



PIPE Recommendation for UFP Technologies, Inc.

Analysts:

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Background



Business Overview

UFPT designs and manufactures packaging solutions and specialty products primarily for the medical industry

Company and Management Overview

- Founded in 1963, UFPT Technologies Inc ("**UFPT**") is a contract manufacturer for custom-engineered components and specialty packaging.
- UFPT component solutions have applications primarily in medical — surgery, infection prevention, wound care, wearables, orthopedics, and across automotive, aerospace and other industrial.
- Headquartered in Newburyport, MA, USA, the company operates across the US, the Caribbean, Ireland and Singapore.



R. Jeffrey Bailly
Chairman & CEO
Joined UFP in 1988, has served as CEO since 1995. Bailly is a Certified Public Accountant (CPA).



Ronald J. Lataille
CFO
Joined UFPT as CFO in Nov 1997. CPA-holder, having worked at Coopers & Lybrand prior to UFP.



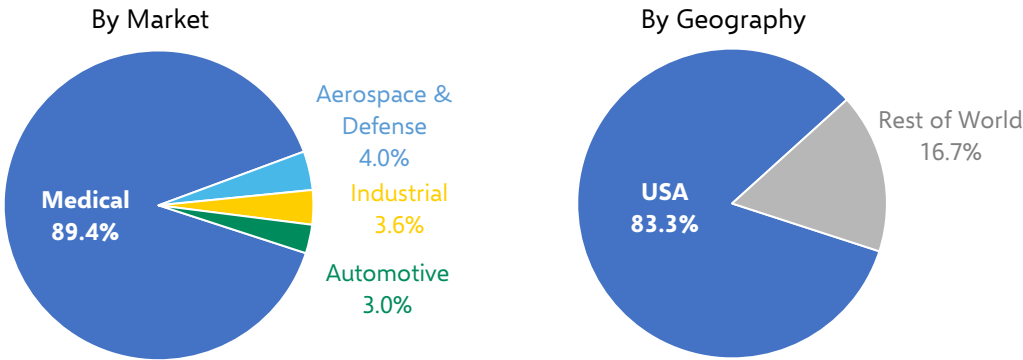
Mitchell C. Rock
President
Joined UFPT in 1991. Was promoted to President of MedTech in Jun 2021 then President in Feb 2024.



Jason Holt
CCO
Joined UFPT as a General Manager in Jun 2021, before being appointed CCO since Feb 2024.

Sources: UFPT Annual Report, UFPT Investor Presentation, UFPT Press Releases
Notes: (1) Revenue for FY2024 in USD m

Revenue Mix¹



Recent Corporate Transactions

	Target	Deal Value (US\$ m)	Year
	UNIPEC Inc.	7.5	2025
	Techno Plastics Industries Inc.	4.5	2025
	AQF Inc.	48.0	2024
	Welch Fluorocarbon Inc.	40.6	2024
	Marble Medical Inc.	5.0	2024
	AJR Enterprises LLC.	110.0	2024
	Advant Medical Limited	21.2	2022
	DAS Medical Holdings, LLC	48.0	2021

Industry Overview

UFPT’s MedTech focus drives higher exposure vs. competitors, giving it clear market differentiation

UFP MedTech offers solutions to a range of applications

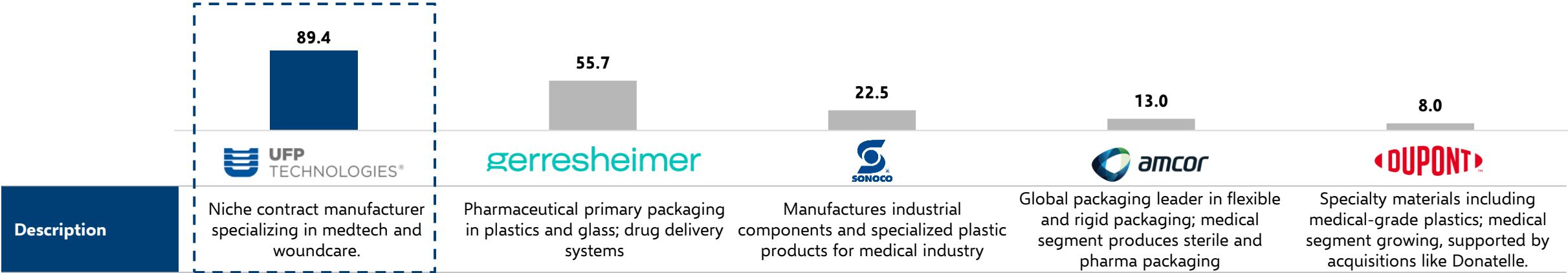
Interventional & Surgical	Surfaces & Support	Wearables
Medical Device Packaging	Diagnostics	Wound Care
Infection Control	Therapeutics	

... adding value by component manufacturing in the value chain



UFPT’s positioning is a strong indicator of their expertise in packaging solutions for the medical segment

Medical Segment % of 2024 Sales¹



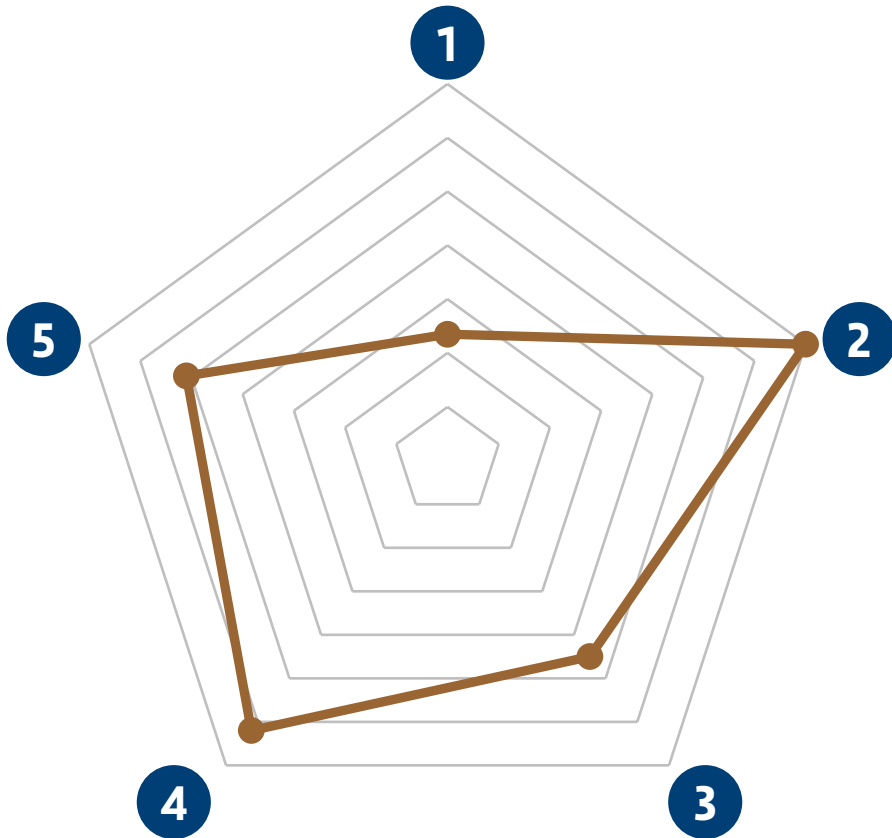
Sources: Company reports & presentations, Company Press Releases, Amcor plc, Sonoco Products Company, Gerresheimer AG, DuPont de Nemours Inc., FDA, Bamber and Gereffi

Notes: (1) Based on Analyst estimates of individual company segment breakdown

Competitive Analysis

Supplier and customer bargaining power is mitigated by UFPT's acquisition strategy and niche product offering

Porter's Five Forces demonstrates that...



Sources: Company Website, FDA

... UFPT faces stiff competition in a fragmented medical device component industry

1 Threat of New Entrants: Low

- High regulatory barriers, including FDA approval and ISO 13485 certification, along with substantial upfront investment in facilities and specialized materials, make entry costly and complex.
- Established players like UFP hold long-term contracts with major OEMs, creating high switching costs and trust barriers.

2 Bargaining Power of Suppliers: Moderate

- Specialized, FDA-compliant materials are sourced from a limited pool of certified suppliers, giving suppliers some leverage.
- However, long-term contracts, strategic partnerships, and UFP's vertical integration by acquiring component suppliers reduce this bargaining power.

3 Bargaining Power of Buyers: High

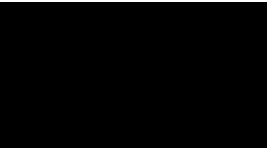
- Large OEM buyers have negotiation power due to size and access to multiple manufacturers. Yet, switching suppliers involves regulatory costs and risks, and UFP's niche capabilities and patents for robotic surgery offer some buyer lock-in.

4 Threat of Substitutes: Low/Moderate

- UFP's proprietary materials and specialty fabrics from acquisitions like AJR lower substitution risks. Customized, regulation-heavy orders from OEMs further limit substitutability, though competition on price and quality remains strong.

5 Competitive Rivalry: High

- The industry is fragmented with differentiated but overlapping products, leading OEMs to consult multiple suppliers. Despite UFP's broad portfolio and proprietary technology, strong differentiation is necessary to maintain competitive advantage.



Theses & Investment Rationale

Share Price Analysis

Listed on NASDAQ, UFPT’s share has delivered strong gains though scrutiny remains over its M&A strategy

US\$224

Price¹

1.75

Market Cap (USD bn)

-7.94%

YTD

+392.8%

5Y



1

Start of MedTech M&As

Acquisitions of Contech Medical, DAS Medical, and Advant Medical transformed UFPT into a medtech-focused designer-manufacturer with global clean-room capacity (ability to manufacture products in ultra-clean environments). MedTech comprised 67% of sales..

2

Index Inclusion, Strong Growth

UFPT added to S&P SmallCap 600 which triggered passive fund buying, also reframes UFPT as a mainstream small-cap MedTech component rather than an obscure micro-cap. UFPT also reports record performance for FY22.

3

Intuitive Deal, M&A Spree

Announced manufacturing supply agreement with Intuitive Surgical, a key robotic-surgery customer. UFPT acquires numerous companies, including AJR Enterprises, Marble Medical, Welch Fluorocarbon, and AQF Medical.

4

Valuation Fatigue

UFPT announced robust FY24 performance. However, analyses highlights despite strong share performance in past 5Y, margin pressure and slower forward-growth expectations, leading to derating. MedTech now ~89% of revenue vs ~67% in FY22.

Sources: Company Website, CapIQ

Notes: (1) As of 17/11/26

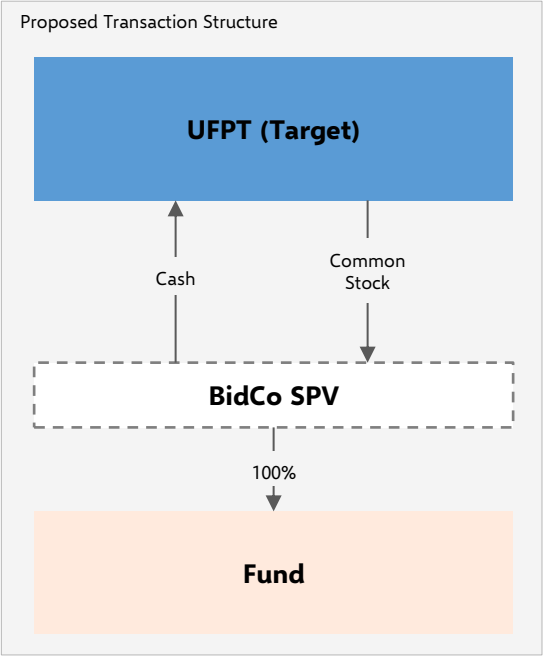
Strategic nearshoring, acquisitions, and a diversified manufacturing network positions UFPT for sustainable growth

Following theses support a minority investment in UFPT ...

Setup: Company Growth Strategies	Underperformance of UFPT share price due to expected near-term margin pressure and slower growth guidance. Team believes further upside to be captured from further expansion and cost savings from improved economies of scale.
Thesis 1: Strategic nearshoring protects against tariffs	
Thesis 2: Niche acquisitions to fuel topline growth	
Thesis 3: Diversified manufacturing network support margin expansion	

... structured as a PIPE transaction by direct purchase of firm's common shares

Key existing shareholders	%
BlackRock Inc.	14.0%
Wasatch Advisors	8.4%
Vanguard Group	6.8%
Neuberger Berman	4.5%
Congress Asset Mgmt	4.3%
American Century	4.0%
State Street	3.7%
Boston Trust	3.3%
Renaissance	3.4%



Based on the above theses posited, the team recommends taking a minority, non-controlling stake via **PIPE** of UFPT common stock. We forecast a 12m upside of **+27.3%** to US\$285.20.

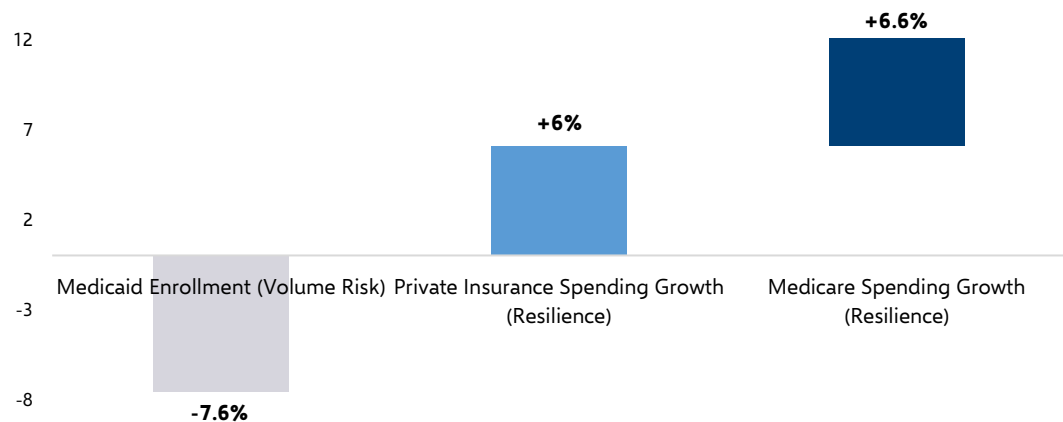
Essential healthcare spending shields UFPT’s operations from Trump-induced macroeconomic risks

Market sentiment on healthcare operation industry is misjudged

Treating all industrial/medical manufacturers as victims of 2025 “Trumponomics”

- The market views Medicaid funding cuts as detrimental to healthcare consumer expenditure.
- Evidenced in Medicaid enrolment dips and the projected US\$13bn drop in hospital revenue
- Trump’s import tariffs are viewed negatively on the manufacture industry due to decreased profit margin. However, Medicaid is statistically irrelevant to UFPT

Risk and Resilience Impact on Medical Expenditure (%)

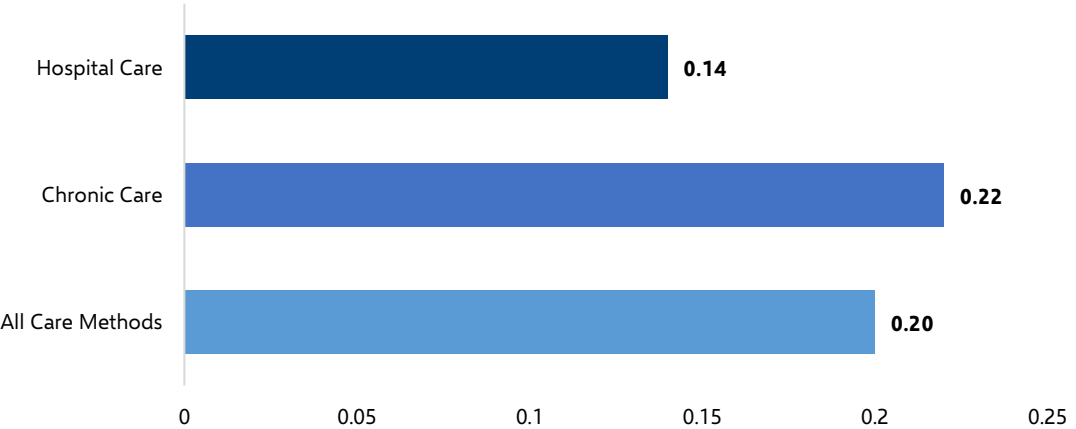


UFPT’s higher-end product offerings are inelastic in demand

Inelastic Demand: Anchored by Robotic Surgery and Essential Care Mandates

- Revenue is secured by mandatory sterile consumables for robotic (29%). These non-discretionary "razor-blade" products ensure sticky demand even as hospitals cut elective procedure budgets.
- While Medicaid cuts reduces medical coverage for low end and elective procedures. UFPT’s products are levered to high-end (robotic/critical) ecosystem rather than low-end commodities.

UFPT’s Products are Inelastic in Demand



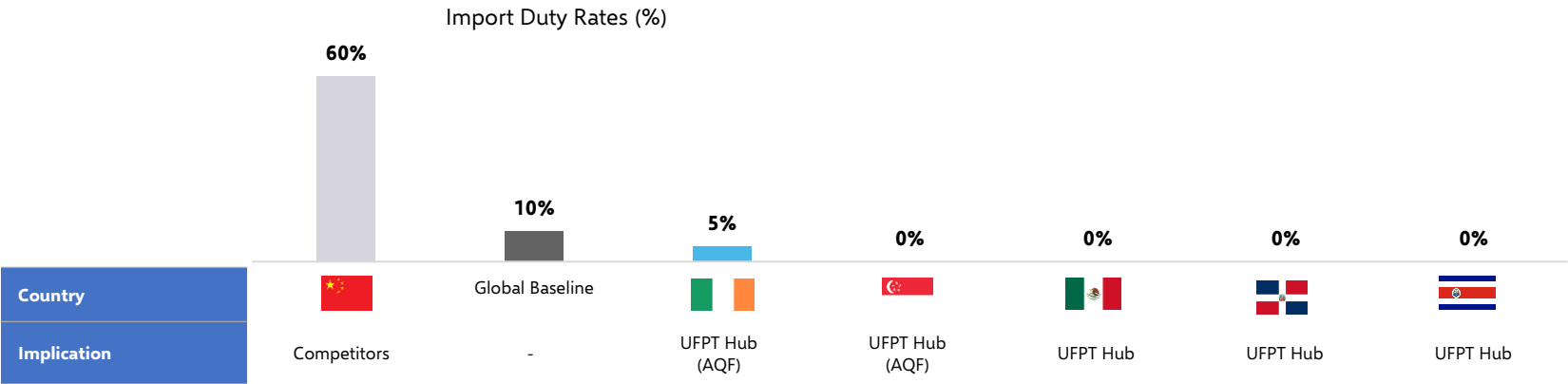
Sources: Centers for Medicare & Medicaid Services (CMS), The American Economic Review

Strategic moats and Nearshoring shields UFPT’s operations from Trump-induced macroeconomic risks

UFPT’s strategic presence in Trump-immune jurisdictions

Strategic Nearshoring: A Tariff-Immune Manufacturing Fortress

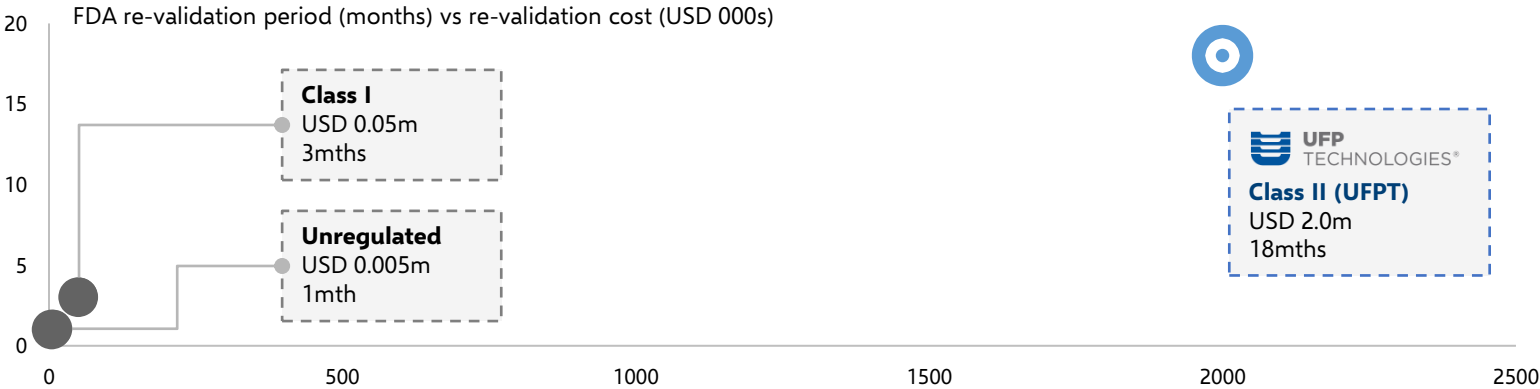
- Securing duty-free capacity in the Dominican Republic (CAFTA-DR) and Mexico (USMCA)
- By bypassing high tariffs, UFPT offers OEMs a cost-effective safe harbor while competitors face ruinous duties and supply chain chaos (e.g. manufacturing in China)



High switching costs for OEMs bolsters buyer stickiness for UFPT

Regulatory Moat: High Switching Costs Ensure Pricing Power

- UFPT’s Class II components require expensive, multi-year FDA re-validation to replace.
- This regulatory lock-in prevents OEMs from switching to cheaper competitors (18-24 months plus millions dollar for FDA revalidation) , securing pricing power amid volatility



Sources: Akridata

Thesis 2: Aggressive Acquisition Strategy

UFPT’s strategic acquisitions create topline growth opportunities via product diversification in high-growth sectors

UFPT is well positioned to capture topline accretion...

UFPT is uniquely positioned to capture robotic surgery drapes growth in Singapore via its AQF Medical acquisition

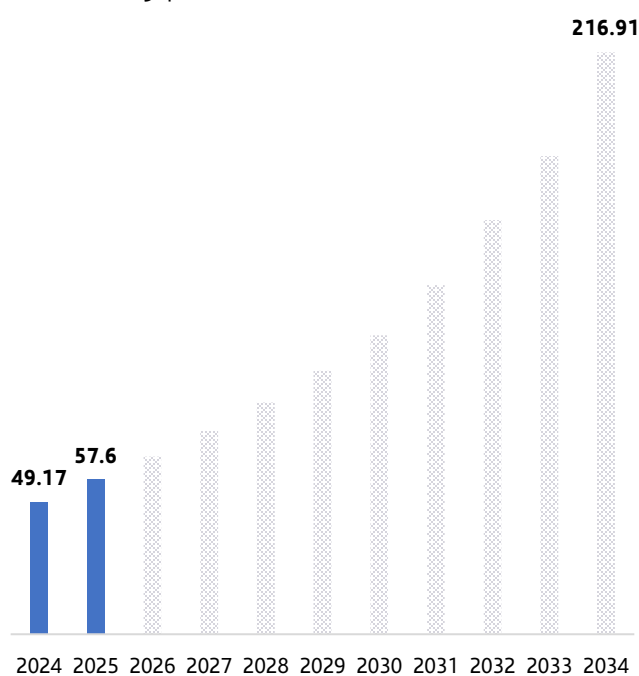
- Singapore JV manufacturing specialized components for robot-surgery drapes.
- Through Intuitive Surgical’s key APAC customer base, and Singapore leading SEA’s robotic market amid booming medical tourism, UFP gains unfettered access to customers in the region.
- UFP’s specialised drapes for high-tech robots differentiates them from other manufacturers who produce more generic surgical drapes. For highly engineered robotic surgery drapes, competition is narrower, giving UFPT an advantage as it also has some local manufacturing.

UFPT’s acquisitions have been focused on making pivots into more profitable product lines.

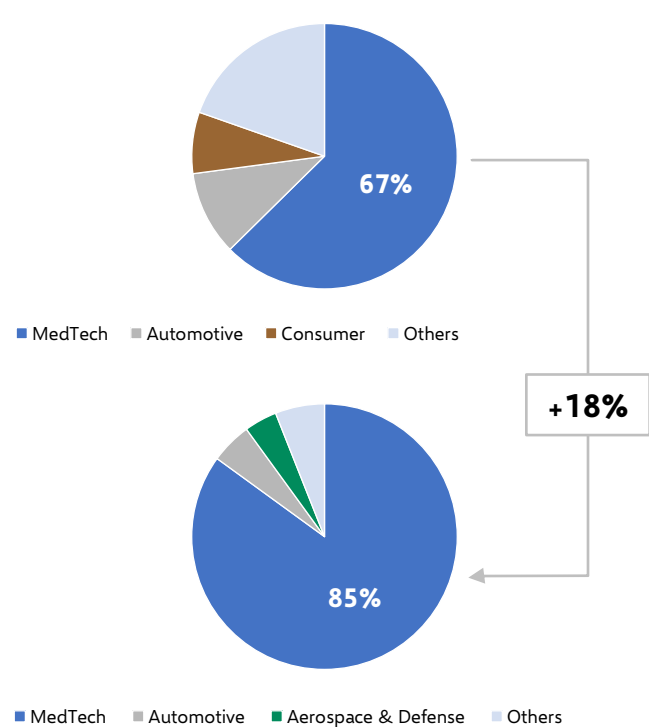
- Mainly single-use drapes and covers for robot-assisted surgery. Their largest acquisitions in the last 4 years is related to this area, with DAS Medical initially building capacity in drapes in 2021.
- Acquisitions demonstrate UFP’s foresight and the immense profitability of the segment.
- Robotic drapes became 29% of their MedTech revenue by 2022 and propelled MedTech to form 85% of the revenue mix in 2022. (up from 67% in 2021).

from growth markets like Singapore’s...

Growth in Robot-Assisted Surgery Market in Singapore (USD m)



...evinced in shift in revenue product mix.



Sources: Reed Intelligence, Company Investor Presentations

Globally diversified manufacturing network and existing cleanroom capacity utilization strengthens UFPT’s unit economics

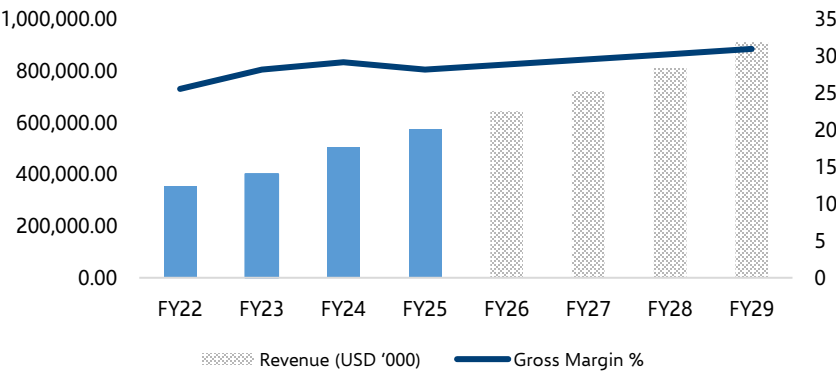
Overview

US-weighted revenue, globally diversified cost base

- Cleanroom facilities in the US, D.R, Puerto Rico, Mexico, Ireland, and Singapore improve cost-efficient servicing of US OEMs.
- Shift in rising share of production volume to lower-cost sites improves unit economics and accrues margin benefits.

Fixed cost assets drive profitability.

- Globally, automation in regulated environments have accelerated.
- UFPT follows this pattern by expanding high-volume cleanroom capacity and automation in new and upgraded facilities in Massachusetts, D.R, and Mexico.
- Building and validating medical cleanrooms takes significant capital and UFPT has already absorbed this fixed-investment.
- Reduced additional fixed-costs allow more revenue flows to profit, and margins on incremental volume are higher.



Sources: Company Investor Presentations

UFPT’s global presence



Thesis 3B: Geographic Diversification Fuel Margin Expansion

Expanding footprint into higher growth APAC markets and leveraging on structural cost advantages

Expansion plans into higher growth emerging regions

- Existing revenue exposure serves the US healthcare system primarily, management plans to shift production to Mexico and the Caribbean.
- Stand to benefit from UMSCA incentives and lower labor costs on US volumes.
- Reduced exposure to riskier offshore supply chains like APAC
- UFPT's expansions plans in APAC and Latin America aims to capture growth outside of existing US market
- APAC medical device market poised to grow 8.4% annually, 2x of North America and Europe
- UFPT to solidify its earnings base and reduce single exposure to US healthcare system.

+8.4%

APAC

+4%

Europe

+4%

North America

% of Labour Cost of General Manufacturing

100%

USA



55%

LatAm/ Caribbean



45%

Lower-cost Asia

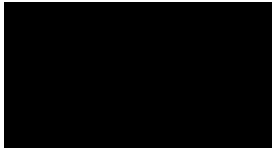


Cost arbitrage and cleanroom quality confers UFPT unique structural cost advantages



- UFPT's **ISO-14644** compliant cleanrooms command double digit gains in cycle time and defect rates.
- Attributed to robotics and automated handling deployed in regulated manufacturing environments.
- Further strengthen by regional labour cost advantages of 40-70% below US levels in Latin America and emerging Asia.
- UFPT has created a structural cost advantage difficult for competitors to replicate.

Sources: Bureau of Labour Statistics, Company Investor Presentations, weKnow



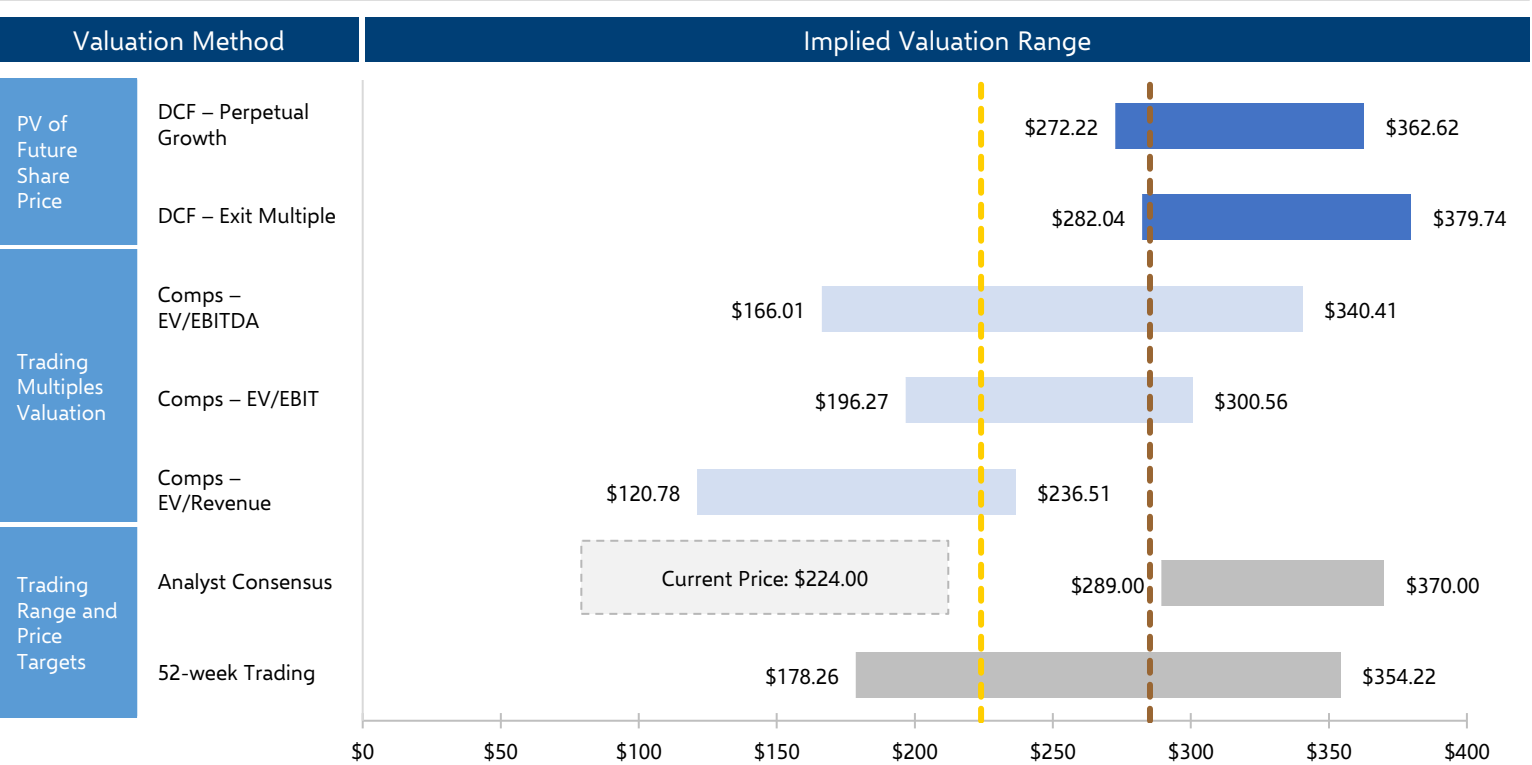
Valuation



Valuation Summary

12M target price of US\$285.20, representing upside of 27.3%

Football Field – Higher weightage given to DCF to reflect analyst’s views

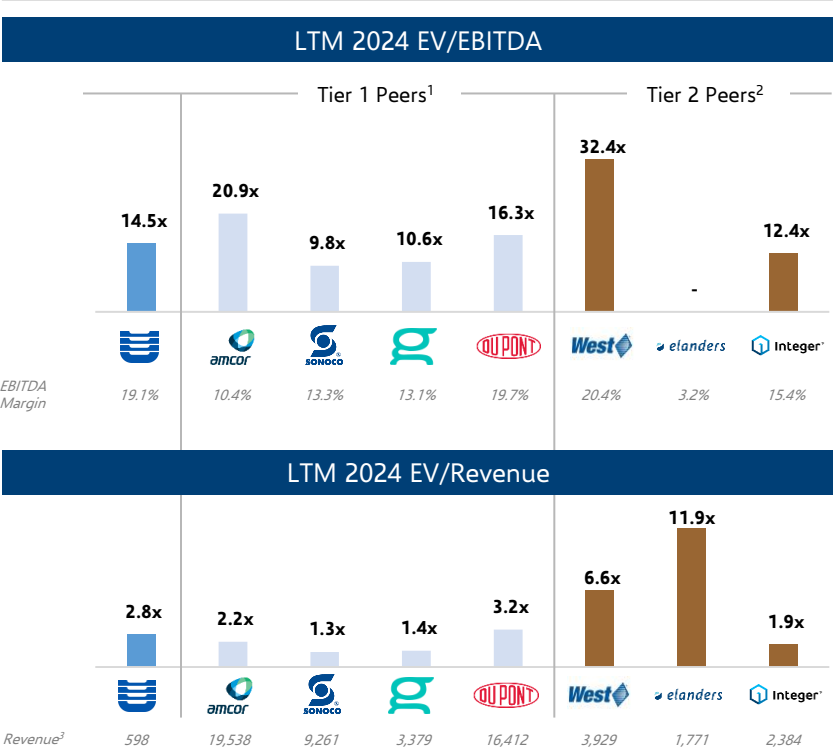


Valuation Method:
Higher weightage given to **DCF** to reflect analysts’ views

Upside from tailwinds in further expansion and cost savings through growing economies of scale.

Sources:
Notes: (1) Tier 1 peers have similar business models involving medical device contract development and manufacturing, precision components, and sterile packaging, (2) Tier 2 peers operate in adjacent contract manufacturing or advanced manufacturing services with the potential to compete or expand into the medical devices space, (3) 2024 Revenue in USD millions

Relative Valuation and Peer Set Multiples



Valuation Method:
80% weightage to Tier 1 multiples and 20% to Tier 2.

DCF Valuation

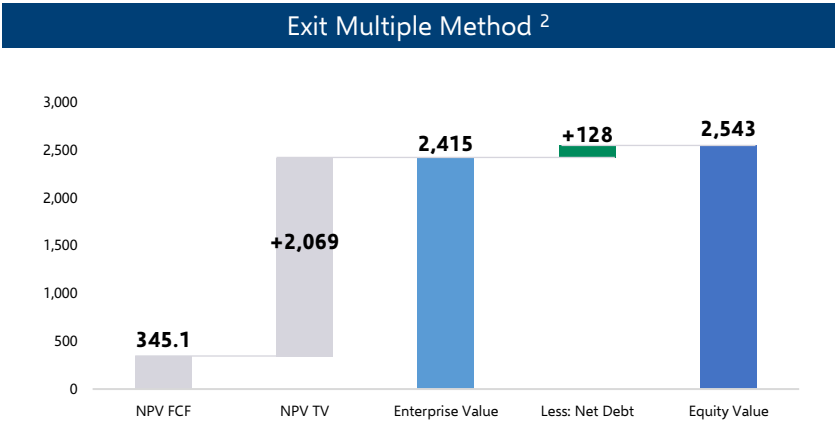
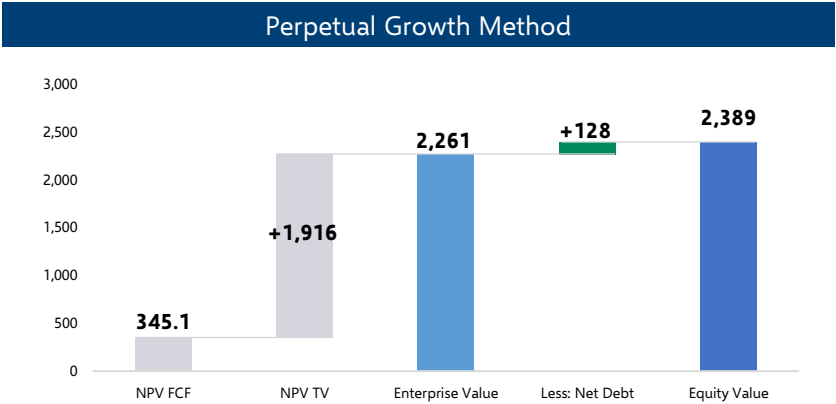
Long-term cash generation drives value, reflected in perpetual growth and exit multiple valuation methods

Profit and Loss, Cash Flow Summary

	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
Revenue	353,792	400,072	504,421	572,845	642,292	720,463	809,348	909,624
% growth		13.1%	26.1%	13.6%	12.1%	12.2%	12.3%	12.4%
Gross Profit	90,260	112,225	146,693	170,654	195,852	224,697	257,987	296,148
% margin	25.5%	28.1%	29.1%	29.8%	30.5%	31.2%	31.9%	32.6%
EBITDA	7,286	69,071	95,612	121,229	142,566	167,131	189,423	221,338
% margin	19.0%	17.3%	19.0%	21.2%	22.2%	23.2%	23.4%	24.3%
EBIT	55,400	57,664	80,897	99,635.5	117,008.3	137,127.8	160,583.4	187,753.9
% margin	15.7%	14.4%	16.0%	17.4%	18.2%	19.0%	19.8%	20.6%
Unlevered Taxes	(10,456)	(10,883)	(15,268)	(18,804)	(22,083)	(25,880)	(30,307)	(35,435)
NOPAT ¹	44,944	46,781	65,629	80,831	94,925	111,248	130,276	152,319
Add: Depreciation	11,886	11,407	14,715	21,594	25,557	30,003	28,840	33,584
Less: CAPEX	(13,780)	(10,490)	(9,656)	(22,312)	25,017)	(28,062)	(31,524)	(35,429)
Less: Changes in working capital	-	-	-	(22,583)	(19,605)	(22,171)	(24,766)	(28,563)
Unlevered Free Cash Flow	43,050	47,698	70,688	57,530	75,861	91,018	102,827	121,910
% growth		10.8%	48.2%	(18.6%)	31.9%	20.0%	13.0%	18.6%

Sources:
Notes: (1) Net Operating Profit before Tax; (2): Based on 12.0x multiple

Enterprise Value to Equity Value Bridge



DCF Valuation

UFPT's trades lower than peers in our relative valuation set, suggesting compelling undervaluation and entry

Comparable Company Analysis Summary

Peer Group		Derived Multiple	Derived Multiple							
			EV/Revenue		EV/EBITDA		EV/EBIT		P/E	
			LTM	NTM	LTM	NTM	LTM	NTM	LTM	NTM
Tier 1		Average	2.0x	1.8x	14.4x	11.4x	25.2x	18.0x	184.8x	14.7x
		Median	1.8x	1.4x	13.5x	10.2x	26.2x	18.1x	42.6x	11.6x
		25th Percentile	1.4x	1.3x	10.4x	9.2x	23.4x	14.2x	31.2x	10.0x
		75th Percentile	2.4x	1.9x	17.5x	12.4x	28.0x	21.9x	196.2x	16.3x
Tier 2		Average	6.8x	6.9x	139.6x	46.2x	342.3x	30.2x	21.4x	25.0x
		Median	6.6x	6.2x	32.4x	31.2x	40.8x	30.2x	34.6x	13.4x
		25th Percentile	4.3x	4.1x	22.4x	21.4x	29.7x	25.5x	4.9x	12.9x
		75th Percentile	9.3x	9.4x	203.2x	63.6x	504.2x	34.9x	44.5x	31.2x
Combined (80% Tier 1 & 20% Tier 2)		Average	3.0x	2.8x	39.4x	18.4x	88.7x	20.5x	152.1x	16.7x
		Median	2.8x	2.3x	17.3x	14.4x	29.1x	20.5x	41.0x	12.0x
		25th Percentile	2.0x	1.8x	12.8x	11.6x	24.7x	16.5x	26.0x	10.6x
		75th Percentile	3.8x	3.4x	54.6x	22.7x	123.2x	24.5x	165.8x	19.3x
		Min	1.4x	1.4x	10.3x	9.5x	16.7x	14.2x	17.9x	9.6x
		Max	5.0x	5.2x	91.5x	32.2x	219.4x	26.6x	511.1x	31.1x
UFPT	-	2.8x	2.6x	14.5x	12.0x	17.4x	14.8x	23.1x	20.2x	

Sources: CapIQ

Managing key risks to protect the investment case

Risks and Mitigants

	Risks	Mitigants
1	Elective Surgery Volume Erosion Expiring ACA subsidies and 2026 Medicaid cuts threaten elective surgery volumes. High exposure to deferrable categories like orthopedics creates vulnerability as patients delay procedures due to rising out-of-pocket costs	Pivoting to inelastic "Infection Prevention" and "Chronic Care" markets insulates revenue. Sticky demand for robotic surgery consumables protects volume, as hospitals prioritize high-ROI robotic procedures over basic electives
2	The 'Resin Tax' Margin Squeeze Tariffs on imported petrochemicals inflate COGS. While contracts allow cost recovery, a 3–6 month pass-through lag exposes UFPT to temporary gross margin compression during rapid raw material price spikes	Contracts with OEMs include 90-day pass-through clauses. Dominican Republic manufacturing slashes labor costs, creating a buffer that subsidizes tariff-driven inflation, while bulk purchasing power further mitigates price hikes
3	M&A Stagnation UFP's largest acquisition AJR Enterprises only has one customer for safe patient handling, which concentrates all their risk in one location, making value contributed from it more volatile.	Companies like AJR's sole customer, Stryker, typically do not switch suppliers frequently due to the regulatory and approval barriers required. Furthermore, this customer concentration risk is diversified amongst UFP's other customers.

Key Metric Impacts

