

# Q1 NEWSLETTER

---

MILWAUKEE, WI | APRIL 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

## LOOKING BACK TO LOOK FORWARD

### SEQUOYA BORGMAN MANAGING DIRECTOR

As we look back and consider how we navigated the last year, we find ourselves thankful for our current position and optimistic for the year ahead. Things were undoubtedly bad, but they could have been so much worse.

At the start of the pandemic, fear and uncertainty were the order of the day. The situation seemed to be a repeat of the late '90s internet bubble or the 2008 housing crash — only worse. We prepared for disaster, creating contingency plans and instituting strict cash containment measures at all of our companies.

Thanks in large part to the federal government's quick response, however, these drastic actions were never needed. The liquidity the feds injected into the market helped to prop up businesses and kept consumer confidence from crashing in the face of so much uncertainty.

The feds' rapid response was buoyed by a banking system in considerably better shape than we saw in 2008, negating the need for excessive regulator interference. A handful of banks did freeze lending in the second quarter, but most were back to business as usual by Q3. By the fourth quarter of 2020, banks were actively looking to deploy cash thanks to record deposits due to the PPP lending program. Businesses and consumers were quite literally hoarding cash!

We were fortunate that our businesses were considered essential, which kept the lights on. Even considering our management teams' daily business and health challenges, we still managed to limit losses and boost our fortunes. Top line for our poorest-performing company was down only 16% while our top performer finished up by 56%, year over year. To cap things off, we managed to close on three new acquisitions during the pandemic.

As we count our successes, it's important to remember that we aren't entirely out of the woods. We may still face inflation caused by the government's cash infusion. The recent uptick in long-term interest rates and the dramatic price spikes seen in the silver, steel, oil, and lumber markets indicate that the market hasn't entirely stabilized.

In the coming years, we're sure to see a vast quantity of business books written about the challenges and lessons of the COVID-19

pandemic. Here are a few of the most consequential truths we discovered this past year.

- **The health and welfare of your team members must always be your number one priority.** The health of the organization depends on them.
- **Always over-communicate with your teams, even when you don't know the answer — that's when they need to hear from you the most.** Because if you don't have the answers, it's almost certain that they don't either, and they're looking for reassurance.
- **Sometimes you have to play heavy defense to set the stage for success.** You're laying the groundwork for when your offensive teams return to the field.
- **When times are tough, stick to the fundamentals and focus on cash.** More importantly, keep these as your focus when good times reemerge.
- **Things might not be great, but they're usually never as bad as they seem.**

As significant as these lessons are, there's one that stands above the rest, and it helped us weather the storm of 2020. It came from the owner of a recent acquisition. During diligence, we asked him how he did so well through the 2008 financial crisis while his competitors took a beating. He said simply, "I worked twice as hard for the same amount of revenue."

He did what he had to do. No matter how bad things get, hard work and perseverance can see us through it. None of our middle-market companies have more than a fraction of the market share in their industry. Just because your competitors are down significantly doesn't mean you cannot still have a good year by "working twice as hard" and picking up market share.

As the world emerges from the pandemic, we remain cautiously optimistic. Current trends indicate the potential for a banner year for our businesses and segments of the economy. If you're thinking about selling your business or if you know someone who is, or if you want to learn more about joining our investor group, please reach out. We'd be happy to discuss prospects as we dig out of 2020 into what promises to be a far better 2021.

## PORTFOLIO COMPANIES – PRESIDENTS’ UPDATES



**Due to our rapid growth, we’re now focused on building long-term, strategic partnerships with just a few solid companies in each channel.**

### **GILMAN CHEESE CORPORATION**

#### **RON WELTMER PRESIDENT**

Gilman Cheese has managed to put its best foot forward in 2021. Even though our margins continue to be squeezed by a commodity cheese market that hovers around \$1.40 per pound I’m confident that we can parlay the lessons we learned and the foundation we built last year into a far more profitable 2021.

And that’s good because it helps us realize the goals we’ve set for ourselves by the end of 2024. To that end, we’ve developed a strategic plan that places heavy emphasis on sales/capacity planning and risk-mitigation strategies around procurement.

As our industry moved through the tumult of 2020, companies with a heavy focus on food service didn’t fare well. To survive, it became abundantly clear that we needed to build a diversified customer base that bridged multiple channels. I’m proud of the work we did in that area, but it wasn’t the only improvement we needed. There was also plenty of work to be done on procurement strategy, margin improvement, and risk management.

To make headway on the last item, our team developed a commodity risk management policy. Policy oversight and adherence responsibilities will be handled by a newly-formed commodity risk management committee. They’ll institute policies that manage our procurement and commodity risk while maintaining high service standards and maximum flexibility.

To improve our margins, we’re making a fundamental shift in the way we do business. We’re no longer concerned with trying to be all things to all people. Due to our rapid growth, we’re now focused on building long-term, strategic partnerships with just a few solid companies in each channel. We’ve already made significant progress advancing relationships with PepsiCo, Swiss Colony, and Schreiber Foods. We’re enhancing this approach with a tiered customer strategy, SKU rationalization, and pricing policy changes.

With all of the big-picture strategy work we’re doing, it’s easy to forget about the progress we’re making on the fundamentals. With the help of a consultant, we recently identified several day-to-day business objectives that needed improvement. Together, we created a weekly KPI scorecard that’s ensuring we meet our objectives while creating useful accountability.

The coming year promises to be an exciting time for the company. We continue to fill the sales funnel with exciting new opportunities. I am proud of how we handled the challenges that 2020 threw at us and am very excited for the future. We’re constantly evolving and improving, and I thank you for your trust and support!

## ASCENDTEK

---

**RICK PLOECKELMANN** PRESIDENT



**Our future has  
never looked brighter  
and we look forward  
with eager optimism for  
what lies ahead.**

---

Contrary to the narrative that drives commercials for the big cell phone companies like Verizon, T-Mobile, and AT&T, 5G is still very much in its infancy. Only 4% of the U.S. has 5G coverage presently. For these players to deliver on the promises they're making to consumers, years of heavy network infrastructure investment is still required. This is good news for us, and we're working hard to ensure we're embedded in the action.

To get a sense for our current market position, consider the significant C-band spectrum auction that the FCC just closed mid-January. It broke records, generating \$80 billion in total investment — twice what was forecasted. 96% percent of the proceeds came from four of our top six clients. Verizon, our largest customer, was responsible for 55% of the total. This represents a massive investment in 5G, and we're perfectly positioned to help the industry deliver a return.

Internally, there's quite a bit to be excited about as well. We have two strong operations joining the AscendTek family in early April, promising to add tremendous value to our deliverables, resources, and geographical reach. We expect these hand-in-glove acquisitions to further enhance our ability to respond rapidly to market expansions in the second quarter.

We're also concentrating on multi-year "rip and replace" projects in key markets with T-Mobile and Verizon, starting in May or June. T-Mobile alone plans to initiate 800 build projects per week for the next 24 months. Analysts predict that resource demand will outpace supply by the second half of 2021. This puts us in an excellent position going forward. AscendTek's consolidated resources, services, and reach will generate considerable value for our customers, permitting us to make a significant impact on client projects regardless of size, location, or complexity. Our future has never looked brighter and we look forward with eager optimism for what lies ahead.





## MHH - MATERIAL HANDLING HOLDINGS

---

DAVID MITCHELL PRESIDENT

*Material Handling Holdings LLC*

**LIFT PRODUCTS INC.**  
INNOVATIONS IN ERGONOMICS

**SOLUTION  
DYNAMICS** inc.

**We're working to take full advantage of rising fortunes by continuing to develop the internal initiatives that will help boost the company to the next level of our evolution.**

---

To say that 2020 was a challenging year is an understatement of epic proportions! I can't tell you how proud I am of our entire team for the way they handled themselves, staying energized, focused, and positive throughout.

2021 is shaping up to be considerably better. The economic outlook for the material handling industry is strong, and we're already showing signs of improvement in the first quarter. We're working to take full advantage of rising fortunes by continuing to develop the internal initiatives that will help boost the company to the next level of our evolution.

In the coming months we'll be implementing our highly-anticipated, proprietary seven-digit Lift Products part numbering system. Additionally, we're improving our "as built" engineering models and electrical schematics. These advances will allow Lift Products to work with professional system integrators on larger material handling projects.

On the sales front, we're planning to get back out on the road in the second quarter as the pandemic winds down. We'll be strengthening partnerships with our larger dealers and OEMs as well as identifying new partners to expand our network of distributors.

While we catch up with our customers, we'll be championing two new lift table products that our engineering team is launching this year. One is a ground entry lift table and the other is a redesigned double high lift table. We expect that these two innovations will drive considerable sales increases for Lift Products. Thankfully, Jim Davies, our General Manager of Lift Products Manufacturing in Waupun, is doing an incredible job of keeping everyone at the plant focused and positive!

We appreciate all of the efforts that our teams have put in over the last year and hope that everyone remains happy, healthy, and focused in 2021. We wish you all success in the coming year!

## AWP - AERIAL WORK PLATFORMS

---

**ROBERT RIVERA** PRESIDENT

The news going forward is very exciting. At our State of the Company meetings, held February 9th to the 11th, we were privileged to report on successful back filling efforts for vacant positions as well as the addition of new drivers, mechanics, and customer service representatives. These critical hires will strengthen our labor pool, expand our infrastructure, and allow Aerial Work Platforms to grow, moving confidently into the future.

We're also organizing a new safety committee. The group will meet on a quarterly basis to discuss and address emergent safety concerns. The hope is that this new structure will create a protective culture that unifies our three locations with best safety practices to benefit the entire AWP team.

I'm excited for what 2021 holds for our organization. I have been blessed with the opportunity to help lead an already great company into the future and I am very excited to see what we can accomplish over the next few years.



**Critical hires will strengthen our labor pool, expand our infrastructure, and allow Aerial Work Platforms to grow, moving confidently into the future.**

---



# INVESTOR HIGHLIGHTS



**RYAN FESTERLING**

**PRESIDENT OF QPS  
EMPLOYMENT GROUP**

[festerlingryan@gmail.com](mailto:festerlingryan@gmail.com)

414-331-3251

**Ryan Festerling** is President of QPS Employment Group based in Brookfield, WI. QPS Employment Group is a full-service staffing firm specializing in industrial, skilled trades, office/clerical and professional positions. QPS was founded in 1985 and has grown from a two-person operation to a company whose internal staff now numbers 350 employees in 54 office locations throughout the Midwest and mid-Atlantic. We currently employ more than 7,000 associate employees weekly and work with over 1,800 companies. QPS ranks #30 on the list of largest US industrial staffing firms.

Prior to joining QPS in 2019, Ryan spent 20 years at Kohl's Departments Stores Corporate Office in various leadership roles and most recently was the Executive Vice President of Human Resources. Ryan graduated from the University of Wisconsin - La Crosse in 1997 with a degree in Finance. He also serves as Chairman of the Board for Wisconsin Lutheran High School as well as Treasurer for the Vince Lombardi Cancer Foundation.

Ryan lives in Pewaukee with his wife Heather and two daughters Lydia (16) and Annabelle (14). He enjoys time on the water with his family, racing vintage cars, and any other outdoor activity. Work hard, play hard, give back, and pay forward. To whom much is given, much is required.



**GREG SOMMERSBERGER**

**MANAGING DIRECTOR  
AT BAIRD**

[gsommersberger@  
rwbaird.com](mailto:gsommersberger@rwbaird.com)

262-240-3577

**Greg Sommersberger** is a Managing Director at Baird and has been with the firm since 2003. Baird is an international wealth management, capital markets, asset management and private equity firm headquartered in Milwaukee, WI. Greg and his team specialize in managing and preserving wealth for families, executives, and business owners. During his tenure at Baird he has helped grow assets under management from under \$50 billion to over \$300 billion firm wide.

Throughout his career with Baird, Greg has earned numerous recognitions. He is a current member of the Baird Chairman's Club and is recognized as one of Baird's 'Top 10' Financial Advisors. FORBES ranks Greg as the #10 Best-In-State Wealth Advisor in Wisconsin and last year he was ranked as On Wall Street's #23 Top 40 Advisor under 40. Other past recognitions include FORBES Top Next Gen Wealth Advisor, Baird's Presidents Club and Rookie Partner of the Year.

Greg graduated Magna Cum Laude with a bachelor's degree in finance with an emphasis on economics from Valparaiso University. He is an active community member, currently on the board of Gathering on the Green and a member of Rotary. He served as President of the Saukville Chamber of Commerce, Mequon-Thiensville Rotary, and Phi Delta Theta Milwaukee Alumni Association. Greg resides in the Town of Grafton with his wife Carrie and two children Oliver (9) and Lena (4), and enjoys hunting, watching sports, live music and racing at Road America.

**Borgman**  
CAPITAL

**INVESTMENT OPPORTUNITY** | If you are an Accredited Investor that would appreciate access to quality private equity investments, contact us today to learn about our current opportunities.