

Q2 NEWSLETTER

MILWAUKEE, WI | JULY 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 - Q2 2022

SEQUOYA BORGMAN, FOUNDER & MANAGING DIRECTOR

We have said it before and will say it again, it sure feels like a great time to be invested in the private markets. The public markets are getting hammered – especially the venture and technology sectors. Interest rates are starting to have an impact on real estate valuations and other hard asset investments as well. However, despite the increase in interest rates, there is still a lot of liquidity available in the system for leveraged buy-outs and cash-flowing private equity investments. We did see a slowdown in deal flow in the first half of the year but anticipate lower-middle market deals picking up in the second half of 2022. We were thrilled to acquire Dairyfood USA in May as an add-on to Gilman Cheese. It was the largest add-on acquisition in the firm's history, and we closed the transaction with no additional equity which is a significant value creation for our investors. Going forward, we are very excited about the deals in our pipeline.



Although we are seeing some signs within the portfolio that we may already be in a recession, some economists are predicting a shallow recession and we do not anticipate it having a material impact on our businesses. Fortunately, the sectors we have invested in, such as food, tend to be recession resistant and we are still seeing strong demand for our products. We are more concerned with continued inflation, supply chain disruptions and labor challenges. A shallow reset would help alleviate, to some extent, all three of those current pain points. It would also give the Federal Reserve a reason to halt further rate increases. If we did enter a recession during the first quarter of this year, it is heartening to know that since 1945 the average length of a recession is only 10 months. This would indicate that, if we are in fact in a recession, we are already halfway through.

Again, we continue to be bullish on private equity investments in strong cash flow businesses and our portfolio companies in particular. That being said, we are not sticking our head in the sand and ignoring what is going on in the macro-economic environment. We have swaps in place and have fixed interest rates on the majority of our debt. We continue to focus on the fundamentals and strong balance sheets, and have advised our portfolio companies to remain as lean as possible and conserve cash for the foreseeable future. We have also stress tested and put contingency plans in place for the portfolio if the economy does deteriorate.

Overall, we feel very fortunate to be doing what we are doing on a daily basis.

FIRM NEWS

APRIL | MAY | JUNE 2022

BORGMAN CAPITAL COMPLETES ADD-ON ACQUISITION OF DAIRYFOOD USA

On May 23 Borgman Capital acquired Dairyfood USA as an add-on to Gilman Cheese Corporation. Dairyfood USA, headquartered in Blue Mounds, Wis., is a leading specialty processor of extended shelf-life cheese and the largest supplier of smoked Gouda in the United States. The acquisition enables Gilman Cheese Corporation to offer an expanded product mix and production capacity to its customers worldwide. | [READ MORE HERE.](#)



"We are proud to bring together two leading cheese processors in our home state and continue to support the communities of Blue Mounds and Gilman, Wisconsin."

-Sequoia Borgman

WELCOME PHIL LORGE, PRIVATE EQUITY ANALYST INTERN



Join us in welcoming Phil Lorge to the team! Phil is the Summer 2022 Private Equity Analyst Intern at Borgman Capital. Phil spent last summer interning as an investment banking analyst with TKO Miller in Milwaukee. During his time there, he worked alongside analysts on sell-side M&A transactions and aided in production of transaction documents by conducting market research and analyzing financial data.

Originally from Appleton, Wisconsin, Phil is an incoming senior at the University of Wisconsin-Madison majoring in Finance, Investment, & Banking, and Risk Management & Insurance.

FIRM NEWS

APRIL | MAY | JUNE 2022

MBBI TRENDS IN M&A PODCAST FEATURES MEGAN BROBSON

Vice President Megan Brobson is featured in the latest episode of MBBi Trends in M&A Podcast. Megan discusses Borgman Capital, the team, our portfolio companies as well as her market observations. Megan is currently the MBBi Wisconsin Chapter President. | [LISTEN HERE.](#)



MMAC REGION OF CHOICE PLEDGE

A member of the Metropolitan Milwaukee Association of Commerce (MMAC) since 2019, Borgman Capital recently joined the MMAC's Region of Choice Initiative by signing the ROC Pledge. With the goal of making



Milwaukee's workplaces more inclusive, companies signing the ROC pledge are committing over the next five years to collectively increase the number of African American and Hispanic/Latino employees in Metro Milwaukee by 15%, and the number of African American and Hispanic/Latino managers in Metro Milwaukee by 25%. Signatories also commit to publicly reporting aggregate data on an annual basis to measure progress, sharing best practices and meeting CEO to CEO to discuss efforts. | [LEARN MORE HERE.](#)

FIRM NEWS

APRIL | MAY | JUNE 2022

2022 INVESTORS SUMMIT

Thank you to each of our investors who attended the 2022 Investors Summit on April 20 to hear firm updates, network and learn more about Borgman Capital's portfolio directly from each of the company Presidents. Next year's event will be held in Spring 2023. If you are an accredited investor who would appreciate access to quality private equity investments, contact us.



Attendees took home a gift bag featuring products made by local entrepreneurs from underrepresented groups:



- **Miranda Wilder, Simple Snacks**
- **Anomalous Campbell, Anomaly Catering**
- **Chad Johnson & Jarod Cronk, MKEing Coffee**
- **Marcia & Marc Taylor, Lush Popcorn**

FIRM CALENDAR

CONNECT WITH US AT THESE UPCOMING EVENTS

**AUG
2**

23RD ANNUAL MBBI GOLF OUTING

Geneva National, Lake Geneva

**AUG
29**

10TH ANNUAL FISHER HOUSE WI GOLF OUTING

Geneva National, Lake Geneva

**SEPT
7-8**

PRIVATE EQUITY INTERNATIONAL INVESTOR RELATIONS, MARKETING & COMMUNICATIONS FORUM

San Francisco

**SEPT
13**

MBBI KNOCKING DOWN DEALS IN 2022

Waukesha Gun Club

**SEPT
20-
22**

IGLOBAL FORUM 13TH INDEPENDENT SPONSORS SUMMIT

New York City

**OCT
25-
26**

2022 MCGUIRE WOODS INDEPENDENT SPONSOR CONFERENCE

Dallas

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
- Midwest focus; open to opportunities across the U.S.
- Industry agnostic with proven expertise in Food, Infrastructure and Manufacturing

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



Welcome Bo Doll, South-Central Territory Manager

The second quarter of 2022 has continued to see strong sales, with a record setting month in April. May and June sales have followed suit as we get through our industry's spring start up season and move into the summer months. Although raw material availability and pricing, and the labor market continue to impact our pricing and lead times, we are starting to see production lead times drop to a more market acceptable time frame.

In support of the continued sales growth, Durex hired Bo Doll as the South-Central Territory Manager. Bo joins Durex with almost 10 years of experience in our industry, selling screen media and equipment. Bo has already started providing dealer and customer applications and product training seminars within his territory. In addition to working with our existing dealer and customer base, Bo has begun discussions with a very promising dealer to focus on our urethane products within the territory.



And Nan Preiner, Technical Customer Support Representative

Durex also hired Nannette Preiner as a Technical Customer Support Representative. Nan also comes to Durex with 10 years of experience in customer service in a variety of industries. Nan has quickly picked up the technical side of the business and has provided the much-needed capacity within the department to support the sales growth we are seeing. Along with learning how the customer service department currently functions, she has been able to bring in new ideas to further improve the department and streamline processes.

In this labor market, Durex is extremely fortunate to have found two very talented and experienced employees to join the business.

PORTFOLIO COMPANIES

PRESIDENTS' UPDATES



SOUTHEASTERN MEATS

At Southeastern Meats we continue to build a best-in-class organization based on our values of Safety, Integrity, Value Creation and Teamwork. Safety remains a top priority, and we have achieved a record of zero safety incidents in 2022 as we continue to prioritize both the safety of our employees as well as keeping food safety and product quality top of mind.

Southeastern Meats has spent considerable time this quarter driving towards finding efficiencies in our operations, starting with our manufacturing equipment, as well as working towards reducing the number of temporary laborers working at the plant to improve productivity. This process has included bringing in a machine specialist to help increase the throughput on the sandwich making line, as well as making some adjustments to the scale machine.

Demand for all products remains very strong, and Southeastern Meats has been working hard to keep up with purchase orders and diligent about passing on our rising costs. Southeastern Meats suppliers continue to struggle to meet the demands from the plant as they combat inflationary pressures and supply chain issues. With growing demand, strong brands, and vigilant focus on our values, we are poised to achieve outstanding profitable growth in 2022.

PORTFOLIO COMPANIES

PRESIDENTS' UPDATES



AERIAL WORK PLATFORMS, INC.

AERIAL WORK PLATFORMS (AWP)

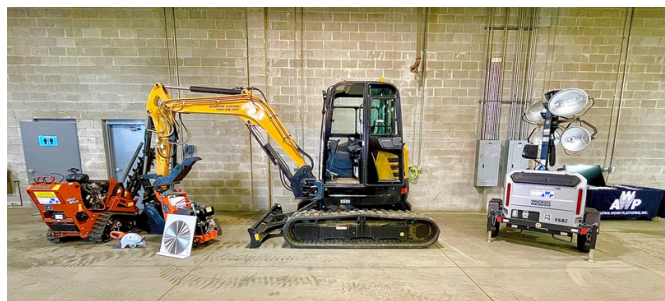
ROBERT RIVERA PRESIDENT

On May 5 we held an inaugural open house at our Kenosha location, the newest addition to the growing Aerial Work Platforms footprint. The open house not only raised awareness of this great location but introduced visitors to the new rental products that we have added over the past few months. New rental products include walk behind track trenchers, rubber track mini excavators, walk behind road and handheld concrete saws, and light towers.

The construction season has continued to ramp up as contractors are starting to get materials from supply chain backorders and trying to meet deadlines. This has increased the rental equipment demand causing a record high utilization for our company. The diversity in fleet couldn't have landed at a better time, giving our loyal and existing customer base a one-stop shop opportunity, and attracting several new customers in trades that we can now service.



May 5 open house at AWP's Kenosha location



AWP's newest rental products include walk behind track trenchers, rubber track mini excavators, walk behind road and handheld concrete saws, and light towers.

PORTFOLIO COMPANIES

PRESIDENTS' UPDATES



Welcome Paul Devon, COO

ASCENDTEK

RICK PLOECKELMANN PRESIDENT

On the first of June, AscendTek welcomed Paul Devon to our family in the role of COO. Paul’s strength in leadership, broad client relationships, and deep experience spanning 25 years in the industry will support critical velocity in advancing our operational excellence initiatives to enhance margins and drive growth in production. Working in direct collaboration with VP of Operations for the Eastern Region Rob Baines, we are excited to recognize the benefit of this formidable team.

In Q3 2021 AscendTek introduced our Challenge Coin to recognize exceptional performance across our operations and as a vehicle to knit together our collective culture while celebrating the legacy cultures that make up the strength of our team. At every leadership meeting, the first order of business following our safety moment is Challenge Coin Nominations. Each quarter, we award 12 Challenge Coins and celebrate the accomplishments of our team. In the first three quarters of our program, we have awarded 37 total Challenge Coins, with the difficult task of identifying the most deserving 12 of 19 from Q2 2022. One of my favorite aspects of this program to date is that our GM’s have started to nominate personnel from other markets based on their direct collaboration in other geographies, a true testament to the teamwork within our business and recognition of quality where it’s identified!



AscendTek Challenge Coin

PORTFOLIO COMPANIES

PRESIDENTS' UPDATES



GILMAN CHEESE CORPORATION + DAIRYFOOD USA

DAVID DELGADO PRESIDENT

I am very excited about Gilman Cheese Corporation's new chapter and the acquisition of Dairyfood USA. The partnership with Dairyfood USA allows us to offer an expanded product mix to our customers, and a wealth of other benefits that make our combined organizations stronger. Some of these products include wrapped cheese planks, smoked cheeses, portion-control cups, dips and spreads, plant-based cheese, and Dairyfood USA's famous natural Smoked Gouda cheese.



To reduce food waste, Gilman Cheese and Dairyfood USA are working together to reduce cheese trim. These cheese trims are great for creating nacho cheeses, bread baking, creating cheese sausages and more. If you know any food manufacturers looking for high-quality processed cheese trim for their operations please [visit our website](#).

Select media coverage:

Smoked Gouda producer in Blue Mounds sold



Dairyland USA, Gilman Cheese to Merge

FOOD PROCESSING

Borgman Capital acquires Dairyfood USA



Company will merge with Gilman Cheese Corporation

Dairyfood USA and Gilman Cheese Corporation announce merger



Borgman Building Wisconsin Cheese Giant



PORTFOLIO COMPANIES

PRESIDENTS' UPDATES

Material Handling Holdings LLC



Towable lift table cart featuring a rotating top

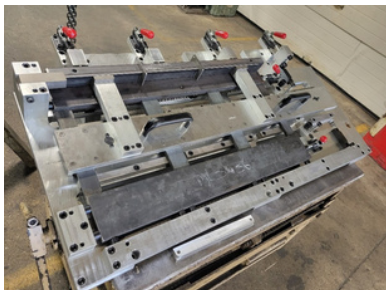
MATERIAL HANDLING HOLDINGS

STEVE DEANGELIS PRESIDENT

Solution Dynamics lands contract with leading energy technology company

A global leader in sustainable energy solutions for industrial and utility grid power applications, working closely with the sales team at Solution Dynamics, recently selected a custom Lift Products mobile lift table as their solution for transporting work in process at their east coast production facility.

Solution Dynamics has been working with this company since 2010, delivering equipment to several of their production facilities across the country. Solution Dynamics has become their preferred provider for lifting and transport solutions, and a go-to resource for custom material handling applications. The product selected is a towable lift table cart featuring a rotating top. With an initial order for 46 units and a pending additional opportunity, this is a huge win for both Solution Dynamics and Lift Products.



Outer scissor sub-assembly fixture; One of three new fixtures at Lift Products Manufacturing

Fixturing improvements at Lift Products Manufacturing offer greater capacity and repeatability

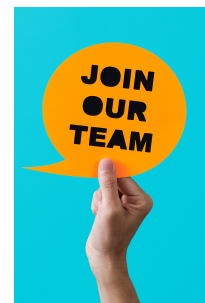
As Lift Products, Inc. continues its strategic sales focus on leading industrial automation integrators, expanding operational capacity through efficiency improvements becomes increasingly important. To that end, Lift Products Manufacturing has been partnering with outside consultants in Q1 and Q2 to develop improved weld fixturing for key sub-assemblies of our highest volume lift table platform.

The first three new fixtures were completed in Q2 and are scheduled for implementation at LPM beginning mid-July. With these in place and several other key fixtures slated for later this year, Lift Products is ramping up capabilities to ensure the delivery expectations of these critical new customers are met.

REAL ESTATE PRACTICE UPDATE

WE'RE HIRING! REAL ESTATE INVESTMENT ASSOCIATE

The Real Estate Investment Associate is instrumental to the continued success of Borgman Capital's Real Estate practice. Reporting to the Director – Real Estate Investments, the associate will have a wide variety of responsibilities which include performing market research, deal sourcing, financial underwriting, due diligence, capital markets, strategic planning and more. This is a full-time, 40 hours/week position. The ideal candidate will have a bachelor's degree with emphasis in real estate or finance, and 3+ years of professional experience. | [VIEW THE JOB POSTING HERE.](#)



8 REASONS TO CONSIDER A SALE LEASEBACK

Sale leaseback is a financial strategy where a business owner sells an asset, and then leases it back long term. It is an attractive option for a business to raise funds, increase earnings, and enhance liquidity from its real estate holdings. If your business generates a higher return through operations than it does in real estate, a sale leaseback may be an opportunity worth pursuing. View the Borgman Capital blog to learn 8 key reasons why it's beneficial to engage in a sale leaseback. | [READ MORE.](#)

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 are 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.



Sarit Singhal

CEO & PRESIDENT
SUPERIOR SUPPORT RESOURCES, INC.

"I met the Sequoya two years ago and came back from the meeting really impressed with his vision, approach, openness and collaborative viewpoint. Since meeting him, I have started to participate in a few offerings and have invited other friends to learn about and invest in Borgman Capital opportunities. I love the analysis, reporting and insight I receive from my investments. Finally, the investor events and private networking dinners have been a great way to learn, celebrate and meet other like-minded professionals. The team at Borgman Capital truly makes you feel like you are part of the company and not just an external LP. "

Sarit Singhal founded SSR in 1996 to design, implement and proactively manage information technology strategies for small to mid-sized organizations. As CEO of SSR, Sarit focuses on strategy, innovation, collaborative leadership and execution of objectives for SSR and its clients. An innovative technology leader, he speaks at conferences and serves as an expert source for media outlets in southeastern Wisconsin.

Sarit is a Board Member for several organizations including Sentry Equipment, Ruekert & Mielke and Waukesha State Bank. Passionate about education, entrepreneurship and workforce development, Sarit supports programs helping students pave future successful careers. This led him to earning COSBE's P. Michael Mahoney Award in 2018 in recognition of his exemplary service and volunteerism.

In addition to his role at SSR, Sarit is Co-Founder of BlueAmbar Technologies and an active real estate investor with Aspire Investments.

Sarit earned a Bachelor of Science degree in Electrical Engineering with a minor in Computer Science from the University of Wisconsin – Milwaukee. He participated in the "Growing a High-Performance Business Leadership Program" at Dartmouth's Tuck School of Business. In 2012, he was personally recognized with the Milwaukee Business Journal 40 under 40 Award as well as a Bravo! Entrepreneur Award from BizTimes Media.

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