growth in the five years through 2011.

The US automobile industry appears set for growth. In February 2012, the Associated Press reported that US auto sales could grow more than 9% to over 14 million units in 2012, up from 12.8 million in 2011. Foreign carmakers are also shifting production to the US because of higher sales and the weak dollar, which cuts the profits they receive from selling vehicles exported to America. During the five years to 2016, IBISWorld expects industry revenue to rise 4.2% annually to $104.5 billion. Growth in the US will be driven by renewed consumer spending and a move toward green vehicles.

The consumer electronics industry is also poised for growth with the introduction of innovative new technologies (like tablet computers and 3D displays) and renewed spending driving growth going forward. In December 2011, IBISWorld forecasted sales from US consumer electronics stores to grow at an average annual rate of approximately 3.2% to $92.2 billion during the five years to 2016.

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.

In January 2012, the International Monetary Fund (IMF) revised its projections for growth in the advanced economies to 1.2% in 2012 and 1.9% in 2013. These are down from earlier projections of 1.9% in 2012 and 2.4% in 2013. The IMF said that the downward revision was mainly due to expectations for the euro area to go into a mild recession in 2012 with the spillover effect negatively impacting other economies though trade imbalances. For the US, the growth impact of such spillovers is expected to be offset by strong domestic demand in 2012. Recent gains in employment and the decline in the unemployment rate in the US are likely to lead to increases in personal income and lend support to consumer spending. The IMF left unchanged its growth projection for the US economy at 1.8% in 2012 but lowered it to 2.2% in 2013 from an earlier projection of 2.5% (September 2011).

As the company primarily sells its products in the US, a growing (albeit weak) US economy should drive moderate sales through our forecast horizon.

Competition

The packaging industry is highly competitive. Competition is based primarily on 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%).

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. 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 ordered new state-of-the-art equipment that is scheduled to be online by Q3/12.

2012 Forecast

For 2012, we project revenue of $130.1 million and net income of $10.5 million or $1.47 per share. We have lowered our projections from revenue of $138.4 million and net income of $11.9 million or $1.65 per share primarily due to an anticipated decline from 2011 revenue.

We are lowering our gross margin forecast to 29.2% (previously 30.2%) as lower sales volumes should decrease overhead coverage. SG&A expenses should increase to $21.9 million from $21.4 million with margins remaining at 16.8%. Taxes are estimated at approximately 35% (previously 37%) due to increased deductions associated with domestic manufacturing.

In 2012, we project $14.5 million cash from operations, cash earnings of $14.9 million and increases in working capital of $0.4 million. We project 44 days sales outstanding in 2012 and inventory turnover of 9X, both figures are in line with 2011 actual numbers. We project $8.0 million of capital expenditures primarily due to the costs for the new molded fiber equipment. Financing activities consist primarily of $1.0 million principal repayments of long-term debt. We project an increase in cash of $5.4 million for a year end cash balance of $35.3 million.

2013 Forecast

For 2013, we project revenue of $138.4 million and net income of $12.4 million or $1.70 per share. The increased sales volumes should increase overhead coverage, raising gross margins to 30.4%. SG&A expenses should increase to $23.1 million from $21.9 million with margins remaining at 16.8%. Taxes are estimated to be approximately 35%.

In 2013, we project $15.9 million cash from operations, cash earnings of $16.8 million and increases in working capital of $0.9 million. We project 44 days sales outstanding in 2012 and inventory turnover of 9X, both figures are in line with 2011 actual numbers and our 2012 estimates. We project $3.5 million of capital expenditures. Financing activities consist primarily of $1.0 million principal repayments of long-term debt. We project an increase in cash of $11.3 million for a year end cash balance of $46.5 million.

Q4 and Fiscal 2011 Financial Results

Q4/11 sales decreased 1% to $31.5 million. Net income decreased 3% to $3.0 million or $0.43 per share.

We projected Q4/11 sales of $33.4 million and net income of $2.8 million or $0.39 per share.

Q4/11 gross margins decreased to 28.4% from 29.1% in the year-earlier period due to decreased overhead coverage. SG&A expenses remained relatively flat at $4.7 million. Operating margins decreased to 13.4% from 14.1% due to lower gross margins while net margins decreased to 9.5% from 9.8%. The company showed a Q4/11 effective income tax rate of 28.6% compared to an effective tax rate of 31.2% in Q4/10.

FY11 revenue increased 5% to $127.2 million. Net income was $10.3 million or $1.48 per share versus net income of $9.2 million or $1.37 per share in the year-earlier period. The results for FY11 included a $0.8 million gain from the sale of real estate in Alabama by an affiliated partnership. Of this $0.8 million gain, approximately $428,000 relates to non-controlling interests that have been deducted to determine net income attributable to UFPT. Excluding the gain, EPS was $1.42.

The increase in sales in FY11 was primarily due to increased sales to the aerospace and defense industries driven by a new contract to supply the US Marines with backpack components. Sales gains were also aided by increased demand for interior trim parts from the automotive industry. Gross margins decreased 28.5% from 28.7% primarily due to costs associated with closure of the company’s manufacturing facility in Alabama in 2011. SG&A expenses remained flat at $4.7 million.

The company showed an effective income tax rate of approximately 31% in FY11 versus 35% in FY10 due to the reversal of approximately $385,000 in reserves in 2011 that were previously established for uncertain tax benefits.

Liquidity

The company has a strong balance sheet. Long-term debt is $5.6 million (for a debt/equity ratio of 0.1 versus 1.0 for the industry) and cash (approximately $4.55 per share) exceeds all indebtedness and liabilities.

Cash of $11.7 million from operations for FY11 consisted mainly of cash earnings of $13.6 million offset by increases in working capital of $1.9 million due primarily to increased receivables and inventory offset in part by increased accounts payable. Capital expenditures of $3.7 million and proceeds of $1.2 million from the sale of fixed assets resulted in $2.5 million cash used in investing activities. Long-term debt principal payments of $1.3 million and $0.8 million payment of statutory withholdings for stock options accounted for most of the cash used in financing activities. The net result was a $7.7 million net increase in cash for a balance of $29.8 million as of December 31, 2011.

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 $4.0 million term loan with 20-year straight-line amortization.

As of December 31, 2011, 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, 2011. The interest rate on these facilities was 1.28% at December 31, 2011.

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 industry 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 6.6 million shares outstanding and 4.5 million in the float, liquidity issues must be considered. Average daily volume has been approximately 20,000 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	2012E	2013E
Cash and cash equivalents	14,999	22,103	29,849	35,270	46,528
Receivables	14,218	14,634	15,619	15,970	16,988
Inventories	7,647	8,044	9,758	9,881	10,324
Prepaid expenses	476	1,035	559	593	628
Refundable income taxes	-	1,414	1,086	1,188	1,250
Deferred income taxes	1,411	1,209	1,169	1,278	1,300
Total current assets	38,751	48,439	58,040	64,179	77,018
Net property, plant and equipment	12,218	12,575	13,346	17,846	17,846
Deferred income taxes	-	-	-	-	-
Goodwill	6,481	6,481	6,481	6,481	6,481
Other assets	2,002	1,983	1,854	2,000	2,000
Total assets	**59,452**	**69,478**	**79,721**	**90,506**	**103,345**
Current portion of long-term debt	623	654	581	600	600
Current portion of capital lease obligations	-	-	-	-	-
Accounts payable	4,274	2,838	3,344	3,386	3,538
Accrued expenses	6,153	6,679	5,540	5,664	6,026
Total current liabilities	11,050	10,171	9,465	9,650	10,164
Long-term debt	7,502	6,847	5,639	4,639	3,639
Capital lease obligations	-	-	-	-	-
Minority interest	-	-	-	-	-
Deferred income taxes	777	881	1,292	1,150	800
Other liabilities	1,118	1,352	1,340	1,421	1,506
Total liabilities	**20,447**	**19,251**	**17,736**	**16,860**	**16,109**
Total stockholders' equity	**39,005**	**50,227**	**61,985**	**73,646**	**87,236**
Total liabilities & stockholders' equity	**59,452**	**69,478**	**79,721**	**90,506**	**103,345**

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	130,100	138,400
Cost of sales	72,512	86,150	90,999	92,143	96,274
Gross profit	26,719	34,616	36,245	37,957	42,126
Extraordinary items	-	-	(839)	-	-
SG&A	18,539	20,236	21,368	21,850	23,050
Operating income	8,180	14,380	15,716	16,107	19,076
Interest exp, other inc and exp	618	46	(27)	40	40
Income before taxes	8,798	14,426	15,689	16,147	19,116
Income tax	2,817	5,019	4,906	5,652	6,691
Income attrib. to noncontrol. interests	(52)	(160)	(437)	-	-
Net Income / (Loss)	5,929	9,247	10,346	10,496	12,425
EPS	0.94	1.37	1.48	1.47	1.70
Shares Outstanding	6,294	6,757	6,999	7,125	7,325
Margin Analysis					
Gross margin	26.9%	28.7%	28.5%	29.2%	30.4%
SG&A	18.7%	16.8%	16.8%	16.8%	16.7%
Operating margin	8.2%	11.9%	12.4%	12.4%	13.8%
Tax rate	32.0%	34.8%	31.3%	35.0%	35.0%
Year / Year Growth					
Total Revenues	(9.8%)	21.7%	5.4%	2.2%	6.4%
Net Income	15.9%	56.0%	11.9%	1.4%	18.4%
EPS	15.3%	45.3%	8.0%	-0.3%	15.2%

Source: Company filings and Taglich Brothers' estimates

UFP Technologies, Inc.

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

	3/11A	6/11A	9/11A	12/11A	2011A	3/12E	6/12E	9/12E	12/12E	2012E	3/13E	6/13E	9/13E	12/13E	2013E
Net sales	31,504	33,501	30,762	31,477	127,244	31,400	32,500	32,700	33,500	130,100	33,200	34,600	34,700	35,900	138,400
Cost of sales	22,702	23,498	22,278	22,522	90,999	22,482	23,075	23,135	23,450	92,143	23,340	24,047	24,117	24,771	96,274
Gross profit	8,802	10,003	8,484	8,955	36,245	8,918	9,425	9,565	10,050	37,957	9,860	10,553	10,584	11,129	42,126
Extraordinary items	(834)	-	-	(5)	(839)	-	-	-	-	-	-	-	-	-	-
SG&A	5,726	5,686	5,220	4,739	21,368	5,275	5,450	5,500	5,625	21,850	5,575	5,800	5,625	6,050	23,050
Operating income	3,910	4,317	3,264	4,221	15,716	3,643	3,975	4,065	4,425	16,107	4,285	4,753	4,959	5,079	19,076
Interest exp, other inc and exp	2	(12)	(6)	(8)	(27)	10	10	10	10	40	10	10	10	10	40
Income before taxes	3,912	4,305	3,258	4,213	15,689	3,653	3,985	4,075	4,435	16,147	4,295	4,763	4,969	5,089	19,116
Income tax	1,279	1,603	819	1,205	4,906	1,278	1,395	1,426	1,552	5,652	1,503	1,667	1,739	1,781	6,691
Income attrib. to noncontrol. interests	(428)	-	(4)	(4)	(437)	-	-	-	-	-	-	-	-	-	-
Net Income / (Loss)	2,205	2,702	2,435	3,004	10,346	2,374	2,590	2,649	2,883	10,496	2,792	3,096	3,230	3,308	12,425
EPS	0.32	0.39	0.35	0.43	1.48	0.34	0.36	0.37	0.40	1.47	0.39	0.42	0.44	0.45	1.70
Shares Outstanding	6,969	6,982	6,999	7,010	6,999	7,050	7,100	7,150	7,200	7,125	7,250	7,300	7,350	7,400	7,325
Margin Analysis															
Gross margin	27.9%	29.9%	27.6%	28.4%	28.5%	28.4%	29.0%	29.3%	30.0%	29.2%	29.7%	30.5%	30.5%	31.0%	30.4%
SG&A	18.2%	17.0%	17.0%	15.1%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.2%	16.9%	16.7%
Operating margin	12.4%	12.9%	10.6%	13.4%	12.4%	11.6%	12.2%	12.4%	13.2%	12.4%	12.9%	13.7%	14.3%	14.1%	13.8%
Tax rate	32.7%	37.2%	25.1%	28.6%	31.3%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Year / Year Growth															
Total Revenues	9.8%	11.8%	1.0%	(0.5%)	5.4%	(0.3%)	(3.0%)	6.3%	6.4%	2.2%	5.7%	6.5%	6.1%	7.2%	6.4%
Net Income	45.9%	18.4%	3.0%	(2.8%)	11.9%	7.7%	(4.1%)	8.8%	(4.0%)	1.4%	17.6%	19.5%	21.9%	14.7%	18.4%
EPS	39.1%	14.0%	(0.2%)	(4.6%)	8.0%	6.4%	(5.7%)	6.5%	(6.6%)	(0.3%)	14.4%	16.2%	18.6%	11.6%	15.2%

Source: Company filings and Taglich Brothers' estimates

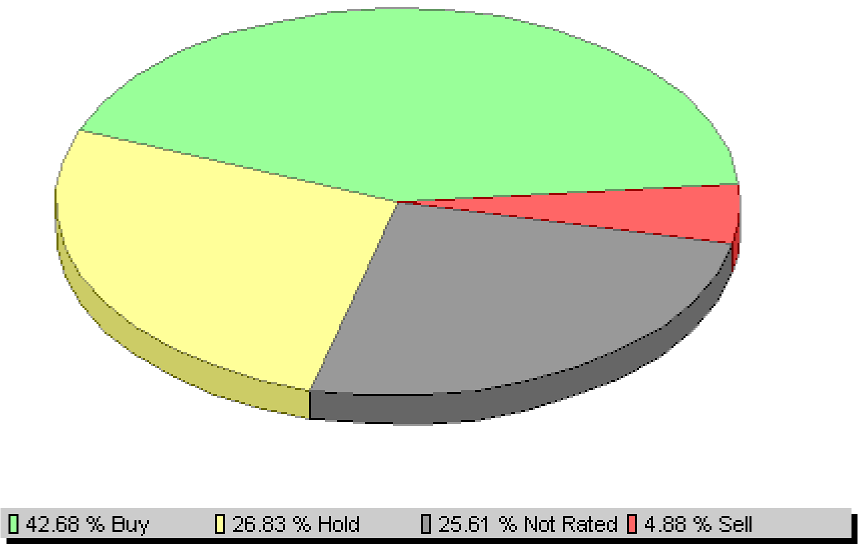
Statement of Cash Flows for the Periods Ended
(in thousands $)

	2009A	2010A	2011A	2012E	2013E
Net income	5,982	9,407	10,784	10,496	12,425
Depreciation & amortization	2,895	3,152	2,781	3,500	3,200
Restructuring leasehold improvement write-off	-	-	-	-	-
Equity in net income of unconsolidated affiliate	-	-	-	-	-
Minority interest	-	-	-	-	-
Gain on acquisition	(840)	-	-	-	-
(Gain) loss on disposal of property, plant and equipment	(11)	(12)	(839)	-	-
Share-based compensation	901	964	1,089	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)	(700)	(700)
Deferred income taxes	227	306	452	350	550
Changes in assets and liabilities					
Receivables	(342)	(415)	(985)	(351)	(1,019)
Inventories	1,863	(397)	(1,714)	(123)	(443)
Prepaid expenses	73	(559)	476	(34)	(35)
Refundable income taxes	-	(1,414)	327	-	-
Accounts payable	385	161	507	42	152
Accrued expenses and other	(307)	1,381	(440)	124	361
Retirement and other liabilites	204	234	(12)	81	85
Other assets	(509)	(205)	(65)	(146)	-
Net Cash Provided by Operations	**10,681**	**11,828**	**11,716**	**14,540**	**15,877**
Additions to property, plant and equipment	(1,857)	(3,286)	(3,741)	(8,000)	(3,500)
Cash surrender value of officers' life insurane	-	-	-	-	-
Payments from affiliated company	-	-	-	-	-
Proceeds from sale of property, plant and equipment	13	12	1,223	-	-
Acquisitions	(2,435)	-	-	-	-
Net Cash Used in Investing	**(4,279)**	**(3,274)**	**(2,518)**	**(8,000)**	**(3,500)**
Borrowings (payments) of notes payable	-	-	-	-	-
Proceeds from long-term borrowings	4,000	-	-	-	-
Distribution to United Development Company partners	(105)	(105)	(289)	(289)	(289)
Tax benefit from exercise of non-qualified stock options	23	854	700	700	700
Net proceeds from sale of common stock	-	-	-	-	-
Proceeds from exercise of stock options	130	507	250	300	300
Payment of statutory witholdings for stock options exercised	-	(485)	(830)	(830)	(830)
Principal repayments of long-term debt	(577)	(624)	(1,282)	(1,000)	(1,000)
Principle repayments of capital lease obligations	(1,612)	-	-	-	-
Proceeds from refinancing capital leases	-	-	-	-	-
Cash settlement of restricted stock units	-	-	-	-	-
Net Cash Provided by (Used in) Financing	**1,859**	**147**	**(1,451)**	**(1,119)**	**(1,119)**
Net Change in Cash	**8,261**	**8,701**	**7,747**	**5,421**	**11,258**
Cash - Beginning of Period	**5,140**	**13,401**	**22,102**	**29,849**	**35,270**
Cash - End of Period	**13,401**	**22,102**	**29,849**	**35,270**	**46,528**
Cash Flow from Operations	10,681	11,828	11,716	14,540	15,877
Capital Expenditures	(1,857)	(3,286)	(3,741)	(8,000)	(3,500)
Free Cash Flow	8,824	8,542	7,975	6,540	12,377

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		
Hold	None	
Sell		
Not Rated		

Important Disclosures

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 has paid a monthly monetary fee of $1,000 (USD) to Taglich Brothers, Inc. for the creation and dissemination of research reports.

General Disclosures

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 Compliance.

Analyst Certification

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

Public Companies Mentioned in this Report

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

Meaning of Ratings

Buy

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.