

Q1 NEWSLETTER

MILWAUKEE, WI | APRIL 2022

Borgman
CAPITAL

A Milwaukee-based private equity firm focused on investing in profitable and stable lower middle-market businesses. We are opportunistic in nature, ready to explore deals in a fair, flexible and creative manner. Whether you're a seller, investor, or employee, our goal is to create opportunities for your success.

MARKET UPDATE - Q1 2022

SEQUOYA BORGMAN, FOUNDER & MANAGING DIRECTOR

We are now more than two years into the pandemic and while we've seen some improvement, we do not see the macro-economic and geo-political challenges plaguing the economy abating any time soon. Just when it seemed like the supply chain would start settling down earlier this year, Russia launched an attack on Ukraine. It's hard to imagine what could come next. As we watch what is going on in the public markets and around the world, which continue to be impacted by uncertainty, we cannot help but feel fortunate about Borgman Capital's position as a long-term value investor in the private markets.



Our portfolio is not immune to the unprecedented labor and supply chain challenges we're seeing, but we continue to mitigate and successfully manage through them. For example, automation and increased productivity are viable solutions for labor shortages and, as long as demand holds, price increases can partially make up for the broken supply chain. Unlike what we have seen at many other companies, we have avoided building up inventory and working capital to address the supply chain issue. Why? The risk is too great if there is a downturn, and it puts excess pressure on a leveraged business. That being said, it is painful to see missed opportunities from demand going unfilled. At the end of the day, our portfolio continues to focus on basic business fundamentals with a look at building enterprise value over the long term. This is a luxury that public market companies do not have.

One positive sign is that the Federal Reserve is attempting to tap the brakes on inflation. Whether or not they can navigate a soft landing with small rate increases is yet to be seen. Historically, inflation of the magnitude we are experiencing is difficult to manage without inflicting a painful recession on the economy. We do not anticipate the expected rate increases from the Fed will materially impact our businesses or the multiples that we are paying for new investments. The bigger concern is that softening demand or, worse, a potential recession will dry up the abundant sources of debt and equity available. That would certainly negatively impact the private markets.

If there's a silver lining, it's that times of turmoil create great investing opportunities. Those who can capitalize on the current disruptions will come out stronger on the other side of the economic downturn. Here at Borgman Capital, we're remaining patient, opportunistic, and focused on the big picture.

FIRM NEWS

JANUARY | FEBRUARY | MARCH 2022

MARIT HARM JOINS BORGMAN CAPITAL AS FUND ADMINISTRATOR AND MARKETING MANAGER

Marit Harm joined the firm in January 2022 in the role of Fund Administrator and Marketing Manager. Marit's responsibilities include overseeing office operations, building awareness of Borgman Capital, firm marketing and events, and investor relations. She brings nearly 10 years of experience in marketing communications, events, and client relations to Borgman Capital. Previously, Marit spent six years working at TEMPO, a membership organization for executive women in southeast Wisconsin. Prior to that, she worked at two different marketing agencies providing public relations counsel to clients. | [READ MORE HERE.](#)



DAVE BARTELME JUDGES SHARK TANK "GB STYLE"



Managing Director David Bartelme served as a judge at Shark Tank "GB Style" at the Cornerstone Business Services, Inc. State of M&A Conference in Green Bay on February 22. Each of the private equity firm judges received the same information on a sample company, unveiled their bids live and explained how they arrived at the valuation.

The other "sharks" included Stephen Laczniak (Bel Air Growth Partners), Thomas Nye (Generation Growth Capital), and Craig Bunker (Tonka Bay Equity Partners).

15TH ANNUAL M&A FORUM FEATURES MEGAN BROBSON AS BREAKOUT SESSION PANELIST

Borgman Capital Vice President Megan Brobson spoke at the BizTimes Media 15th Annual M&A Forum on March 31st. Megan shared her expertise during a break out session entitled "Buying a business, how to start strategically and wisely funding the purchase." Other panelists included Derek Smith (Old National Bank), Mike Schroeder (Taureau Group), and Jeff Roseland (Old National Bank).

Borgman Capital is proud to have been part of this event for many years, helping buyers and sellers learn what they need to know as they consider their options and move through the process.

FIRM CALENDAR

CONNECT WITH US AT THESE UPCOMING EVENTS

APRIL
5

ACG WISCONSIN CHAPTER 2022 GROWTH & LEADERSHIP CONFERENCE

Italian Community Center, Milwaukee

APRIL
25-
27

ACG INTERGROWTH 2022

ARIA Resort & Casino, Las Vegas

MAY
12

SECUREFUTURES 14TH ANNUAL INVESTMENT CONFERENCE

The Wisconsin Center, Milwaukee

MAY
24

SMART BUSINESS DEALMAKERS CONFERENCE

The Pfister Hotel, Milwaukee

JUNE
13-
14

ACG MINNESOTA UPPER MIDWEST CAPITAL CONNECTION

Minneapolis Event Center, Minneapolis

PORTFOLIO COMPANY UPDATES

Investment Criteria

Our investment approach is relationship-focused. We do this by being honest, straightforward, and always professional. Because lower middle-market businesses are our focus, there is no one who will take better care of you and your organization. Here's what we look for:

- Revenue of \$10 to \$100 million
- Record of profitability
- EBITDA between \$2 and \$15 million
- Engaged and growth-oriented employees, leaders and management
- Industry and location agnostic

Portfolio



If you or someone you know is considering selling their business, we'd love to have a conversation.
Contact sequoya.borgman@borgmancapital.com or 414.975.4629

PORTFOLIO COMPANIES

PRESIDENTS' UPDATES



DUREX PRODUCTS, INC.

CHAD HACKETT PRESIDENT

Since the sale of Durex on December 13, 2021, we've worked diligently to transition to ownership under Borgman Capital while maintaining daily business. Congratulations and thank you to both the Durex and Borgman Capital teams. It has been a great learning experience working with Borgman Capital as they helped us make this transition as smoothly and efficiently as possible.

In February, the team worked through a very engaging strategic planning session with Borgman Capital and facilitator Brad Herda of Vision Forward Business Solutions. We are excited to put together a strategic plan and work towards some very aggressive yet obtainable goals in the next three to five years. We are currently prioritizing the tasks in our plan and beginning the implementation process.

Sales were strong in Q1 2022, as the mining and aggregate industries continue to experience significant growth. As such, Durex continues to gain market share throughout the industry. Meanwhile, spring start-up has presented some challenges as customers adjust to longer lead times, higher prices, and reduced availability that are not typically issues in our industry. We continue to navigate rising scrap prices, decreasing availability of raw materials, and labor shortages.

Durex's focus over the next few months will be completion of outstanding transition items, strengthening our supply chain, and addressing continued logistics issues. We continue to explore alternate vendors for raw materials and have successfully qualified additional urethane raw material vendors. Wire raw material is very unpredictable right now, but we have been working on improving our forecasting abilities and securing orders for material out into Q3 of 2022. Current world economic events make nickel availability and pricing very uncertain, which will have a drastic effect on stainless-steel wire products over the next few months. Durex is currently looking at alternative logistics companies to assist in getting raw materials and shipping finished products to our customers. Our primary goals are to help maintain or reduce rates, reduce delivery times, and to better manage increased freight damage claims that we are experiencing.

Lastly, Durex participated in the World of Asphalt and co-located AGG1 trade shows in Nashville from March 29-31 where we showcased our expanded urethane product line along with wire cloth products. Territory and product managers were in attendance to work with customers and OEMs to continue to strengthen Durex's core values of customer service and technical application assistance within the industry.

"We are excited to put together a strategic plan and work towards some very aggressive yet obtainable goals in the next three to five years."



*World of Asphalt and AGG1
Academy & Expo in Nashville, TN*

PORTFOLIO COMPANIES

PRESIDENTS' UPDATES



"We recruited and put in place a flexible, cross-trained second shift as a strategy to increase output and meet customer demand."

SOUTHEASTERN MEATS

MARINO PAPAZOGLU PRESIDENT

At Southeastern Meats we continue to build a best-in-class organization based on our values of Safety, Integrity, Value Creation and Teamwork.

Congratulations to each and every Southeastern Meats team member for their role in earning outstanding Employee Safety and Product Safety & Quality Performances. We have achieved a record of zero safety incidents and continue to work in a best-in-class food safety and quality environment, winning praise from the USDA, Safe Quality Food (SQF) and our strategic customers.

Demand for our frozen meats and vegetables remains strong in a market facing labor and supply chain challenges. We have two new customers, AWG in Missouri and AGRB in Louisiana, and we are in the final stages of negotiating to become a supplier to a major retailer in Northern Illinois and Wisconsin.

Productivity improved by 13 percent versus prior quarter, and we are collaborating with suppliers to improve delivery rates and third-party shipments to our customers. Updated preventive and predictive maintenance programs have been deployed to minimize unplanned equipment downtime. Even while operating in a local environment with unemployment rates of less than three percent, we recruited and put in place a flexible, cross-trained second shift as a strategy to increase output and meet customer demand. Our Employee Appreciation Program resulted in 18 awards, while a new Employee Engagement Program garnered 15 suggestions from employees that will further improve productivity and fill rates.

With growing demand, strong brands and focus on our values, we are poised to achieve outstanding profitable growth in 2022.

PORTFOLIO COMPANIES

PRESIDENTS' UPDATES



"I am proud to report that AWP is not only one of the largest aerial retail independents in Wisconsin but also in the Midwest."

AERIAL WORK PLATFORMS (AWP)

ROBERT RIVERA PRESIDENT

2022 marks Aerial Work Platforms' 43rd year in business, and an exciting new era of growth and possibilities. As the tight labor market remains top of mind, AWP focused on multiple strategies to retain current employees and attract new talent in the first quarter of the year. For example, we completed the transition of our PEO provider to ADP Total Source, and also implemented a new 401K provider with more attractive benefits for our employees. We also hosted a company holiday party in January, giving employees and their families a chance to meet each other, celebrate their achievements in 2021 and toast to the new year. Another area of growth and engagement has come from the fleet additions that landed at the end of Q4 and continued into Q1 which allowed our sales team to grow with existing customers and prospect new ones.

Reflecting the positive influence of expected increase in infrastructure spending, the American Rental Association forecasted a 10.2 percent increase in equipment rental revenue in 2022, making it a \$52.7 billion dollar business in the United States. At AWP, we recognized last year that implementing efficiencies and building a larger infrastructure would allow us to grow at an above average rate. One of the largest concerns for aerial rental independents is the balance of 2022 into 2023, as equipment manufacturers struggle to make fleet for various reasons including supply chain issues and shipping delays. We have proactively mitigated this challenge by strategically ordering fleet in 2021 for this year and have already placed orders into 2023 and 2024.

I am proud to report that Aerial Work Platforms is not only one of the largest aerial rental independents in Wisconsin but also in the Midwest. We are confident that with our continued efforts to retain and attract talent, while managing risks we will maintain steady growth in fleet and locations for years to come.



PORTFOLIO COMPANIES

PRESIDENTS' UPDATES



"The long-awaited deployment of DISH Wireless is positive news for AscendTek."

ASCENDTEK

RICK PLOECKELMANN PRESIDENT

Since the inception of AscendTek in 2019, we've been anticipating the national network deployment of DISH Wireless, and that time has finally come. While DISH has struggled to move with velocity since it was established in Q2 2020, work is now underway in two markets and is consistently gaining momentum. For 2022, DISH has committed 310 sites to AscendTek. Work in Virginia has been underway since the beginning of 2022; Georgia has initiated DISH site work with a significant ramp coming in May; Wisconsin work is scheduled to start in early April, and the Northeast will kick off in Q3 2022.

The long-awaited deployment of DISH Wireless is positive news for AscendTek for multiple reasons. By FCC mandate, DISH is obligated to deploy its network to support access to 20 percent of the US population by June 2023 and 70 percent by June 2024. This obligation carries significant financial penalties (up to \$2.2 billion) if not met, as well as the risk of losing access to critical licensing. As such, DISH has significant incentive to accelerate their forward deployment. The full build will take at least four years with ongoing maintenance and upgrades trailing infrastructure completion and requires an effective combination of civil (ground) and tower (aerial) crews for efficient execution. AscendTek's talent mix is well suited for this work. Further, while supply chain and design challenges have delayed DISH deployment, planning has continued as usual. We have significant visibility to the current and upcoming workload with DISH with active engagement to secure additional sites.

As we enter Q2, the days are getting longer and weather becoming far more predictable. A year ago, our workload as we entered this critical time of year was far from clear, but that is not the case in 2022. Meanwhile, the leadership team is actioning on critical strategies to improve our working capital position, gross margin, and improving operating performance. Significant progress has been made on the implementation of project management software platform FieldClix, and we are already realizing efficiencies process improvements. The strength of our regional leadership has significantly supported this implementation and will drive the forward benefits.

PORTFOLIO COMPANIES

PRESIDENTS' UPDATES



March 1-3, 2022
Madison, Wisconsin

GILMAN CHEESE CORPORATION

DAVID DELGADO PRESIDENT

The Gilman Cheese team continues to grow professionally, focusing on winning every day in each key performance indicator. With this approach, the company has improved productivity by 20 percent in Q1 2022. As we move forward into 2022, we are very optimistic.

GILMAN CHEESES RECOGNIZED AT 2022 WORLD CHAMPION CHEESE CONTEST IN TWO CATEGORIES

One of our greatest successes of the year occurred in early March. The World Championship Cheese Contest® is the world's premier technical cheese, butter, and yogurt competition. The World Contest has been hosted by the Wisconsin Cheese Makers Association biennially since 1957.

At the 2022 contest, Gilman Cheese won second and third places in the Pasteurized Process Cheese category, and customer Shpoppy Shawn's Shmoked Cheese earned the top award in the Smoked Soft and Semi-soft Cheeses category. Congratulations to the team at Gilman! It is through true dedication to quality that Gilman Cheese can provide award-winning products to its customers.

Pasteurized Process Cheeses

- Second Place | Shelf Stable Ultra Sharp
- Third Place | Shelf Stable White Cheddar

Smoked Soft and Semi-soft Cheeses

- Best of Class (First Place) | Gilman Bruschetta

Available for purchase [here](#) via Shpoppy Shawn's Shmoked Cheese in Wilkes Barre, Pennsylvania

PORTFOLIO COMPANIES

PRESIDENTS' UPDATES

Material Handling Holdings LLC

LIFT PRODUCTS, INC.



SOLUTION
DYNAMICS inc.

"Demand remained steady at both Lift Products and Solution Dynamics, outpacing that of prior year Q1."

MATERIAL HANDLING HOLDINGS

STEVE DEANGELIS PRESIDENT

The first quarter of 2022 is off to an excellent start at Material Handling Holdings. While Q1 is traditionally slow across our industry, demand remained steady at both Lift Products and Solution Dynamics, outpacing that of prior year Q1. Our internal focus remains on manufacturing efficiency, process improvement and pricing, and is proving effective in mitigating ongoing supply chain and inflationary issues. Tremendous progress has been made thus far to improve manufacturing efficiency at the Lift Products production plant and document best practices across the business, which is beginning to show in improved results as we close the first quarter. With much work in this area planned for the remainder of the year, we are excited about the progress year-to-date and the direction the business is heading moving into Q2.

Lift Products, through our continued sales focus on the top material handling integrators, secured several large order commitments in Q1 with potential for additional volume on the horizon. These distributors design custom material handling automation solutions for some of the world's largest movers of packaged goods.

Our team at the Lift Products production plant in Waupun, Wisconsin has made some of the biggest strides in Q1 with record level shipments in February and March, while continuing a strong safety record surpassing 864 days without an OSHA recordable incident. Manufacturing capacity expansion and efficiency improvements are the major focus areas in 2022 to improve new order lead times, reduce our backlog and ensure we have the capacity to take advantage of new customer opportunities. With an outside consultant fully engaged through Q1, we have identified several key improvement opportunities scheduled to be in place by midyear.

At Solution Dynamics, our ongoing continuous improvement focus is on our transactional processes and aligning our team resources and their objectives to continue to grow both top and bottom line. Q1 saw some resource turnover which has enabled us to rethink roles, responsibilities and objectives of several key positions which should position us well for the remainder of the year.

Moving into Q2, the MHH team is engaged and optimistic about our momentum thus far and the potential for a great 2022!

REAL ESTATE PRACTICE UPDATE

BORGMAN CAPITAL ACQUIRES MILWAUKEE INDUSTRIAL PROPERTY

Borgman Capital is pleased to announce the acquisition of 7711 N. 81st St. in Milwaukee, Wisconsin. The 170,000 square foot industrial warehouse building is fully leased to Central Garden & Pet Company (NYSE: CENT). The building is the firm's fourth property acquisition since launching its Real Estate practice last summer.



“With its location and strong tenant, the building is well-positioned. We are further confident in the long-term prospects of the southeast Wisconsin industrial market. Additionally, this investment fits with our strategy of generating above average risk adjusted returns by acquiring high-quality, well-located assets in markets we know well,” stated Matt Kiefer, Director - Real Estate Investments, Borgman Capital. | [READ MORE HERE.](#)

JOB OPPORTUNITY: REAL ESTATE ANALYST

As Borgman Capital's Real Estate practice continues to grow, we are seeking to hire a high performing Real Estate Analyst to join the team in 2022. This role will support deal sourcing, analyze potential investments, perform market research, build financial models, execute due diligence, manage investments, conduct fundraising, and more. More information coming soon at www.borgmancapital.com/careers.

REAL ESTATE INVESTMENT CRITERIA

Borgman Capital's Real Estate practice creates value and enhances returns for investors through a proven and disciplined - yet creative - investment strategy. Furthermore, our goal is to always leave a positive legacy on our real estate investments and the communities where they're located. Here's what we look for:

- Typical deal size between \$2 and \$40 million
- Industrial, Office, Multi-Family and Mixed Use asset classes
- Stabilized core-plus investments including sale leasebacks
- Value-add and opportunistic investments located in strong markets
- Joint ventures with developers and owner-users
- Location agnostic

If you or someone you know is considering selling a real estate investment, we'd love to have a conversation. Contact matt.kiefer@borgmancapital.com or 812.499.8770.

INVESTOR HIGHLIGHT

If you are an accredited investor who would appreciate access to quality private equity investments, contact us today to learn about current opportunities.



Ann Hanna

MANAGING DIRECTOR & CO-FOUNDER,
TAUREAU GROUP

"I view investment in private equity opportunities as a decision based on trust: Do I trust the investment decision? I invest with Borgman Capital because I trust Sequoya and his team to make the right decisions throughout the life of the investment. I believe they exercise tremendous care and diligence in choosing quality companies. I believe after investment, Borgman fulfills their promises, treats the people and families reliant on the business appropriately, and provides the guidance and discipline required to grow a company. All these factors coalesce to provide above average returns, lower volatility compared to the stock market, and personal portfolio diversification."

Ann Hanna has a proven track record leading successful merger and acquisition projects for middle-market companies. Her distinctive background includes more than 30 years of Investment banking and C-level management experience, including involvement in multiple corporate start-ups.

As Managing Director and Co-founder of Taureau Group, Ann was instrumental in guiding the firm's intentional evolution. From its roots within a regional CPA firm, she reinvented the M&A practice to create a true boutique investment banking practice. Today, the firm is a fully independent investment banking firm with a relentless drive to realize the best outcomes for clients on a global basis.

Ann is a licensed investment banker and real estate broker with extensive operational experience as owner of several successful businesses. Her background also includes corporate work for General Motors and Shell Oil.

Her accomplishments include giving more than 100 presentations to local and state-wide organizations, including the Wisconsin Bar Association, Milwaukee Bar Association, Manufacturing Matters conference, BizTimes M&A Forum, Vistage, ESOP Association and CEO roundtables. Ann is involved in professional and community organizations including Association for Corporate Growth, Wisconsin Institute of Certified Public Accountants, Biz Starts Milwaukee, and Alverno College.

In 2022, Ann was named one of the Most Influential Women in Mid-Market M&A by Mergers & Acquisitions.

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