

Report Date: 5/5/25

Company: UFP Technologies, Inc.

Ticker: UFPT (NASDAQ)

Industry: Health Care Supplies

Stock Price (USD): \$202.21

Market Cap (USD, Millions): \$1,558.4



UFPT's Growth Story In Shambles As Largest Customer Responsible for 96.5% Of Growth Slashes Orders

We are short UFP Technologies (UFPT), which specializes in producing single-use drapes, because our research indicates that their largest customer, Intuitive Surgical (ISRG), —who controls 57% of surgical robot systems¹—is gutting UFPT by insourcing and buying from a competitor. Import records show UFPT shipment volume by weight plummeted 38% from Q2 2024 through Q1 2025, signaling a potential crisis.² Tomorrow, management hosts its first-ever earnings call in 32 years of being a publicly traded company (red flag).³ Coincidentally, our diligence indicates Intuitive Surgical (ISRG) is only willing to speak to investors after UFPT's earnings call. Perhaps UFPT's CEO or CFO will explain their delayed disclosure of ISRG's insourcing plans and why they cumulatively dumped \$48 million in stock since March 2024.⁴

We believe UFPT's surgical drape business with ISRG faces existential threats from several converging forces – all of which appear to be driven by its own customer. Last quarter, ISRG's IR team boasted to us directly they had already begun insourcing 10% of surgical drapes from their plant in Mexico in a bid to improve margins. An ISRG European executive wrote on a company career page in September 2024 about ISRG's plans to manufacture drapes at a new Bulgarian facility—confirmed by our private investigator's site visit. Import records indicate ISRG has started purchasing from UFPT's direct competitor, Microtek, in October 2024 as UFPT's import volumes crater—evidence this once-critical relationship has run its course.

ISRG represents 29% of UFPT's revenue⁵ and drove a staggering 96.5% of organic growth in 2024,⁶ making them vital to UFPT's growth narrative. We believe ISRG has been signaling this story's death since at least March 2024 through an amended agreement.⁷ While facing this revenue cliff, what has UFPT's management done (besides selling enough stock to retire in paradise)? We think they have overpaid for four acquisitions that will only compound their problems.

AJR Enterprises, the largest acquisition representing 77% of new revenue,⁸ is an Illinois-based contract manufacturer with Stryker Corp. (Stryker) as its sole customer. A former AJR employee described the operation as fundamentally stagnant, having "*no growth*" and "*no analytics, no marketing, no sales, no lost order history.*"⁹ UFPT likely acquired AJR for its margins, as they "*did not do anything for less than... 25-30% margin, gross.*" We think Stryker isn't going to offer these cushy margins to UFPT; the companies recently announced plans to offshore AJR manufacturing with pricing concessions to Stryker in exchange for a requirement contract.¹⁰

- Our investigator visited ISRG's new Bulgarian factory and verified that ISRG plans to make surgical drapes on-site, potentially crippling UFPT. This investigation confirmed claims made by an ISRG executive about plans for the facility in a company blog post.



- UFPT's management likely knew about ISRG's insourcing plans since March 2024 when the companies announced an amended agreement. The agreement appears to contain no financial penalties for ISRG if they were to quit ordering from UFPT. UFPT *estimated* ISRG would purchase \$500 million over 4 years per the agreement. This is a significant annualized reduction considering ISRG sales were \$145 million in 2024.¹¹ Just two days before the amended agreement, UFPT's now former COO & VP of MedTech kicked off a barrage of insider selling. In our view, insiders at the company seem to possess Paul Pelosi-like timing when it comes to selling their stock.¹²



- During Q1, we spoke with ISRG's IR team about the company's plan to improve their gross margins. They volunteered, without prompting, that they had already moved ~10% of surgical drape production in-house to Mexico and intend to ramp more production there. This is in addition to plans for drape production in Bulgaria, which we believe demonstrates that ISRG is acting with significant urgency to expand margins, intensifying the financial pressure UFPT faces. We have taken a long position in ISRG as part of our strategy.
- Import records we reviewed for UFPT's surgical drape facility show a 38% decline in shipment volume by weight from Q2 2024 through Q1 2025. Additionally, import records indicate ISRG may have steered business towards UFPT's primary drape competitor, Microtek, starting in October 2024. Recent surgical drape imports from Microtek lists ISRG products by name in the bills of lading.
- Microtek previously supplied ISRG with surgical drapes before a 2015 recall¹³ damaged the relationship, but evidence indicates Microtek's new private equity owners are determined to recapture this business.¹⁴ We think UFPT possesses no significant leverage to prevent Microtek from eroding their market share—their factories stand just 350 meters apart in the Dominican Republic.¹⁵

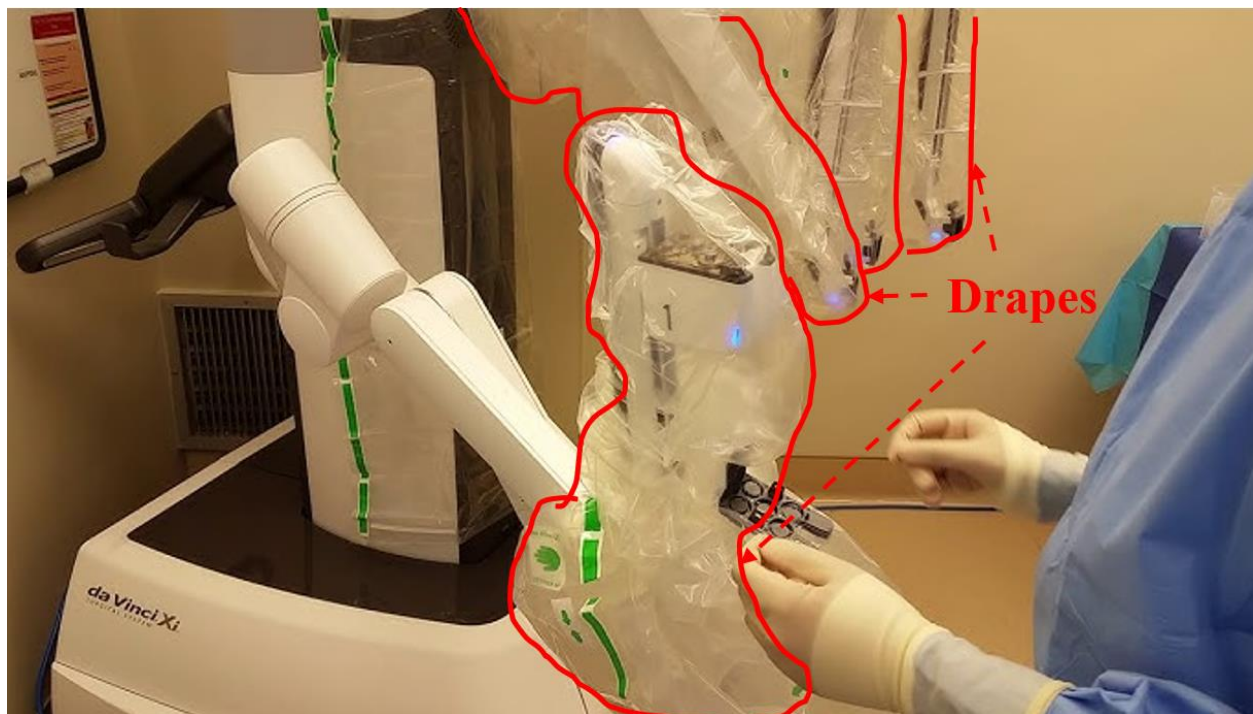


- We think ISRG's decision to move drape purchases away from UFPT forces the company into negative sales growth. ISRG was responsible for 96.5% of UFPT's organic sales growth in 2024. However, that growth halted in Q4 2024, with year over year spending by ISRG declining for the first time ever.
- UFPT's management went on a nine-figure debt fueled acquisition spree last summer, snapping up four med-tech companies. The largest acquisition by far, AJR, only has one customer, Stryker.¹⁶ A former employee described AJR as stagnant and backwards with *"no real marketing or sales strategy"* that could replace Stryker if the need arose. The relationship UFPT purchased with Stryker lacks dynamism—Stryker stymied AJR's efforts to interact directly with customers according to a former employee.
- UFPT recently promoted a new exclusive contract secured between AJR and its sole customer, Stryker. In our view, management's announcement downplays the manufacturing relocation to the Dominican Republic and pricing concessions. The Street claims AJR will only earn \$80 million in revenue after the move to the DR, down from the \$111 million run-rate AJR posted in Q3 2024.

- While the Street claims the offshoring of AJR's operation will yield cost-savings that are gross margin accretive, we disagree. Per a former AJR employee we spoke with, the company *"didn't do anything for less than...25, 30% gross margin."* Yes, UFPT bought AJR but buried in the disclosures is that Stryker is the company's sole customer. We believe Stryker recognized its negotiating leverage post-acquisition, knowing UFPT couldn't afford to lose AJR's sole customer after paying \$110 million for the business.

UFPT's Largest Customer Has Begun Insourcing Production of Surgical Drapes

ISRG outsources surgical drape production to DAS Medical, a company acquired by UFPT in 2021 for \$75 million.¹⁷ The purpose of these drapes is to prevent infectious spread from non-sterile to sterile areas to protect the patient from potential contamination. These drapes, as shown below, are single use per procedure.¹⁸



Source: YouTube¹⁹

We believe UFPT's largest customer, ISRG, will materially reduce their spending with ISRG over the next year. ISRG is responsible for 29% of UFPT sales and 96.5% of its organic growth in 2024.²⁰ Per ISRG's investor relations team, the company has already begun insourcing the production of these drapes, claiming that 10% of drapes are being manufactured in the company's existing facility in Mexico.

ISRG says they expect this volume to ramp over time at their facilities in Mexico. We do not believe this insourcing initiative would be worthwhile for a \$190 billion company (ISRG) unless they intended to insource most of their surgical drape production.

The company told us that its intention to insource surgical drapes were due to supply chain risks and margin expansion efforts. We think ISRG citing supply chain risks is a half-truth. While UFPT's drape manufacturing facility is in the Dominican Republic, which has been subject to major hurricanes that have resulted in island-wide shut-downs and severe supply chain disruptions, we think UFPT's and ISRG's relationship has soured.

Dominican Love Triangle: ISRG's Tryst with UFPT's Next Door Drape Rival

We have found import records showing that ISRG is ordering drapes from Microtek, a competitor whose factory is also located in the Dominican Republic.

Import records show ISRG has resumed business with Microtek as recent shipments of Microtek surgical drapes into the US appears to make explicit mention of ISRG products by name such as the "*XI INSTRUMENT ARM*" as shown in the image below.

Commodity Description	DISPOSABLE MEDICAL PRODUCTS TO B SI INSTRUMENT ARM DRP ISI XI INSTRUMENT ARM DRP IS400 DISPOSABLE MEDICAL PRODUCTS TO BE USED IN XI INSTRUMENT ARM DRP IS400 DISPOSABLE MEDICAL PRODUCTS TO BE SI CAMERA ARM DRP ISI XI INSTRUMENT ARM DRP IS4000 DISPOSABLE MEDICAL PRODUCTS TO BE USED IN SUR SI INSTRUMENT ARM DRP ISI XI INSTRUMENT ARM DRP IS400
Shipper / Consignee / Notify Party Details	
Available shippers, consignees, and notify parties involved.	
Shipper	
Shipper Name	MICROTEK / ECO LAB
Address Line 1	KM22 AUTOPISTA LAS AMERICAS MANZANA
City	SANTO DOMINGO
State Province	DO
Contact Name	NEDELIN SALVADOR
COMM Number Qualifier	TE
COMM Number	1 (809) 556-9001
Consignee	
Consignee Name	INTUITIVE SURGICAL
Address Line 1	2400 STATELINE ROAS WEST
City	SOUTHAVEN
State Province	MS
Zip Code	38671
Country Code	US

Source: Import Records

In this specific shipment, we can see that Microtek sold ISRG surgical drapes for its Xi system as highlighted at the top in red. Import records show that Microtek made 13 shipments for ISRG drapes through the end of March.²¹ We infer from ISRG's willingness to buy drapes from UFPT's primary competitor (despite their "*semi-exclusive*" contract) that the relationship between ISRG and UFPT has become far more adversarial than in years past.

Microtek's factory is just a ~4-minute walk from UFPT's own facility as seen in the image below, indicating potential supply chain disruptions are not the sole motivating factor in moving sales away from UFPT.



Source: Google Maps²²

We Believe ISRG's Insourcing Strategy Is Turning UFPT's Growth Negative

ISRG has become a crucial part of UFPT's growth story. Our analysis shows this sole customer was responsible for 96.5% of UFPT's organic sales growth in 2024. For the first time since UFPT acquired DAS Medical, ISRG's year over year sales in Q4 declined instead of growing as seen in the table below.

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	FY 2024
ISRG Sales	21,506	24,709	30,538	35,668	112,420	33,813	37,350	38,759	35,351	145,273
Y/Y Growth (%)	99.9%	29.7%	25.5%	62.8%	47.8%	57.2%	51.2%	26.9%	(0.9%)	29.2%

Source: Wolfpack Analysis

While ISRG's spending with UFPT in Q4 decreased year over year, ISRG's worldwide da Vinci procedures for Q4 grew 18% during the same period.²³ We believe this is a strong indicator that UFPT's drapery sales to ISRG have peaked. In our opinion, this is a significant problem for UFPT as their main source of revenue growth has disappeared with the company now facing declining sales.

UFPT management likely learned about ISRG's insourcing plans when amending their agreement with ISRG in March 2024.²⁴ The agreement initially appeared positive, promising \$500 million in revenue over four years. However, this implies only \$125 million in annual ISRG sales, significantly below the \$145 million in sales ISRG generated in 2024. Crucially, the agreement discloses no minimum volume commitments, apparently allowing ISRG to reduce purchases to \$50 million without financial penalties.

ISRG's desire to insource surgical drapes across the globe seems exceedingly strong. Earlier this year, we visited ISRG's new, partially built facility in Parvomay, Bulgaria which intends to start production of endoscopes in September 2025.



Source: Wolfpack Site Visit

The ISRG executive overseeing this project previously published an article on ISRG's careers blog stating that ISRG plans to add the production of drapes at this facility.²⁵ We sent an investigator to Bulgaria who confirmed that drape production was part of the plan for the facility. We expect UFPT's share of drapes used by ISRG to further crater when this facility is built out as planned.

Cracking the Da Vinci Code: Does ISRG Insourcing Explain Management's Acquisition Spree

Following the amended agreement between UFPT and ISRG in March 2024, UFPT made four acquisitions in the summer of 2024. We speculate that these acquisitions were made by management to obscure the eventual decline of ISRG drape sales. Excluding ISRG and these acquisitions,²⁶ we estimate that UFPT would have grown sales by a marginal 0.4% in 2024 as shown in the table below

FY 2024 Sales Excl. M&A	
FY 2024 Sales	504,421
(-) M&A	(70,300)
FY 2024 Sales (Excl. M&A)	434,121
Y/Y Organic Growth (%)	8.5%
FY 2024 Sales (Excl. M&A & ISRG)	288,848
Y/Y Organic Growth Excl. ISRG (%)	0.4%

Source: Wolfpack Analysis

We think management's sole goal was to just buy revenue, as we cannot decipher any consistent strategy. Three of the four acquisitions UFPT made last year appear relatively immaterial. Marble Medical operates a 12k square foot contract manufacturing facility in Tallahassee, Florida which earns \$1m of EBITDA annually with 12 employees.²⁷ Welch Fluorocarbon is a 40-year-old New Hampshire manufacturer of labware and Teflon products generating \$3 million in EBITDA annually.²⁸ AQF Medical is an Irish medical foam manufacturer which appears to have a mere 18 employees per [LinkedIn](#).

Another Acquisition with 100% Customer Concentration...Is This Déjà Vu All Over Again?

Of the four acquisitions UFPT made, AJR Enterprises was the flagship deal, being acquired for \$110 million last July.²⁹ Based off UFPT disclosures, we estimate 77% of the total revenue from these acquisitions comes from AJR. This medical device contract manufacturer provides sewing, printing, and foam solutions. UFPT disclosures reveal 100% of AJR's revenues are derived from a single source, Stryker.³⁰

Per a former AJR employee we spoke with, the company "*did not do anything for less than... 25-30% margin, gross.*" It appears Stryker refused to extend such generous margins to UFPT. The companies signed a requirement contract guaranteeing that Stryker purchases 100% of certain items from UFPT. The agreement requires UFPT to relocate production from Illinois to the Dominican Republic and in turn provide pricing concessions.³¹ We do not believe UFPT would have disclosed these prospective pricing concessions unless they represented material financial impact. We think Stryker capitalized on UFPT's \$110 million AJR acquisition, knowing AJR couldn't risk losing its only customer.

We believe that UFPT's acquisition of AJR and its deal with Stryker will do little to solve the company's revenue growth problems. A former employee of AJR said it was a static company that did not innovate.

Former AJR Employee: "*So problem solving—that kind of thing was not in AJR's wheelhouse. It was more like repeat orders over and over. They never grew.*"

In fact, according to a former employee, this lack of innovation was partly due to the distributors, such as Stryker, stating "[distributors] *did not want us interfacing directly with their customers.*"

AJR reportedly made \$75 million in sales in the twelve-month period ending in March 2024, one quarter prior to the acquisition. In the quarter following the acquisition (Q3 2024), AJR reported \$28 million in sales, implying a \$111 million run-rate.³² We suspect that this rapid increase in sales may be due to UFPT's notoriously aggressive revenue recognition method, bill-and-hold accounting.³³ Bill-and-hold accounting is just a way of kicking the can down the road. It allows a company like UFPT to book revenue before it ships goods to the customer and has gained notoriety as a fertile ground for SEC enforcement actions.³⁴

It seems to us that any incremental revenue increase for UFPT will come from an increased volume of the products AJR already produces, and those increases are going to be offset by pricing concessions once they move AJR's operations to the Dominican Republic. The Street now expects AJR to generate \$80 million annually once it offshores its operations, offsetting most of the growth its experienced under UFPT ownership. In our opinion, the acquisition of AJR and its sole customer, Stryker, is not nearly enough to backfill declining sales from ISRG.

A Rapidly Unwinding Growth Story Foreshadowed by Insider Stock Sales

We think it says a lot about UFPT's management team and the future direction of the company under their leadership that instead of telling investors about ISRG's plan to insource drapes they instead sold \$51 million of stock.³⁵ Shares of UFPT have traded ~3x higher since its acquisition of DAS Medical, which originally had the contract with Intuitive Surgical (ISRG) and we think UFPT could easily give back most of those gains as ISRG insources and buys more drapes from Microtek.

Transaction Date	Insider Relationship	Shares Traded	Average Price	Total Amount
2/28/2025 Sale	FELDMANN CYNTHIA L Director	(2,756)	\$230.72	(\$635,875)
2/27/2025 Sale	CROTEAU DANIEL C Director	(6,846)	\$228.41	(\$1,563,724)
11/12/2024 Sale	Holt Jason Vice President	(146)	\$342.69	(\$50,033)
11/12/2024 Sale	BAILLY R JEFFREY CEO	(15,021)	\$346.34	(\$5,202,302)
11/11/2024 Sale	Hudson Symeria Director	(2,293)	\$340.83	(\$781,519)
11/8/2024 Sale	BAILLY R JEFFREY CEO	(25,416)	\$348.40	(\$8,854,990)
11/8/2024 Sale	FELDMANN CYNTHIA L Director	(647)	\$352.30	(\$227,938)
8/23/2024 Sale	LATAILLE RONALD J Chief Financial Officer	(2,392)	\$329.04	(\$787,067)
8/21/2024 Sale	LATAILLE RONALD J Chief Financial Officer	(4,798)	\$330.44	(\$1,585,437)
8/20/2024 Sale	BAILLY R JEFFREY CEO	(4,991)	\$328.03	(\$1,637,198)
8/16/2024 Sale	BAILLY R JEFFREY CEO	(15,910)	\$326.75	(\$5,198,565)
8/14/2024 Sale	BAILLY R JEFFREY CEO	(44,813)	\$316.87	(\$14,199,728)
8/12/2024 Sale	BAILLY R JEFFREY CEO	(5,567)	\$310.24	(\$1,727,102)
8/8/2024 Sale	BAILLY R JEFFREY CEO	(14,433)	\$310.44	(\$4,480,534)
8/2/2024 Sale	LATAILLE RONALD J Chief Financial Officer	(13,064)	\$303.82	(\$3,969,124)
3/13/2023 Sale	Cardin Steve Vice President	(915)	\$197.49	(\$180,704)
Shares Sold		(160,008)	\$319.25	(\$51,081,840)

Source: [SecForm4](#)

Management Is Dumping, Why Shouldn't We?

We expect UFPT sales to continue to decline as ISRG ramps up production of surgical drapes in-house at their Mexican facilities as well as at their Bulgarian factory coming online in September. ISRG's willingness to buy from Microtek only makes it more likely that UFPT will concede on margin or risk losing drape sales volume quicker than anticipated.

UFPT's pivot to Stryker seems misguided. Stryker appears to hold all the cards in the relationship, which we think is the real reason for the move to the Dominican Republic from Illinois. A 100% requirement contract does hold some promise of guaranteed revenues, but the pricing concessions (that cut into top-line revenues and squeeze margins) demanded by Stryker will, in our opinion, end up being the enduring legacy of this deal. Management's stock sales indicate to us that things will continue to get worse for UFPT and that any potential turnaround is a long way off.

Appendix A

Acquisition Name	2024 Sales Post-Acquisition
AJR Enterprises	53,800
Marble Medical	3,600
Welch Fluorocarbon	6,900
AQF	6,000
Total	70,300

Source: UFPT FY2024 10-K, [p. F-15–F-19](#)

Appendix B

New Search	Narrow by keyword, event type, portfolio, monitor, and more				
Hide Filters	UFPT US Equ... X Earnings Call X				
Securities	List Weekly Monthly				
Enter Security	Source	Ticker	Description	Date	Time Resources
		UFPT US	Q1 25 Ph:1-888-243-4451 Pin:	05/06/25	10:00
Date					
Date Range					
Start	12/16/1993				
End	05/09/2025				
Event Types					
Earnings Call					

Source: Bloomberg

¹ [Medical Device Network](#)

² DAS Medical International, S.R.L. Import Records

³ Bloomberg, See Appendix B

⁴ [SecForm4](#), UFPT's CEO & CFO began selling stock in August 2024

⁵ UFPT FY2024 10-K

⁶ Bloomberg, Wolfpack Analysis. ISRG sales grew \$33 million in 2024, while UFPT organic revenue grew \$34 million in the same period.

⁷ UFPT 3/18/24 [8-K](#)

⁸ See Appendix A

⁹ This former employee was not asserting that there was no topline revenue growth or “sales”, but the statements were made in a context where they were describing the stagnant nature of the business in terms of new customers, products, business development opportunities, etc....

¹⁰ [See 8-K](#). In this requirement contract UFPT has agreed to provide 100 percent of the specified products Stryker requires. We believe these types of contracts typically come with low margins. As for the pricing concessions: “Stryker is eligible to receive price reductions as the products transfer”

¹¹ UFPT FY2024 10-K

¹² See Nancy Pelosi Stock Tracker on [X.com](#)

¹³ [Fierce Biotech](#)

¹⁴ [Medline](#) first announced it would acquire Microtek in April 2024

¹⁵ Google Maps

¹⁶ UFPT disclosures indicate AJR has a second customer, Merryweather Foam, which appears immaterial. See footnote 29

¹⁷ UFPT 12/22/21 [8-K](#)

¹⁸ ScienceDirect [article](#)

¹⁹ YouTube [video](#)

²⁰ UFPT FY2024 10-K

²¹ Microtek stopped listing ISRG as consignee on drape imports after 2024. However, 13 shipments through March 2025 are using identical import description language (“XI INSTRUMENT ARM”) previously associated with ISRG drape shipments.

²² Microtek & DAS Medical Dominican Republic Facilities, [Google Maps](#)

²³ [ISRG PR](#)

²⁴ UFPT 3/18/24 [8-K](#)

²⁵ ISRG [Careers Website](#)

²⁶ Appendix A

²⁷ Per [Marble Medical's LinkedIn](#), UFPT 7/16/24 [8-K](#)

²⁸ [Welch Fluorocarbon](#), UFPT 7/16/24 [8-K](#)

²⁹ This sale of AJR only includes the medical division. Per UFPT's [8-K](#) filed 6/27/24, AJR generated sales \$75 million in the trailing 12-month period ended March 31, 2024. UFPT discloses in Item 7.01. Regulation FD Disclosure that during this period, the company had sales of \$75 million to a single, major customer in the safe patient handling space (i.e. Stryker)

³⁰ See id.

³¹ See 8K announcing the deal: “The Company has agreed to purchase the necessary equipment to manufacture the products for Stryker on an exclusive basis. Payment terms are as agreed in that certain Supply Agreement between the Parties, dated as of January 1, 2021. **Stryker is eligible to receive price reductions as the products transfer.**”

³² AJR generated \$27.7 million in revenue for Q3 2024, UFPT Q3 2024 [10-Q](#)

³³ See 10-K, F-13, “The Company recognizes revenue from bill-and-hold transactions at the time the specified goods are complete and available to the customer.”

³⁴ See [SEC charges improper revenue recognition practices—still a hot topic for SEC Enforcement](#)

³⁵ [SecForm4](#)

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