

# Q2 NEWSLETTER

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MILWAUKEE, WI | JULY 2021

**Borgman**  
CAPITAL

Borgman Capital LLC is a privately held investment firm focused on acquiring majority interests in established closely held lower-middle market companies.

# IN THE NEWS

## BORGMAN CAPITAL Q2 HIGHLIGHTS

### A NOTE FROM SEQUOYA BORGMAN, MANAGING DIRECTOR, BORGMAN CAPITAL

As we review our portfolio and look ahead to what remains of 2021, we are cautiously optimistic that the worst is behind us. We are now seeing a bright light at the end of the tunnel. The economy has begun to reopen, and many of our businesses are on track for record sales and growth. It's so wonderful to once again be able to visit with our customers and suppliers. It appears that the pendulum has swung back in a positive direction. That being said, we are still very concerned with the negative signs we see within our portfolio and across the economy in general.

**We are now seeing a bright light at the end of the tunnel. The economy has begun to reopen, and many of our businesses are on track for record sales and growth.**

The supply chain continues to be a significant concern and continues to impact all our businesses. Lead times and delivery dates have been pushed to all-time highs, and we are seeing inordinate difficulty sourcing and purchasing inventory and supplies. It is particularly challenging to source product overseas, which directly impacts our top and bottom lines. In many cases, the ability to deliver on time has become more important than price. As a result, companies are stockpiling inventory to hedge against supply chain issues. The concern is what impact this will have on working capital, not to mention the risk of sitting on high-priced inventory when the supply chain normalizes.

The labor shortage is another critical concern. Labor is exceedingly hard to find right now, impacting our ability to produce across the portfolio. We simply cannot hire fast enough to keep up with the growth and turnover we are experiencing, particularly for unskilled positions.

Contrary to what you may read in the papers, government benefits for the unemployed incentivize people not to work right now. This is having a significant impact on production, especially at labor-intensive businesses. To address the situation, we increased starting wages as much as three times in the past year; however, these wage increases and high turnover directly impact margins. It was necessary to increase prices and renew our focus on automation where possible to combat these additional costs.

Unfortunately, there is no short-term solution. Inflation is real, and it's something we have had to address at each of our companies. Every financial column you read these days is talking about inflation, and to some extent, it is a self-fulfilling prophecy. The more the news talks about inflation and the increase in the money supply, the more consumers expect higher prices. In a sense, there is no better time to raise prices than when the customer is already expecting it, and we see many companies capitalizing on this idea. Businesses are increasing prices to make up for increases in their supply chain and the inflated cost of labor, but they are also raising prices to increase profits. The lumber industry is a perfect example. As the demand for lumber increased, rather than increase supply, the mills increased prices. The supply of timber continued to be abundant, and prices did not increase at the source. The mills were just materially inflating their margins and profits.

Of course, that kind of thinking only works until it impacts buying decisions, as we've seen in the recent collapse in the lumber futures market. Buyers will only take so much. There is concern that other artificially inflated commodity prices could collapse as well. On our end, we continue to monitor inventory levels and working capital to avoid these risks.

Overall, we are very fortunate to be sitting in the position we are in with our portfolio companies right now. We are certainly not out of the woods yet, but we do have much to be thankful for.

On that note, let's dive in and see what's new in the Borgman Capital universe!

# JOIN US IN WELCOMING THE LATEST ADDITIONS TO THE BORGMAN CAPITAL TEAM

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## THE ASCENDTEK TEAM IS GROWING

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Following acquisition by Borgman Capital earlier this year, SRU Electric and SatTel broadband have officially joined the AscendTek Team.



## ABOUT SRU ELECTRIC

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Founded in 2005, SRU Electric is a leading full-service contractor that provides a comprehensive range of management, logistics, labor, and specialized services for communications infrastructure industries, focused primarily on raw land, line and antenna work, and vendor management projects. SRU has built a solid reputation for providing its customers with the highest quality construction services in the sector.



## ABOUT SATTEL BROADBAND

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Established in 1983, SatTel Broadband brings more than 20 years of experience working as a leading full-service construction manager for telecommunications infrastructure projects, primarily on the West Coast. SatTel Broadband was advised by Chinook Capital Advisors, an experienced M&A advisory firm, ensuring a seamless transition for all.



## ABOUT SOUTHEASTERN MEATS

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Borgman Capital also welcomes Southeastern Meats to the team. Founded in 1984 and headquartered in Alabama, Southeastern Meats specializes in producing and distributing frozen food to supermarkets and independent grocery stores in the South and Southeastern United States. Southeastern Meats supplies consumers with affordable, high-quality frozen vegetables, meats, seafood, and other products. Their Pick 5 program offers consumers the flexibility to mix and match any five items for \$19.99 and has been phenomenally successful for the company. Based on the regional success of the Pick 5 program, the company has decided to expand its footprint into the East Coast and Midwest, resulting in a geographic footprint that now encompasses 23 states.

## PORTFOLIO COMPANIES – PRESIDENTS’ UPDATES



**Even with a healthy flow of new business prospects, our concern in the months ahead will be to align our capabilities and capacity with the customers and products that will best support us in meeting our aggressive investment goals.**

### **GILMAN CHEESE CORPORATION**

#### **JEFF RICHMOND INTERIM PRESIDENT**

Gilman Cheese came out of the gate strong in 2021, doubling sales over the same period in 2020. We have seen a significant bump in institutional sales and federally sponsored food programs during COVID lockdowns, fueling renewed growth. As COVID winds down and those opportunities wane, renewed growth from the existing customer base abound as operations return to business-as-usual.

Even with a healthy flow of new business prospects, our concern in the months ahead will be to align our capabilities and capacity with the customers and products that will best support us in meeting our aggressive investment goals.

While our growth strategy is sound, our tactics are always fluid in response to the changes at hand. Our growth is predicated on our ability to grow our workforce by another 15%, and this presents a real challenge, given current circumstances. As most everyone knows, there is a nationwide labor shortage, and Gilman is not immune. Hiring and retention are high priorities for us, and we continue to pursue and innovate new approaches to attract new team members and nurture our valued employees. In the longer term, investment in mechanization and automation will help us bridge the gap, ensuring we can maintain peak productivity without compromising quality.

Another key focus area is our recommitment to the process. With Key Performance Indicators in place, the Gilman team has excellent visibility into areas of concern; however, our pursuit of continuous improvement has been impacted by the day-to-day demands of managing the kind of growth we're experiencing. Recently, we reestablished problem-solving activities using the DMAIC process. As a result, we have identified the root cause of several ongoing issues and have implemented sustainable, corrective action.

It goes without saying that change has been a dominant theme at Gilman through 2021. People at every level of the organization have been challenged to work, think, and act differently. The changes we've experienced stand as a constant reminder to those in leadership roles that they must possess a strong sense of character, direct their focus towards others, and prioritize empathy in leadership. Ultimately, Gilman has risen to the challenge, and we expect 2021 to be one for the record books.

## ASCENDTEK

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**RICK PLOECKELMANN** PRESIDENT



**The AscendTek team  
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The AscendTek team proudly welcomed SatTel Broadband and SRU Electric at the start of the 2nd Quarter. These two great companies bring a remarkable depth of talent, solid client relationships, and progressive expansion to our geographical footprint.

The timing of these acquisitions is exciting. At the kickoff, market opportunities like these lend themselves to an expectation of strong organic growth through collaboration in the second half of 2021. Following pandemic-related delays, multiple “rip & replace” projects are to be initiated in the Southeast, Mid-Atlantic, and Northeastern markets. Additionally, the \$85 billion invested by Verizon, AT&T, and T-Mobile in C-band spectrum at the FCC auction this past January is already generating significant project opportunities in the Midwest—specifically with Verizon’s “Sub-6” technology rollout, and in the Northwest, with AT&T’s new technology to leverage their C-Band spectrum purchases. All of these projects are multi-year, high-margin opportunities that mark the beginning of a market shift in demand, outstripping the supply of resources to complete the work.

The AscendTek leadership team assembled in early June to align and consolidate priorities and set objectives for the rest of the year. We identified an imminent need to focus on recruiting and training personnel to meet expanding market needs. Leveraging best practices and structure within SRU operations, we have established a Center of Excellence (COE) based at our Cary, IL, location. The COEs singular objective will be to recruit, train, and certify incoming personnel while instilling our core cultural tenets of Safety, Quality, Teamwork, and Integrity for deployment to home markets. The COE represents an exciting leap forward for AscendTek as it will enable tremendous synergy within our operations. The best is yet to come!



## **MHH - MATERIAL HANDLING HOLDINGS**

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**DAVID MITCHELL** PRESIDENT

*Material Handling Holdings LLC*

**LIFT PRODUCTS INC.**  
INNOVATIONS IN ERGONOMICS



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for the material handling  
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2020 already seems like a distant memory as we continue to set sales records in 2021!

The economic outlook for the material handling industry in 2021 is strong, and we have broken all previous records for orders for both LPI and SDI. By the end of May, we were already ahead of projections, and June is a welcome continuation.

Throughout 2021, we will continue to work on internal initiatives to help move us to the next level as an organization. We developed a proprietary seven-digit Lift Products part numbering system, which will be implemented in the coming months. Additionally, we are improving our “as-built” engineering models and electrical schematics, which will allow Lift Products to work with professional system integrators on larger material handling projects.

Starting in Q2, we will be focused on strengthening partnerships with our larger dealers and OEMs and will identify new partners to expand our distributor network.

In early April, Bojidar Raykov joined our engineering team, and he is doing an excellent job. As a result, we will launch two new lift table products this year—a ground entry lift table and a redesigned double high lift table. We fully expect these innovations to increase sales and market share in our niche.

Jamison Davies, the General Manager of Lift Products Manufacturing in Waupun, is doing an incredible job of keeping everyone at the plant focused and positive. LPM Waupun set an all-time record in March, and the team is currently approaching 600 days without a lost-time incident in the shop!

We wish you and your families continued health and much happiness and success in the months ahead.

## **AWP - AERIAL WORK PLATFORMS**

**ROBERT RIVERA** PRESIDENT

Q1 market demand for used equipment sales has been a good revenue driver for Aerial Work Platforms and a great kickoff for the 2021 season. We've seen a 14.6% increase in business over Q1 in 2020, which in itself was a positive start to the year before the pandemic hit in full force.

Construction projects have taken off in just about every sector, despite increases in steel and wood surcharges. Our primary equipment vendors were forced to scale back last year, given the equipment freeze forced upon them by the large national companies. This snowball effect has led to long lead times to procure equipment as these companies try to ramp up again to fulfill large multi-million-dollar orders. We at Aerial Work Platforms have positioned ourselves for a growth year through staffing, strategic buying, and IT infrastructure improvements.

Our monthly Sales and Management meetings have brought a new focus to the AWP Team that will strengthen our unity and support us in earning increased market share. We have been in business for 42 years, and every day we still have new customers calling for the first time. Best of all, it's mainly by word of mouth, which is always a strong testimonial for excellent customer experience.



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## NEW HIRES



### **AKHILDEV REMESAN**

#### **INTERN**

Akhildev Remesan is an MBA (2022) candidate at the University of Wisconsin – Madison specializing in Corporate Finance & Investment Banking. He also has an Electronics and Communication Engineering degree from the University of Kerala, India. He has 8 years of experience in consulting where his focus was technology transformation initiatives of public sector healthcare clients in the US. He led projects accelerating technology adoption of benefits programs and drive efficiency across by implementing integration solutions between government sponsors, healthcare providers, and carriers. His consulting career was mostly with Deloitte Consulting. Before starting his MBA and pursuing a career in finance, Akhil was a founder of a startup company based in Wisconsin focused on the foodservice sector.

Akhil is also an associate member at Wisconsin Investment Partners an Angel investing group based in Madison, Wisconsin. He enjoys working with startup founders and helps them raise capital. He plays badminton and loves networking.



# INVESTOR HIGHLIGHTS



**MATT NEUMANN**

**OWNER AND CEO,  
NEUMANN COMPANIES**

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**262-542-9200**

Matt Neumann has worked in real estate development, residential home building, and solar development for 16 years. He graduated from Wisconsin Lutheran College with a bachelor's degree in Business Economics, going on to receive an MBA in Marketing and Finance from Marquette University. He joined his dad, Mark, in Neumann Developments, the Milwaukee area's most prominent residential land development company. Matt is a founding partner at Tim O'Brien Homes, the region's premier semi-custom green home builder. He is also a founding partner of Harbor Homes, a company focused on building new homes at a more attainable price. Additionally, Matt is a partner in Halen Homes, a custom home and empty-nester condominium building company. Matt's partner solar company, SunVest Solar, is one of the largest solar developers in America, focused on achieving American energy independence through market-driven environmental stewardship.

Neumann Companies was founded as a family company (Neumann Developments) and has grown to become a family of companies. As a second-generation family business owner, Matt fully understands and is committed to a long-term approach to business growth and investment. His philosophy is that investing in people and the communities in which we work is the best way to run a sustainable business.

Matt's business teams are widely recognized nationally and locally and were recently included on the list of fastest-growing privately-owned companies in America by Inc. 5000 Magazine. Matt was awarded 40 under 40 by the Business Journal, Professional Builder, and Midwest Renewable Energy News. He was recently awarded the Wisconsin Way Future Leader of the Year and named Builder/Developer of the Year by his peers in the Metropolitan Builders Association.

Matt currently resides in Hartland with his wife Amy and their four children, Max (10), Brooke (8), Hailey (7), and Alisa (4). They are active in their church and several other charities in the community and remain committed to living, working, and investing in Wisconsin's future.

# INVESTOR HIGHLIGHTS



**ANDREW HULETT**

**PARTNER, EMPOWER HR**

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Andy Hulett is a Partner at EmPower HR, headquartered in Milwaukee, Wisconsin. EmPower HR provides comprehensive outsourced HR solutions for small to mid-market businesses throughout the Midwest, enabling their clients to cost-effectively outsource the management of human resources, payroll/tax administration, and employee benefits administration so they can focus on their business rather than in it.

EmPower HR was founded in 1995 out of a small office in Arlington Heights, Illinois, and grew to a team of 100-strong, with locations in Milwaukee, Chicago, Detroit, and Columbus. With over 400 clients across the U.S., EmPower serves 17,000+ worksite employees and processes upwards of \$1 billion in annual payroll.

EmPower HR ranks at #200 on the Inc. 5000's list of fastest-growing Midwest companies.

In 2004, Andy co-founded a venture that went on to become Common Sail Investment Group. Before joining EmPower HR, Andy helped co-found Laurus Strategies, a mid-market insurance brokerage out of Chicago that was part of the Common Sail Investment Group, which sold to Hub International in 2014. His driving focus and passion have always been business development. Andy graduated from the University of Minnesota/Carlson School of Management with a marketing and finance degree.

Andy lives in Hinsdale, Illinois, with his wife DeeDee and three children, Maddie (15), and twins Ava and Jack (11). When he's not spending time with his family, there's a good chance you'll find Andy golfing with clients or partners at either Butler National Golf Club or Medinah Country Club.