UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark one)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **MARCH 31, 2024**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____ to ____

Commission File Number: **001-12648**

UFP Technologies, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

04-2314970
(I.R.S. Employer Identification No.)

100 Hale Street, Newburyport, MA 01950, USA
(Address of principal executive offices) (Zip Code)

(978) 352-2200
(Registrant's telephone number, including area code)

____
(Former name, former address, and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	UFPT	The NASDAQ Stock Market L.L.C.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒
Non-accelerated filer ☐
Accelerated filer ☐
Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

7,670,487 shares of registrant’s Common Stock, $0.01 par value, were outstanding as of May 3, 2024.

UFP Technologies, Inc.

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PART I: FINANCIAL INFORMATION
ITEM 1: FINANCIAL STATEMENTS

UFP Technologies, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(Unaudited)

	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 11,372	$ 5,263
Receivables, net	61,250	64,449
Inventories	73,900	70,191
Prepaid expenses and other current assets	4,017	3,433
Refundable income taxes	-	1,297
Total current assets	150,539	144,633
Property, plant and equipment, net	61,931	62,137
Goodwill	113,104	113,263
Intangible assets, net	62,914	64,116
Non-qualified deferred compensation plan	5,711	5,323
Right of use assets	12,995	13,588
Deferred income taxes	72	607
Other assets	413	469
Total assets	$ 407,679	$ 404,136
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 23,654	$ 22,286
Accrued expenses	16,466	22,085
Deferred revenue	4,527	6,616
Lease liabilities	3,369	3,222
Income taxes payable	420	-
Current portion of long-term debt	4,000	4,000
Total current liabilities	52,436	58,209
Long-term debt, excluding current installments	30,000	28,000
Deferred income taxes	575	428
Non-qualified deferred compensation plan	5,713	5,412
Lease liabilities	10,118	10,815
Other liabilities	13,821	15,181
Total liabilities	112,663	118,045
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 1,000,000 shares authorized; no shares issued	-	-
Common stock, $.01 par value, 20,000,000 shares authorized; 7,700,046 and 7,670,487 shares issued and outstanding, respectively, at March 31, 2024; 7,669,339 and 7,639,780 shares issued and outstanding, respectively, at December 31, 2023	77	76
Additional paid-in capital	35,629	38,814
Retained earnings	260,213	247,520
Accumulated other comprehensive (loss) income	(316)	268
Treasury stock at cost, 29,559 shares at March 31, 2024 and 29,559 shares at December 31, 2023	(587)	(587)
Total stockholders' equity	295,016	286,091
Total liabilities and stockholders' equity	$ 407,679	$ 404,136

The accompanying notes are an integral part of these condensed consolidated financial statements.

UFP Technologies, Inc.
Condensed Consolidated Statements of Comprehensive Income
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net sales	$ 105,009	$ 97,753
Cost of sales	74,926	69,052
Gross profit	30,083	28,701
Selling, general & administrative expenses	13,912	13,006
Change in fair value of contingent consideration	238	2,853
Loss on disposal of property, plant & equipment	9	1
Operating income	15,924	12,841
Interest expense, net	631	869
Other (income) expense	(42)	77
Income before income tax expense	15,335	11,895
Income tax expense	2,642	2,156
Net income	$ 12,693	$ 9,739
Net income per share:		
Basic	$ 1.66	$ 1.28
Diluted	$ 1.64	$ 1.27
Weighted average common shares outstanding:		
Basic	7,651	7,592
Diluted	7,737	7,681
Comprehensive Income		
Net Income	$ 12,693	$ 9,739
Other comprehensive (loss) income:		
Foreign currency translation (loss) gain	(584)	493
Other comprehensive (loss) gain	(584)	493
Comprehensive income	$ 12,109	$ 10,232

The accompanying notes are an integral part of these condensed consolidated financial statements.

UFP TECHNOLOGIES, INC.
Condensed Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

Three Months Ended March 31, 2024								
	Common Stock		Additional Paid-in	Retained	Accumulated other comprehensive	Treasury Stock		Total Stockholders'
	Shares	Amount	Capital	Earnings	income (loss)	Shares	Amount	Equity
Balance at December 31, 2023	7,640	$ 76	$ 38,814	$ 247,520	$ 268	30	$ (587)	$ 286,091
Share-based compensation	48	1	1,512	-	-	-	-	1,513
Exercise of stock options net of shares presented for exercise	4	-	54	-	-	-	-	54
Net share settlement of RSU's	(22)	-	(4,751)	-	-	-	-	(4,751)
Issuance of common stock	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	(584)	-	-	(584)
Net income	-	-	-	12,693	-	-	-	12,693
Balance at March 31, 2024	7,670	$ 77	$ 35,629	$ 260,213	$ (316)	30	$ (587)	$ 295,016

Three Months Ended March 31, 2023								
	Common Stock		Additional Paid-in	Retained	Accumulated other comprehensive	Treasury Stock		Total Stockholders'
	Shares	Amount	Capital	Earnings	income	Shares	Amount	Equity
Balance at December 31, 2022	7,582	$ 76	$ 36,070	$ 202,596	$ (610)	30	$ (587)	$ 237,545
Share-based compensation	48	-	1,056	-	-	-	-	1,056
Exercise of stock options net of shares presented for exercise	4	-	109	-	-	-	-	109
Net share settlement of RSU's	(21)	-	(2,522)	-	-	-	-	(2,522)
Issuance of common stock	-	-	64	-	-	-	-	64
Other comprehensive income	-	-	-	-	493	-	-	493
Net income	-	-	-	9,739	-	-	-	9,739
Balance at March 31, 2023	7,613	$ 76	$ 34,777	$ 212,335	$ (117)	30	$ (587)	$ 246,484

The accompanying notes are an integral part of these consolidated financial statements.

UFP Technologies, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2024	**2023**
Cash flows from operating activities:		
Net income	$ 12,693	$ 9,739
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,999	2,777
Loss on disposal of property, plant & equipment	9	1
Share-based compensation	1,513	1,056
Change in fair value of contingent consideration	238	2,853
Deferred income taxes	591	(545)
Changes in operating assets and liabilities:		
Receivables, net	3,120	(4,863)
Inventories	(3,751)	(3,054)
Prepaid expenses and other current assets	(752)	(377)
Other assets	261	(1,850)
Accounts payable	1,428	65
Accrued expenses	(5,597)	(6,197)
Deferred revenue	(2,089)	(1,098)
Income taxes payable	1,401	2,765
Non-qualified deferred compensation plan and other liabilities	(1,410)	451
Net cash provided by operating activities	10,654	1,723
Cash flows from investing activities:		
Additions to property, plant, and equipment	(1,732)	(2,179)
Proceeds from sale of fixed assets	-	2
Net cash used in investing activities	(1,732)	(2,177)
Cash flows from financing activities:		
Proceeds from advances on revolving line of credit	7,000	6,000
Payments on revolving line of credit	(3,000)	-
Principal payments of long-term debt	(2,000)	(1,000)
Principal payments on finance lease obligations	(20)	(16)
Proceeds from the exercise of stock options	54	109
Payment of statutory withholdings for restricted stock units vested	(4,751)	(2,522)
Net cash (used in) provided by financing activities	(2,717)	2,571
Effect of foreign currency exchange rates on cash and cash equivalents	(96)	(65)
Net increase in cash and cash equivalents	6,109	2,052
Cash and cash equivalents at beginning of period	5,263	4,451
Cash and cash equivalents at end of period	$ 11,372	$ 6,503

The accompanying notes are an integral part of these condensed consolidated financial statements.

Notes to Interim Condensed Consolidated Financial Statements

(1) Basis of Presentation

The interim condensed consolidated financial statements of UFP Technologies, Inc. (the “Company”) presented herein, have been prepared pursuant to the rules of the Securities and Exchange Commission for quarterly reports on Form 10-Q and do not include all the information and note disclosures required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2023, included in the Company's 2023 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission.

The condensed consolidated balance sheets as of March 31, 2024 and December 31, 2023, the condensed consolidated statements of comprehensive income for the three months ended March 31, 2024 and 2023, the condensed consolidated statements of stockholders’ equity for the three months ended March 31, 2024 and 2023, and the condensed consolidated statements of cash flows for the three months ended March 31, 2024 and 2023 are unaudited but, in the opinion of management, include all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation of results for these interim periods. The condensed consolidated balance sheet as of December 31, 2023 has been derived from the Company’s annual financial statements that were audited by an independent registered public accounting firm but does not include all of the information and footnotes required for complete annual financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The results of operations for the three-month period ended March 31, 2024 are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 2024.

Recent Accounting Pronouncements

There are no newly issued accounting pronouncements that the Company expects to have a material effect on the financial statements.

(2) Revenue Recognition

The Company recognizes revenue when a customer obtains control of a promised good or service. The amount of revenue recognized reflects the consideration that the Company expects to be entitled to in exchange for promised goods or services. The Company recognizes revenue in accordance with the core principles of ASC 606 which include (1) identifying the contract with a customer, (2) identifying separate performance obligations within the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing revenue. The Company recognizes all but an immaterial portion of its product sales upon shipment. The Company recognizes revenue from the sale of tooling and machinery primarily upon customer acceptance. The Company recognizes revenue from engineering services, which are primarily product development services, as the services are performed or as otherwise determined based on the substance of the agreement. The Company recognizes revenue from bill-and-hold transactions at the time the specified goods are complete and available to the customer.

Standard payment terms are net 30 days unless contract terms state otherwise. When determining the transaction price of a contract, an adjustment is made if payment from a customer occurs either significantly before or significantly after performance, resulting in a significant financing component. We do not assess whether a significant financing component exists if the period between when we perform our obligations under the contract and when the customer pays is one year or less. In the ordinary course of business, the Company accepts sales returns from customers for defective goods, such amounts being immaterial. Although only applicable to an insignificant number of transactions, the Company has elected to exclude sales taxes from the transaction price. The Company has elected to account for shipping and handling activities for which the Company is responsible under the terms and conditions of the sale not as performance obligations but rather as fulfillment costs. These activities are required to fulfill the Company’s promise to transfer the goods and are expensed when revenue is recognized. Variable consideration to be included in the transaction price is estimated using either the expected value method or the most likely method based on facts and circumstances. Variable consideration is included in the transaction price if it is probable that a significant future reversal of cumulative revenue under the contract will not occur. The Company has elected to not disclose the aggregate amount of the transaction price allocated to unsatisfied performance obligations, as the Company’s contracts have an original expected duration of one year or less, or revenue has been recognized at the amount for which the Company has the right to invoice for engineering services performed.

Disaggregated Revenue

The following table presents the Company's revenue disaggregated by the major types of goods and services sold to the Company's customers (in thousands) (See Note 11 for further information regarding net sales by market):

	Three Months Ended March 31,	
Net sales of:	2024	2023
Products	$ 99,838	$ 94,692
Tooling and Machinery	4,291	1,294
Engineering services	880	1,767
Total net sales	$ 105,009	$ 97,753

Contract Balances

The timing of revenue recognition may differ from the time of invoicing to customers. When invoicing occurs prior to revenue recognition, the Company has contract liabilities included within "deferred revenue" on the condensed consolidated balance sheet.

The following table presents opening and closing balances of contract liabilities for the three-month periods ended March 31, 2024 and 2023 (in thousands):

	Contract Liabilities Three Months Ended March 31,	
	2024	2023
Deferred revenue - beginning of period	$ 6,616	$ 4,679
Increases due to consideration received from customers	754	999
Revenue recognized	(2,843)	(2,096)
Deferred revenue - end of period	$ 4,527	$ 3,582

Revenue recognized during the three-month periods ended March 31, 2024 and 2023 from amounts included in deferred revenue at the beginning of the period were approximately $2.7 million and $1.9 million, respectively.

When invoicing occurs after revenue recognition, the Company has contract assets, included within "receivables, net" on the condensed consolidated balance sheets.

The following table presents opening and closing balances of contract assets for the three-month periods ended March 31, 2024 and 2023 (in thousands):

	Contract Assets Three Months Ended March 31,	
	2024	2023
Unbilled Receivables - beginning of period	$ 114	$ 270
Increases due to revenue recognized, not invoiced to customers	537	1,379
Decreases due to customer invoicing	(381)	(1,326)
Unbilled Receivables - end of period	$ 270	$ 323

(3) Supplemental Cash Flow Information

Supplemental cash flow information consists of the following (in thousands):

	Three Months Ended March 31,	
	2024	2023
Cash paid for:		
Interest	$ 619	$ 832
Income taxes, net of refunds	-	(50)
Non-cash investing and financing activities:		
Capital additions accrued but not yet paid	$ 105	$ 347
Operating lease right of use assets	83	1,524
Operating lease liabilities	(83)	(1,560)
Financing lease right of use assets	35	-
Financing lease liablities	(58)	-

(4) Receivables and Allowance for Credit Losses

Receivables consist of the following (in thousands):

	March 31, 2024	December 31, 2023
Accounts receivable–trade	$ 61,910	$ 65,176
Less allowance for credit losses	(660)	(727)
Receivables, net	$ 61,250	$ 64,449

The Company is exposed to credit losses primarily through sales of products and services. The Company's expected loss allowance methodology for accounts receivable is developed using historical collection experience, current and future economic and market conditions, and a review of the current status of customers' trade accounts receivables. Due to the short-term nature of such receivables, the estimate of the amount of accounts receivable that may not be collected is based on the aging of the accounts receivable balances and the financial condition of customers. Additionally, specific allowance amounts are established to record the appropriate provision for customers that have a higher probability of default. The Company's monitoring activities include timely account reconciliation, dispute resolution, payment confirmation, consideration of customers' financial condition and macroeconomic conditions. Balances are written-off when determined to be uncollectible. Estimates based on an assessment of anticipated payment and all other historical, current, and future information that is reasonably available are used to determine the allowance.

The following table provides a roll-forward of the allowance for credit losses that is deducted from accounts receivable to present the net amount expected to be collected for the three months ended March 31, 2024 and 2023 (in thousands):

	Allowance for Credit Losses	
	Three Months Ended March 31,	
	2024	2023
Allowance - beginning of period	$ 727	$ 733
Adjustment for expected credit losses	(51)	(6)
Amounts written off against the allowance	(16)	(1)
Allowance - end of period	$ 660	$ 726

(5) Fair Value of Financial Instruments

Financial instruments recorded at fair value in the consolidated balance sheets, or disclosed at fair value in the footnotes, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels defined by ASC 820, Fair Value Measurements and Disclosures, and directly related to the amount of subjectivity associated with inputs to fair valuation of these assets and liabilities, are as follows:

Level 1
Valued based on unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2
Valued based on either directly or indirectly observable prices for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3
Valued based on management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The following table presents the fair value and hierarchy levels, for financial assets that are measured at fair value on a recurring basis (in thousands):

	March 31, 2024	December 31, 2023
Level 3		
Purchase price contingent consideration:		
Accrued contingent consideration (earn-out)	$ 13,334	$ 13,096
Present value of non-competition payments	6,484	8,474

In connection with the acquisition of DAS Medical in 2021, the Company is required to make contingent payments, subject to the entities achieving certain financial performance thresholds. The contingent consideration payments for the DAS Medical acquisition are up to $20 million. The fair value of the liability for the contingent consideration payments recognized upon the acquisition as part of the purchase accounting opening balance sheets totaled approximately $9.7 million and was estimated by discounting to present value the probability-weighted contingent payments expected to be made. Assumptions used in the initial calculation were management's financial forecasts, discount rate and various volatility factors. The ultimate settlement of contingent consideration could deviate from current estimates based on the actual results of these financial measures. This liability is considered to be a Level 3 financial liability that is re-measured each reporting period. The fair value of the liability for the contingent consideration payments recognized at March 31, 2024 totaled approximately $13.3 million out of the remaining potential payments of $ 15 million. The change in fair value of contingent consideration for the acquisition is included in change in fair value of contingent consideration in the condensed consolidated statements of comprehensive income.

Also in connection with the DAS Medical and Advant Medical acquisitions, the Company has entered into Non-Competition Agreements with the beneficiaries (certain previous owners of DAS and Advant) and the Company has agreed to pay additional consideration to the parties to the Non-Competition Agreements, including an aggregate of $10.0 million in payments over the ten years following the closing of the DAS Medical acquisition for the 10-year noncompetition covenants of certain key owners. The Company paid approximately $ 1.7 million during the first quarter of 2024. The present value of the Non-Competition Agreements at March 31, 2024 totaled approximately $6.5 million. This liability is considered to be a Level 3 financial liability that is re-measured each reporting period.

The Company has financial instruments, such as accounts receivable, accounts payable, and accrued expenses, which are stated at carrying amounts that approximate fair value because of the short maturity of those instruments. The carrying amount of the Company's long-term debt approximates fair value as the interest rate on the debt approximates the estimated borrowing rate currently available to the Company.

(6) Share-Based Compensation

Share-based compensation is measured at the grant date based on the fair value of the award and is recognized as an expense over the requisite service period (generally the vesting period of the equity grant).

The Company issues share-based awards through several plans that are described in detail in the notes to the consolidated financial statements for the year ended December 31, 2023. The compensation cost charged against income for those plans is included in selling, general & administrative expenses as follows (in thousands):

	Three Months Ended March 31,	
Share-based compensation related to:	2024	2023
Common stock grants	$ 100	$ 100
Stock option grants	113	94
Restricted Stock Unit Awards ("RSUs")	1,300	862
Total share-based compensation	$ 1,513	$ 1,056

The total income tax benefit recognized in the condensed consolidated statements of comprehensive income for share-based compensa-tion arrangements was approximately $1.1 million and $839 thousand for the three-month periods ended March 31, 2024 and 2023, respectively.

Common Stock Grants

The compensation expense for common stock granted during the three-month period ended March 31, 2024, was determined based on the market price of the shares on the date of grant.

Stock Option Grants

The following is a summary of stock option activity under all plans for the three-month period ended March 31, 2024:

	Shares Under Options	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2023	78,488	$ 39.98		
Granted	-	-		
Exercised	(4,480)	35.76		
Outstanding at March 31, 2024	74,008	$ 58.44	5.34	$ 14,340
Exercisable at March 31, 2024	65,823	$ 48.22	5.18	$ 13,427
Vested and expected to vest at March 31, 2024	74,008	$ 58.44	5.34	$ 14,340

During the three-month periods ended March 31, 2024 and 2023, the total intrinsic value of all options exercised (i.e., the difference between the market price and the price paid by the employees to exercise the options) was approximately $652 thousand and $371 thousand, respectively, and the total amount of consideration received by the Company from the exercised options was approximately $160 thousand and $109, respectively. At its discretion, the Company allows option holders to surrender previously owned common stock in lieu of paying the exercise price and withholding taxes. During the three-month period ended March 31, 2024, 653 shares were surrendered at an average market price of $ 162.93. During the three-month period ended March 31, 2023, 861 shares were surrendered at an average market price of $ 127.05.

Restricted Stock Unit awards

The following table summarizes information about RSU activity during the three-month period ended March 31, 2024:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2023	95,693	$ 64.82
Awarded	35,334	171.40
Shares vested	(48,794)	76.29
Shares forfeited	(131)	171.40
Outstanding at March 31, 2024	82,102	$ 85.47

At the Company's discretion, upon vesting, RSU holders are given the option to net-share settle to cover the required minimum withholding tax and the remaining amount is converted into the equivalent number of common shares and issued to the RSU holder. During the three-month periods ended March 31, 2024 and 2023, 21,914 and 20,457 shares were surrendered at an average market price of $ 216.80 and $117.95, respectively.

As of March 31, 2024, the Company had approximately $ 10.0 million of unrecognized compensation expense that is expected to be recognized over a period of 3 years.

(7) Inventories

Inventories are stated at the lower of cost (determined using the first-in, first-out method) or net realizable value, and consist of the following at the stated dates (in thousands):

	March 31, 2024	December 31, 2023
Raw materials	$ 54,836	$ 53,539
Work in process	7,840	7,821
Finished goods	11,224	8,831
Total inventory	$ 73,900	$ 70,191

(8) Property, Plant and Equipment

Property, plant, and equipment consist of the following (in thousands):

	March 31, 2024	December 31, 2023
Land and improvements	$ 4,823	$ 4,849
Buildings and improvements	34,676	34,735
Leasehold improvements	9,024	8,226
Machinery & equipment	59,007	58,343
Furniture, fixtures, computers & software	6,487	6,324
Construction in progress	6,961	6,845
Property, plant and equipment	$ 120,978	$ 119,322
Accumulated depreciation and amortization	(59,047)	(57,185)
Net property, plant and equipment	$ 61,931	$ 62,137

(9) Leases

The Company has operating and finance leases for offices, manufacturing plants, vehicles and certain office and manufacturing equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company accounts for each separate lease component of a contract and its associated non-lease components as a single lease component, thus causing all fixed payments to be capitalized. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage, are not included in the right of use (“ROU”) assets or lease liabilities. These are expensed as incurred and recorded as variable lease expense. The Company determines if an arrangement is a lease at the inception of a contract. Operating and finance lease ROU assets and operating and finance lease liabilities are stated separately in the condensed consolidated balance sheet.

ROU assets represent the Company's right to use an underlying asset during the lease term and lease liabilities represent the Company's obligation to make lease payments pursuant to the lease. ROU assets and lease liabilities are recognized at commencement date based on the net present value of fixed lease payments over the lease term. The Company's assumed lease term includes options to extend or terminate the lease when it is reasonably certain that it will exercise that option. ROU assets are also adjusted for any deferred or accrued rent. As the Company's leases do not typically provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

ROU assets and lease liabilities consist of the following (in thousands):

	March 31, 2024	December 31, 2023
Operating lease ROU assets	$ 12,823	$ 13,437
Finance lease ROU assets	172	151
Total ROU assets	$ 12,995	$ 13,588
Operating lease liabilities - current	$ 3,250	$ 3,162
Finance lease liabilities - current	119	60
Total lease liabilities - current	$ 3,369	$ 3,222
Operating lease liabilities - long-term	$ 10,037	$ 10,719
Finance lease liabilities - long-term	81	96
Total lease liabilities - long-term	$ 10,118	$ 10,815

The components of lease costs for the three-month periods ended March 31, 2024 and 2023 consist of the following (in thousands):

	Three Months Ended March 31,	
	2024	2023
Lease Cost:		
Finance lease cost:		
Amortization of right of use assets	$ 24	$ 15
Interest on lease liabilities	2	1
Operating lease cost	855	711
Variable lease cost	80	83
Short-term lease cost	35	7
Total lease cost	$ 996	$ 817
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	$ 834	$ 683
Financing cash flows from finance leases	20	16
Weighted-average remaining lease term (years):		
Finance	1.84	3.29
Operating	4.00	5.06
Weighted-average discount rate:		
Finance	2.27%	2.10%
Operating	3.73%	3.42%

The aggregate future lease payments for leases as of March 31, 2024 are as follows (in thousands):

	Operating	Finance
Remainder of 2024	$ 2,529	$ 123
2025	3,030	63
2026	2,667	17
2027	2,303	2
2028	1,190	-
Thereafter	2,828	-
Total lease payments	14,547	205
Less: Interest	(1,259)	(6)
Present value of lease liabilities	$ 13,288	$ 199

(10)Income Per Share

Basic income per share is based on the weighted average number of shares of common stock outstanding. Diluted income per share is based upon the weighted average number of common shares outstanding and dilutive common stock equivalent shares outstanding during each period.

The weighted average number of shares used to compute basic and diluted net income per share consisted of the following (in thousands):

	Three Months Ended March 31,	
	2024	2023
Basic weighted average common shares outstanding	7,651	7,592
Weighted average common equivalent shares due to restricted stock, stock options and RSUs	86	89
Diluted weighted average common shares outstanding	7,737	7,681

The computation of diluted earnings per share excludes the effect of the potential exercise of stock awards, including stock options, when the average market price of the common stock is lower than the exercise price of the related options during the period. These outstanding stock awards are not included in the computation of diluted income per share because the effect would be antidilutive. For both the three-month periods ended March 31, 2024 and 2023, there were no stock awards excluded from the computation of diluted earnings per share for this reason.

(11)Segment Data

The Company consists of a single operating and reportable segment.

Revenues shipped to customers outside of the United States comprised approximately 18.4% and 16.6% of the Company's consolidated revenues for the three months ended March 31, 2024 and 2023, respectively. One customer comprised approximately 32.2% and 22.3% of the Company's consolidated revenues for the three months ended March 31, 2024 and 2023, respectively. On March 31, 2024, one customer represented approximately 18.6% of gross accounts receivable. On December 31, 2023, two customers represented approximately 16.5% and 12.2%, respectively, of gross accounts receivable. Approximately 15.8% of all long-lived assets are located outside of the United States.

The Company's products are primarily sold to customers within the Medical, Aerospace & Defense, Automotive, and Industrial/Other markets. Sales by market for the three months ended March 31, 2024 and 2023 are as follows (in thousands):

Market	Three Months Ended March 31, 2024 Net Sales	2024 %	2023 Net Sales	2023 %
Medical	$ 90,037	85.7%	$ 83,804	85.7%
Aerospace & Defense	6,137	5.8%	4,217	4.3%
Automotive	3,949	3.8%	4,347	4.4%
Industrial / Other	4,886	4.7%	5,385	5.6%
Net Sales	$ 105,009	100.0%	$ 97,753	100.0%

(12)Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the three months ended March 31, 2024 are as follows (in thousands):

	Goodwill
December 31, 2023	$ 113,263
Foreign currency translation	(159)
March 31, 2024	$ 113,104

The carrying values of the Company's definite lived intangible assets as of March 31, 2024 are as follows (in thousands):

	Intelletual Property / Tradename & Brand	Non-Compete	Customer List	Total
Weighted-average amortization period	11.9 years	9.3 years	20 years	
Gross amount	$ 7,087	$ 5,500	$ 65,205	$ 77,792
Accumulated amortization	(1,474)	(1,662)	(11,742)	$ (14,878)
Net balance	$ 5,613	$ 3,838	$ 53,463	$ 62,914

Amortization expense related to intangible assets was approximately $ 1.0 million and $1.1 million for the three-month periods ended March 31, 2024 and 2023. The estimated remaining amortization expense as of March 31, 2024 is as follows (in thousands):

Remainder of 2024	$ 3,170
2025	4,227
2026	4,224
2027	4,222
2028	4,124
2029	4,121
Thereafter	38,826
Total	$ 62,914

(13)Other Long-Term Liabilities

Other long-term liabilities consist of the following (in thousands):

	March 31, 2024	December 31, 2023
Accrued contingent consideration (earn-out)	$ 8,334	$ 8,096
Present value of non-competition payments	4,987	6,586
Other	500	499
	$ 13,821	$ 15,181

(14)Income Taxes

The determination of income tax expense in the accompanying unaudited condensed consolidated statements of income is based upon the estimated effective tax rate for the year, adjusted for the impact of any discrete items which are accounted for in the period in which they occur. The Company recorded income tax expense of approximately 17.2% and 18.1% of income before income tax expense for the three-month periods ended March 31, 2024 and 2023, respectively.

(15)Debt

On December 22, 2021, the Company, as the borrower, entered into a secured $ 130 million Second Amended and Restated Credit Agreement (the “Second Amended and Restated Credit Agreement”) with certain of the Company’s subsidiaries (the “Subsidiary Guarantors”) and Bank of America, N.A., in its capacity as the initial lender, Administrative Agent, Swingline Lender and L/C Issuer, and certain other lenders from time-to-time party thereto. The Second Amended and Restated Credit Agreement amends and restates the Company’s prior credit agreement, originally dated as of February 1, 2018.

The credit facilities under the Second Amended and Restated Credit Agreement consist of a $ 40 million secured term loan to the Company and a secured revolving credit facility, under which the Company may borrow up to $90 million. The Second Amended and Restated Credit Agreement matures on December 21, 2026. The secured term loan requires quarterly principal payments of $1 million that commenced on March 31, 2022. The proceeds of the Second Amended and Restated Credit Agreement may be used for general corporate purposes, including funding the acquisition of DAS Medical, as well as certain other permitted acquisitions. The Company’s obligations under the Second Amended and Restated Credit Agreement are guaranteed by Subsidiary Guarantors and secured by substantially all assets of the Company.

The Second Amended and Restated Credit Agreement calls for interest determined by the Bloomberg Short-Term Bank Yield Index rate (“BSBY”) plus a margin that ranges from 1.25% to 2.0% or, at the discretion of the Company, 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. Under the Second Amended and Restated Credit Agreement, the Company is subject to a minimum fixed-charge coverage financial covenant as well as a maximum total funded debt to EBITDA financial covenant. The Second Amended and Restated Credit Agreement contains other covenants customary for transactions of this type, including restrictions on certain payments, permitted indebtedness, and permitted investments.

At March 31, 2024, the Company had approximately $ 34 million in borrowings outstanding under the Second Amended and Restated Credit Agreement, which were used as partial consideration for the DAS Medical and Advant acquisitions, and also had approximately $0.7 million in standby letters of credit outstanding, drawable as a financial guarantee on worker’s compensation insurance policies. At March 31, 2024, the applicable interest rate was approximately 6.6% and the Company was in compliance with all covenants under the Second Amended and Restated Credit Agreement.

Long-term debt consists of the following (in thousands):

	March 31, 2024
Revolving credit facility	$ 4,000
Term loan	30,000
Total long-term debt	34,000
Current portion	(4,000)
Long-term debt, excluding current portion	$ 30,000

Future maturities of long-term debt at March 31, 2024 are as follows (*in thousands*):

	Term Loan	Revolving credit facility	Total
Remainder of 2024	$ 3,000	$ -	$ 3,000
2025	4,000	-	4,000
2026	23,000	4,000	27,000
	$ 30,000	$ 4,000	$ 34,000

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking Statements

Some of the statements contained in this Report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Management and representatives of UFP Technologies, Inc. (the "Company") also may from time to time make forward-looking statements. These statements are subject to known and unknown risks, uncertainties, and other factors, which may cause our or our industry's actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about the Company's prospects; the demand for its products, the well-being and availability of the Company's employees, the continuing operation of the Company's locations, delayed payments by the Company's customers and the potential for reduced or canceled orders; statements about expectations regarding customer inventory levels; statements about the Company's acquisition strategies and opportunities and the Company's growth potential and strategies for growth; expectations regarding customer demand; expectations regarding the Company's liquidity and capital resources, including the sufficiency of its cash reserves and the availability of borrowing capacity to fund operations and/or potential future acquisitions; anticipated revenues and the timing of such revenues; expectations about shifting the Company's book of business to higher-margin, longer-run opportunities; anticipated trends and potential advantages in the different markets in which the Company competes, including the medical, aerospace and defense, automotive, consumer, electronics, and industrial markets, and the Company's plans to expand in certain of its markets; statements regarding anticipated advantages the Company expects to realize from its investments and capital expenditures; statements regarding anticipated advantages to improvements and alterations at the Company's existing plants; expectations regarding the Company's manufacturing capacity, operating efficiencies, and new production equipment; statements about new product offerings and program launches; statements about the Company's participation and growth in multiple markets; statements about the Company's business opportunities; and any indication that the Company may be able to sustain or increase its sales, earnings or earnings per share, or its sales, earnings or earnings per share growth rates.

Investors are cautioned that such forward-looking statements involve risks and uncertainties that could adversely affect the Company's business and prospects, and otherwise cause actual results to differ materially from those anticipated by such forward-looking statements, or otherwise, including without limitation: financial condition and results of operations, including risks relating to substantially decreased demand for the Company's products; risks relating to the potential closure of any of the Company's facilities or the unavailability of key personnel or other employees; risks that the Company's inventory, cash reserves, liquidity or capital resources may be insufficient; risks relating to delayed payments by our customers and the potential for reduced or canceled orders; risks related to customer concentration; risks related to global conflict or civil unrest to the efficacy of our manufacturing process; risks associated with the identification of suitable acquisition candidates and the successful, efficient execution of acquisition transactions, the integration of any such acquisition candidates, the value of those acquisitions to our customers and shareholders, and the financing of such acquisitions; risks related to our indebtedness and compliance with covenants contained in our financing arrangements, and whether any available financing may be sufficient to address our needs; risks associated with efforts to shift the Company's book of business to higher-margin, longer-run opportunities; risks associated with the Company's entry into and growth in certain markets; risks and uncertainties associated with seeking and implementing manufacturing efficiencies and implementing new production equipment; risks and uncertainties associated with growth of the Company's business and increases to sales, earnings and earnings per share; risks relating to our ability to achieve our environmental, social and governance ("ESG") objectives or otherwise meet the expectations of our stakeholders with respect to ESG matters; risks relating to cybersecurity, including cyber-attacks on the Company's information technology infrastructure, products, suppliers, customers and partners, and cybersecurity-related regulations; and risks associated with new product and program launches. Accordingly, actual results may differ materially.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential," and similar expressions intended to identify forward-looking statements. Our actual results could be different from the results described in or anticipated by our forward-looking statements due to the inherent uncertainty of estimates, forecasts, and projections, and may be materially better or worse than anticipated. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Forward-looking statements represent our current beliefs, estimates and assumptions and are only as of the date of this Report. We expressly disclaim any duty to provide updates to forward-looking statements, and the estimates and assumptions associated with them, after the date of this Report, in order to reflect changes in circumstances or expectations, or the occurrence of unanticipated events, except to the extent required by applicable securities laws. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed above and under "Risk Factors" set forth in Part I Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as well as the risks and uncertainties discussed elsewhere in this Report. We qualify all of our forward-looking statements by these cautionary statements. We caution you that these risks are not exhaustive. We operate in a continually changing business environment and new risks emerge from time to time.

Unless the context requires otherwise, the terms “we”, “us”, “our”, or “the Company” refer to UFP Technologies, Inc. and its consolidated subsidiaries.

Overview

The Company is a designer and custom manufacturer of comprehensive solutions for medical devices, sterile packaging, and other highly engineered custom products. The Company is an important link in the medical device supply chain and a valued outsource partner to many of the top medical device manufacturers in the world. The Company’s single-use and single-patient devices and components are used in a wide range of medical devices and packaging for minimally invasive surgery, infection prevention, surfaces and support, wound care, wearables, orthopedic soft goods, and orthopedic implants.

The Company’s current strategy includes further organic growth and growth through strategic acquisitions.

Net sales for the Company for the three-month period ended March 31, 2024 increased 7.4% (all organic) to $105.0 million from $97.8 million in the same period last year, which was primarily attributable to 7.4% growth in Medical and non-medical sales. The Medical sales growth was primarily due to the increase in sales of the Company’s robotic surgery and infection prevention products. Net sales relating to our largest customer were 32.2% of our net sales in the three-month period ended March 31, 2024. Gross profit as a percentage of sales (“gross margin”) for the three-month period ended March 31, 2024 decreased to 28.6% from 29.4% in the same period last year but is up sequentially over rates in the second half of 2023.

Results of Operations

Net Sales

Net sales for the three-month period ended March 31, 2024 increased approximately 7.4% (all organic) to $105.0 million from sales of $97.8 million for the same period in 2023. The increase in net sales is primarily due to increased sales to customers in the medical market of 7.4%, primarily led by increased sales of robotic surgery and infection prevention products in response to increased procedures. Net sales to all other markets increased 7.4% largely due to a 46% increase in aerospace and defense sales.

Gross Profit

Gross margin decreased to 28.6% for the three-month period ended March 31, 2024, from 29.4% for the same period in 2023. As a percentage of sales, material and labor costs collectively decreased 0.3% while overhead costs increased 1.1%. The decrease in gross margin is primarily due to a decrease in the build of finished goods during the first quarter of 2024 as compared to the first quarter of 2023, as well as sales mix within the medical market.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses (“SG&A”) increased approximately 7.0% to $13.9 million for the three-month period ended March 31, 2024, from $13.0 million for the same period in 2023, largely due to increased performance-based compensation, benefits and payroll tax expenses. As a percentage of sales, SG&A decreased to 13.2% for the three-month period ended March 31, 2024, from 13.3% for the same three-month period in 2023.

Change in fair value of contingent consideration

In connection with the acquisition of DAS Medical in 2021, the Company is required to make contingent payments, subject to the acquired entities achieving certain financial performance thresholds. The contingent consideration payments for the DAS Medical acquisition are four, $5 million payments for a total of up to $20 million. The fair value of the liability for the contingent consideration payments recognized upon the acquisition as part of the purchase accounting opening balance sheets totaled approximately $9.7 million and was estimated by discounting to present value the probability-weighted contingent payments expected to be made. Assumptions used in the initial calculation were management’s financial forecasts, discount rate and various volatility factors. The ultimate settlement of contingent consideration could deviate from current estimates based on the actual results of these financial measures. This liability is considered to be a Level 3 financial liability that is re-measured each reporting period. The fair value of the liabilities for the contingent consideration payments recognized at March 31, 2024 totaled approximately $13.3 million for the remaining $15 million of potential earnout. The change in fair value of contingent consideration for the DAS Medical acquisition for the three-month period ended March 31, 2024, resulted in an expense of approximately $0.2 million, and was included in change in fair value of contingent consideration in the consolidated statements of comprehensive income.

Interest expense, net

Net interest expense was approximately $631 thousand and $869 thousand for the three-month periods ended March 31, 2024 and 2023, respectively. The decrease in net interest expense for the three-month period ended March 31, 2024 was primarily due to lower debt, partially offset by higher average interest rates in 2024. Interest income was immaterial.

Other (income) expense

Other income was approximately $42 thousand and other expense was approximately $77 thousand for the three-month periods ended March 31, 2024 and 2023, respectively. The changes in other income/expense in both periods are primarily generated by foreign currency transaction gains/losses.

Income Taxes

The Company recorded tax expense of approximately 17.2% and 18.1% of income before income tax expense, for each of the three-month periods ended March 31, 2024 and 2023, respectively. The decrease in the effective tax rate for the current period as compared to the prior period is largely due to increased discrete tax benefits associated with the issuance of stock compensation and higher earnings in low-tax jurisdictions in 2024.

Liquidity and Capital Resources

The Company generally funds its operating expenses, capital requirements, and growth plan through internally generated cash and bank credit facilities.

Cash Flows

Net cash provided by operations for the three-month period ended March 31, 2024 was approximately $10.7 million and was primarily a result of net income generated of approximately $12.7 million, depreciation and amortization of approximately $3.0 million, share-based compensation of approximately $1.5 million, a change in the fair value of contingent consideration of approximately $0.3 million, a decrease in accounts receivable of approximately $3.1 million resulting primarily from the collection of an escrow receivable, an increase in income taxes payable of $1.4 million due to the timing of payment of tax estimates, an increase in accounts payable of approximately $1.4 million due to the building of inventory to meet demand and the timing of vendor payments in the ordinary course of business, a decrease in deferred taxes of approximately $0.6 million, and a decrease in other assets of approximately $0.3 million.

These cash inflows and adjustments to income were partially offset by an increase in inventory of approximately $3.7 million due to inventory build for upcoming demand, an increase in prepaid expenses of approximately $0.8 million primarily due to the payment of current year insurance policies, a decrease in accrued expenses of approximately $5.6 million due primarily to the payment of accrued compensation, a decrease in deferred revenue of approximately $2.1 million due to the recognition of deferred tooling and development revenue, and a decrease in other long-term liabilities of approximately $1.4 million due primarily to non-compete payments.

Net cash used in investing activities during the three-month period ended March 31, 2024 was approximately $1.7 million and was primarily the result of additions of manufacturing machinery and equipment and various building improvements across the Company.

Net cash used for financing activities was approximately $2.7 million during the three-month period ended March 31, 2024 and was primarily the result of payments on the revolving line of credit of approximately $3.0 million, principal payments of long-term debt of approximately $2.0 million, and payments of statutory withholding for stock options exercised and restricted stock units vested of approximately $4.7 million. These payments were partially offset by borrowings under our revolving line of credit of approximately $7.0 million.

Outstanding and Available Debt

On December 22, 2021, the Company, as the borrower, entered into a secured $130 million Second Amended and Restated Credit Agreement (the "Second Amended and Restated Credit Agreement") with certain of the Company's subsidiaries (the "Subsidiary Guarantors") and Bank of America, N.A., in its capacity as the initial lender, Administrative Agent, Swingline Lender and L/C Issuer, and certain other lenders from time-to-time party thereto. The Second Amended and Restated Credit Agreement amends and restates the Company's prior credit agreement, originally dated as of February 1, 2018.

The credit facilities under the Second Amended and Restated Credit Agreement consist of a $40 million secured term loan to the Company and a secured revolving credit facility, under which the Company may borrow up to $90 million. The Second Amended and Restated Credit Agreement matures on December 21, 2026. The secured term loan requires quarterly principal payments of $1 million that commenced on March 31, 2022. The proceeds of the Second Amended and Restated Credit Agreement may be used for general corporate purposes, including funding the acquisition of DAS Medical, as well as certain other permitted acquisitions. The Company's obligations under the Second Amended and Restated Credit Agreement are guaranteed by Subsidiary Guarantors and secured by substantially all assets of the Company.

The Second Amended and Restated Credit Agreement calls for interest determined by the Bloomberg Short-Term Bank Yield Index rate ("BSBY") plus a margin that ranges from 1.25% to 2.0% or, at the discretion of the Company, 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. Under the Second Amended and Restated Credit Agreement, the Company is subject to a minimum fixed-charge coverage financial covenant as well as a maximum total funded debt to EBITDA financial covenant. The Second Amended and Restated Credit Agreement contains other covenants customary for transactions of this type, including restrictions on certain payments, permitted indebtedness, and permitted investments.

At March 31, 2024, the Company had approximately $30 million in borrowings outstanding under the Second Amended and Restated Credit Agreement, which were used as partial consideration for the DAS Medical and Advant Medical acquisitions, and also had approximately $0.7 million in standby letters of credit outstanding, drawable as a financial guarantee on worker's compensation insurance policies. At March 31, 2024, the applicable interest rate was approximately 6.6% and the Company was in compliance with all covenants under the Second Amended and Restated Credit Agreement.

Long-term debt consists of the following (in thousands):

	March 31, 2024
Revolving credit facility	$ 4,000
Term loan	30,000
Total long-term debt	34,000
Current portion	(4,000)
Long-term debt, excluding current portion	$ 30,000

Future maturities of long-term debt at March 31, 2024 are as follows (*in thousands*):

	Term Loan	Revolving credit facility	Total
Remainder of 2024	$ 3,000	$ -	$ 3,000
2025	4,000	-	4,000
2026	23,000	4,000	27,000
	$ 30,000	$ 4,000	$ 34,000

Future Liquidity

The Company requires cash to pay its operating expenses, purchase capital equipment, and to service its contractual obligations. The Company's principal sources of funds are its operations and its Second Amended and Restated Credit Agreement. The Company generated cash of approximately $10.7 million from operations during the three-month period ended March 31, 2024. The Company cannot guarantee that its operations will generate cash in future periods. The Company's longer-term liquidity is contingent upon future operating performance and availability of draws on its revolving credit facility. Further, the economic uncertainty resulting from events including inflation, bank failures, and other factors beyond the control of the Company could affect the Company's long-term ability to access the public markets and obtain necessary capital in order to properly capitalize and continue operations.

The Company plans to continue to add capacity to enhance operating efficiencies in its manufacturing plants and accommodate anticipated growth in demand. The Company may consider additional acquisitions of companies, technologies, or products that are complementary to its business. The Company believes that its existing resources, including its revolving credit facility, together with cash expected to be generated from operations, will be sufficient to fund its cash flow requirements, including capital asset acquisitions, through the next twelve months.

The Company may also require additional capital in the future to fund capital expenditures, acquisitions, or other investments. These capital requirements could be substantial. The Company anticipates that any future expansion of its business will be financed through existing resources, cash flow from operations, the Company's revolving credit facility, or other new financing. The Company cannot guarantee that it will be able to meet existing financial covenants or obtain other new financing on favorable terms, if at all. The Company's liquidity will be impacted to the extent additional stock repurchases are made under the Company's stock repurchase program.

Stock Repurchase Program

The Company accounts for treasury stock under the cost method, using the first-in, first-out cost flow assumption, and includes treasury stock as a component of stockholders' equity. On June 16, 2015, the Company announced that its Board of Directors authorized the repurchase of up to $10.0 million of the Company's outstanding common stock. Under the program, the Company is authorized to repurchase shares through Rule 10b5-1 plans, open market purchases, privately negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934. The stock repurchase program will end upon the earlier of the date on which the plan is terminated by the Board or when all authorized repurchases are completed. The timing and amount of stock repurchases, if any, will be determined based upon our evaluation of market conditions and other factors. The stock repurchase program may be suspended, modified or discontinued at any time, and the Company has no obligation to repurchase any amount of its common stock under the program. There were no share repurchases during the three-month periods ended March 31, 2024 and 2023. At March 31, 2024, approximately $9.4 million was available for future repurchases of the Company's common stock under this authorization.

Critical Accounting Estimates

There have been no material changes to the Company's Critical Accounting Estimates, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

Commitments and Contractual Obligations

There have been no material changes outside the ordinary course of business to our contractual obligations and commitments, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risks as previously disclosed in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 4: CONTROLS AND PROCEDURES

As of the end of the period covered by this report (the "Evaluation Date"), the Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Exchange Act Rule 13a-15(e) or 15d-15(e)). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is (i) recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

An evaluation was also performed under the supervision and with the participation of our management, including the Company's Chief Executive Officer and Chief Financial Officer, of any change in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. That evaluation did not identify any change in the Company's internal control over financial reporting that occurred during our latest fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

The Company is not a party to any material litigation or other material legal proceedings. From time to time, the Company may be a party to various suits, claims and complaints arising in the ordinary course of business. In the opinion of management of the Company, these suits, claims and complaints should not result in final judgments or settlements that, in the aggregate, would have a material adverse effect on the Company's financial condition or results of operations.

ITEM 1A: RISK FACTORS

The Company faces a number of uncertainties and risks that are difficult to predict and many of which are outside of the Company's control. For a detailed discussion of the risks that affect our business, you should consider carefully the risks and uncertainties described below, in addition to other information described in this Quarterly Report on Form 10-Q as well as our other public filings with the SEC including Part I, Item IA, “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

The ongoing conflict between Russia and Ukraine, other similar conflicts and civil unrest in Haiti, which is in proximity to our manufacturing facilities in the Dominican Republic could have a material adverse effect on our business and results of operations.

As a result of the ongoing military conflict between Russia and Ukraine, the United States and other countries have imposed significant sanctions on Russia and could impose even wider sanctions. The military conflict and related sanctions could damage or disrupt international commerce and the global economy. We cannot predict the broader or longer-term consequences of the conflict or of the sanctions imposed to date or in the future, which could include embargoes, regional instability, geopolitical shifts, exchange rate fluctuations, financial market disruptions and economic recession. Further, the conflict could exacerbate supply chain challenges, lead to an increase in cyberattacks from Russia, affect the global price and availability of key commodities, reduce our sales and earnings or otherwise have an adverse effect on our business and results of operations.

Our manufacturing facilities and warehouses in the Dominican Republic play a crucial role in the production of certain of our medical products. Our manufacturing facilities and warehouses may be damaged or our ability to use or access them may be disrupted as a result of civil unrest or other occurrences in Haiti. Such events may interfere with our manufacturing process, information systems, telecommunication services, and product delivery for sustained periods and may also make it difficult or impossible for employees to reach our business locations Damage or destruction that interrupts our manufacturing facilities could adversely affect our reputation, our relationships with our largest customers, our leadership team's ability to administer and supervise our business and cause us to incur substantial additional expenditures to repair or replace damages equipment or facilities or commence alternate production locations.

In addition, the conflict between Russia and Ukraine, civil unrest in Haiti and similar conflicts or situations such as the Israel-Hamas War may have the effect of heightening other risks disclosed in this Form 10-K, any of which could materially and adversely affect our business and results of operations. Such risks include but are not limited to interruptions in the transportation channels for the manufacture and global distribution of our products, heightened inflation, depressed levels of consumer and commercial spending, adverse changes in international trade policies and relations, and the inability to implement and execute our business strategy. We are currently unable to predict the extent, nature or duration of any of these occurrences.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5: OTHER INFORMATION

During the first quarter of fiscal 2024, none of our directors or executive officers adopted Rule 10b5-1 trading plans and none of our directors or executive officers terminated a Rule 10b5-1 trading plan or adopted or terminated a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

ITEM 6: EXHIBITS

Exhibit No.	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.*
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer.*
32.1	Certifications pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

Exhibit No.	Description
10.1	Manufacturing Supply Agreement between Das Medical International SRL and Intuitive Surgical SARL dated April 25, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 18, 2024 (SEC File No. 001-12648)).^
10.2	Amendment No. 24 to Manufacturing Supply Agreement between Das Medical International SRL and Intuitive Surgical SARL dated March 15, 2024 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on March 18, 2024 (SEC File No. 001-12648)).^
101.INS	Inline XBRL Instance Document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.*
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.*
101.LAB	Inline XBRL Taxonomy Label Linkbase Document.*
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.*
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

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* Filed herewith.

** Furnished herewith.

^ Pursuant to Item 601(b)(10) of Regulation S-K, certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed. Further, the schedules and exhibits to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the Securities and Exchange Commission upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UFP TECHNOLOGIES, INC.

Date: May 10, 2024	By: /s/ R. Jeffrey Bailly R. Jeffrey Bailly Chairman, Chief Executive Officer, and Director (Principal Executive Officer)
Date: May 10, 2024	By: /s/ Ronald J. Lataille Ronald J. Lataille Chief Financial Officer (Principal Financial Officer)

EXHIBIT 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, R. Jeffrey Bailly, Chief Executive Officer of UFP Technologies, Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q of UFP Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 10, 2024

/s/ R. Jeffrey Bailly
R. Jeffrey Bailly
Chairman, Chief Executive Officer, and Director
(Principal Executive Officer)

EXHIBIT 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Ronald J. Lataille, Chief Financial Officer of UFP Technologies, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of UFP Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2024

/s/ Ronald J. Lataille
Ronald J. Lataille
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officers of UFP Technologies, Inc., a Delaware corporation (the "Company") do hereby certify that, to the best of such officers' knowledge and belief, that:

(1) The Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all materials respects, the financial condition and results of operations of the Company.

Date: May 10, 2024

/s/ R. Jeffrey Bailly
R. Jeffrey Bailly
Chairman, Chief Executive Officer, and Director
(Principal Executive Officer)

Date: May 10, 2024

/s/ Ronald J. Lataille
Ronald J. Lataille
Chief Financial Officer
(Principal Financial Officer)

A signed original of these written statements required by Section 906 has been provided to UFP Technologies, Inc. and will be retained by UFP Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.