

QUARTERLY NEWSLETTER



Founder & CEO Update

Despite the uncertainty in the economy and the pull-back in the financing market, the second quarter has been a busy one for our firm. We continue to add to our team and launched an office in the Twin Cities, headed up by M&A veteran Ben Axelrod. We are excited to have boots on the ground in another geography that is ripe for great lower middle market investment opportunities. We also closed on our largest real estate investment to-date in Q2 - a portfolio of five industrial properties with exciting growth potential. From a deal flow standpoint, after a slow start to the year, we now have more new investment opportunities in the pipeline than we have had at any time since the firm's inception. The second half of 2023 will keep us very busy.

Some economists are now predicting that the Federal Reserve has been able to pull off a soft landing. That may be true from a macro perspective, but there are definitely seats on the plane that are bumpier than others. If the Fed does not pull back on the wheel soon, there will be some segments that are in for a very hard landing. Commercial real estate is an obvious area of concern, and capital-intensive corners of the market with variable interest rates are certainly already feeling the pain.

The lower middle market, where we invest, is much more susceptible to the microeconomic factors impacting a particular investment's industry or region. Fortunately, we have been relatively conservative from a use of leverage and have fixed rates or swaps in place for most of our debt. We even have a portfolio company with zero debt on its balance sheet. Surprisingly, one of our best performing investments serves the construction and contracting industry. Based on current media headlines, one would expect to be seeing a pull-back. And unsurprisingly, our investment seeing the largest contraction at the moment serves an industry that is highly leveraged with customers who have seen their cost of capital triple in the past 12 months. Overall, the portfolio continues to do well and it is a testament to the management teams in place and their focus on the fundamentals. It is imperative to stay focused on what the business is actually experiencing and tune out some of the macro-level background noise.

We are relationship-focused and our continued success would not be possible without the support of our entire network. We do not take that responsibility lightly. Thank you for the trust and for allowing us to invest in the lower middle market.

Sequoya Borgman
Founder & CEO

FIRM NEWS

Borgman Capital Grows Team and Establishes Twin Cities Presence with Addition of Ben Axelrod

Ben Axelrod, a veteran mergers and acquisitions advisor, recently joined Borgman Capital as a managing director to initiate the firm's presence in the Minneapolis-St. Paul area.

"Borgman Capital is committed to the lower middle market, and we believe the Upper Midwest, specifically Minnesota, the Dakotas and Iowa, continue to be underserved. That makes the Twin Cities an optimal place to put down roots," said Sequoya Borgman, founder and CEO of Borgman Capital. "We are excited to welcome Ben to the team and establish a presence in Minnesota. We have worked with Ben previously on several transactions, including one of our earlier investments. His track record of serving business-owner entrepreneurs and families, and his dedication to the lower middle market, make him perfect for this role."



Axelrod has more than 20 years of financial advisory experience. Prior to joining Borgman Capital, he was a managing director and group head of the investment banking practice at CLA. Axelrod launched CLA's M&A advisory capabilities in 2014 to support and guide owners of privately-held businesses during the ownership transition.

[**READ MORE HERE**](#)

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Mike Pepke Honored at Reinhart Law Event

Borgman Capital Managing Director Mike Pepke was honored at Reinhart Boerner Van Deuren's Retired Shareholder Dinner in June, along with 11 other honorees. Before joining Borgman in 2019, Mike spent 42 years as a partner with Reinhart where he focused on representing middle market, privately held – often family owned – businesses from formation/acquisition to owner transition/sale. Mike also represented middle market private equity firms in their acquisitions and sales of portfolio companies.

Pictured right is Mike on his final day at Reinhart in the downtown Milwaukee office.



Isaiah Mengesha Joins the Firm as Private Equity Analyst Intern



Isaiah Mengesha has joined the Borgman Capital team in Milwaukee as Private Equity Analyst Intern for the summer. He is currently studying Finance with minors in Marketing and Sport and Entertainment Management at Concordia University-Wisconsin. He is a member of several clubs including CUW's Investment Club, and Sport & Hospitality Business Club. He has also been involved with the university's business office as a Purchasing Intern.

Last summer, Isaiah worked as a finance intern with tech startups while studying investment finance in Cape Town, South Africa. Isaiah grew up in Las Vegas, Nevada before attending a boarding high school outside of Kansas City, Missouri.

Alex Reinhart Celebrates Five Years

Join us in congratulating Vice President Alex Reinhart, who celebrated five years with Borgman Capital on July 9, 2023. Since joining the firm as an associate in 2018, Alex's contributions to deal sourcing, investor relations and portfolio management have been tremendous. Prior to joining Borgman Capital, Alex started his career working for Barclays Capital and Santander Consumer USA. He holds a bachelor's degree from Duke University and a master's degree in business from the University of Texas.



Thank you for all you do, Alex!

2023 Investor Summit Held in May

Thank you to each of our investors who attended the 2023 Investor Summit on May 3 to hear firm and investment portfolio updates, network and visit with portfolio company presidents. If you are an accredited investor who would appreciate access to quality private equity investments, contact us.



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**
- **Track record of profitability**
- **EBITDA between \$2 and \$15 million**
- **Growth-oriented leadership and sound operational management**
- **Midwest focus; open to opportunities across the U.S.**
- **Industry agnostic with proven expertise in food products, infrastructure services and products, and traditional manufacturing**
- **Strong competitive position in growing market/industry**

Current Investments



Material Handling Holdings

STEVE DEANGELIS PRESIDENT

LIFT PRODUCTS
INNOVATIONS IN ERGONOMICS

SOLUTION
DYNAMICS
INC.

Lift Products Inc. captures order for 15 Guardian Series Lift-N-Spins

Lift Products Inc. closed the second quarter with a large dealer order for 15 of its Guardian Series Lift-N-Spin tables. This lift table is truly unique in the marketplace, offering several key competitive advantages. At just 4-1/4" lowered height, it features a low-profile rotating top allowing a pallet to be manually rotated during loading and unloading for improved ergonomics and efficiency. The Lift-N-Spin table also features a mid-plate and ramp design that allows a pallet jack to be rolled right onto the unit for easy loading and unloading without the use of a fork truck. The Guardian Series Lift-N-Spin lift table continues to be a top choice for building and breaking down pallets as well as a wide range of other material handling applications.



Solution Dynamics wins large order with leading renewable energy equipment manufacturer

Solution Dynamics recently shipped four high-lift, triple scissor lift tables for use in a hydro-electric power facility in the northwestern United States. With a total travel of 120" and a maximum lifting height of 141-1/4", these specialty lift tables should provide years of reliable operation that stands up to the rigorous demands of utility power applications.

Solution Dynamics continues to deliver on its value proposition to be the preferred provider of material handling equipment by leveraging its commitment to application expertise, breadth of product portfolio and a highly responsive approach to customer support. Congratulations to the Solution Dynamics team on this key win.



Gilman Cheese Corporation

DAVID DELGADO PRESIDENT



During the second quarter, we were thrilled to see a recovery in demand for our products driven primarily by the industrial B2B segment followed by the retail sector. We also made great strides in terms of new sales, pipeline-building, and sales visits and growing our customer base. We are excited to capitalize on this momentum, as we recently welcomed Blair Wilson to the newly-created role of Chief Sales Officer.

As Chief Sales Officer, Blair is responsible for developing and implementing strategic sales and marketing plans, overseeing the sales and customer service team's performance, and driving revenue growth through effective market expansion and customer acquisition strategies. Blair brings a wealth of experience and a proven track record in driving growth at private equity-owned and Fortune 500 companies. Most recently, Blair was the Chief Marketing Officer for Hal Leonard, and helped deliver record revenue and EBITDA. Prior to Hal Leonard, Blair was the Vice President of Marketing and Global Sales at Sartori Cheese and also held various leadership roles at Kraft Foods. Blair received his Masters in Business Administration from the University of Wisconsin and his Bachelor in Arts in Economics from Brigham Young University.

At Gilman Cheese Corporation, we recognize that our greatest strength is our people, and we remain committed to investing in their professional development. To that end, we are proud to partner with Chippewa Valley Technical College (CVTC) and offer select team members the opportunity to participate in CVTC's eight-month Management Development Series. We just surpassed the halfway point, and each participant is growing personally and professionally. This series provides managers the opportunity to learn and understand their management style and how to create strong, purposeful teams within their organization. Topics have included building on our strengths, deepening our understanding of effective management, gaining insight into various decision-making approaches, and engaging in strategies to lead teams toward success.



Aerial Work Platforms, Inc.

ROBERT RIVERA PRESIDENT



AERIAL WORK PLATFORMS, INC.

Aerial Work Platforms continues to make a name for itself as a leading company in the rental equipment industry. In Q2, AWP was named as a leader (based on percentage growth from 2020 to 2022) on the Rental Management Market Movers list of companies with more than \$10 million in annual equipment rental revenue. Additionally, AWP ranked 101st and received an honorable mention on Rental Equipment Register magazine's list of 100 largest rental companies based on rental volume.

2023 MARKET MOVERS Rental Management Market Movers
\$10 million or more in annual equipment rental revenue
* Indicates multi-year Market Mover

Leaders in percentage growth 2020 to 2022

Company	Location	2020 \$m	2022 \$m	% growth
Rental Equipment Center	Denver	3.5	19.5	457%
* ChaseCo Rentals	Sullivan, Mo.	4.7	13.2	181%
* All Choice Rentals	Drayton Valley, Alberta, Canada	6.7	18.1	170%
* Vandalla Rental	Vandalla, Ohio	20.5	39.2	91%
* Rental Equipment Investment Corp. (REIC)	Miami	79	147	86%
Stephenson's Rental Services	Mississauga, Ontario, Canada	93.4	169.9	82%
Nor-Val Rentals	Armstrong, British Columbia, Canada	12	21.5	79%
* Cooper Equipment Rentals	Mississauga, Ontario, Canada	157	275	75%
Target Rental	Durango, Colo.	6.5	10.1	55%
* Tejas Equipment Rental	San Antonio	13.1	20.3	55%
* Robertson Rent-All	Ottawa, Ontario, Canada	7.3	11.2	53%
Aerial Work Platforms	Sussex, Wis.	8.9	13.1	47%
* RentalMax	Carol Stream, Ill.	14.5	21.2	46%
Durante Rentals	New Rochelle, N.Y.	24.1	34.5	43%

Note: Rental revenue numbers are rounded figures from those reported by the companies while percentage growth was determined by using total numbers reported.

RER Rental Equipment Register

Rank	Company Name (Last year's rank) Headquarters, Top Officer Website	2022 Rental Volume in Millions	2022 Total Volume in Millions	Total Number of Outlets	Editorial Comments
99	ILLINI HI-REACH (95) Crown Point, Ind. Larry Workman www.hi-reach.com	\$14.8	n/a	5	Another Chicago-area aerial specialist with headquarters now in Northern Indiana, but covering the whole Chicagoland area including north Indiana and south Wisconsin, Illinois and Michigan.
100	CHASECO RENTAL (-) Sullivan, Mo. Levi Dawson www.chaseco-rental.com	\$13.2	n/a	4	General equipment rental company enjoyed a 51-percent rental revenue hike with the same stores.
HONORABLE MENTIONS					
101	AERIAL WORK PLATFORMS (-) Sussex, Wis. Robert Rivera www.awpdelivers.com	\$13.1	\$18.0	4	As the company name suggests, an aerial rental specialist, with a lot of Genie, Skyjack, JLG, JCB and Hybrid. Since acquisition by Borgman Capital in December 2020, rental revenue has grown 48 percent.

Also in Q2, in May, AWP participated for the third year in a row in Kids Building Wisconsin's signature event. The annual event focuses on getting kids interested in the numerous exciting careers available in the construction industry and included 8,292 attendees, 350+ volunteers, and 60+ exhibits. AWP was on site to run scissor lift rides for attendees, which were a huge hit with lines from open to close. Our dedicated employees and their families are what make AWP successful. Thank you to the entire Aerial Work Platforms team for all their hard work every day to give our clients the best experience possible.



Southeastern Meats

JAMIE ARDREY PRESIDENT



It appears consumers have re-found their footing. Heading into the second quarter of the year, demand was softening as consumers were adjusting to higher prices, supermarket customers were reducing their inventories and inflationary fears persisted. Indeed, in April and May we saw lower sales volumes. However, since the beginning of June, sales volume has returned to more normal levels and we anticipate renewed growth as Southeastern Meats' new initiatives come online in the third quarter.

Over the next several months, Southeastern Meats Pick 5 will introduce new packaging for selected items and begin launching new products. French fry products and certain chicken nuggets and chicken tenders will now be packaged in a resealable printed bag, decorated with Southeastern Meats' red, white and blue banner and featuring a large window to highlight the quality of our product. These products were previously packaged in a clear bag with a plain white label. New product launches slated for the third quarter include French toast sticks and mini corn dogs. While these items have not yet hit the market, we thought we'd "whet your appetites" with a small sample of what's to come.



A preview of the new packaging/resealable printed bag for select Pick 5 items.



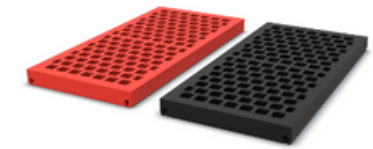
Pick 5 French Toast Sticks are slated to hit the market in 3Q2023.

Durex Products, Inc.

BILL FEIERABEND PRESIDENT



As we pass the halfway point of 2023, Durex Products is reaping the benefits of the operational plan that was implemented at the beginning of the year. In Q2, the team was focused on manufacturing standards, costing, operational improvements, and identifying market opportunities. As a result of these efforts we are seeing gross margins trending upward month-over-month in urethane and wire, as well as gains in adjusted EBITDA. We will remain focused on these areas in Q3.



Additionally, we are nearing completion of major tooling improvements on our 1x1x30mm and 1x1x40mm modular panels in urethane. These improvements will give Durex a big opportunity to compete within this sector of the business. We have already held several conversations with customers who are excited about the new-and-improved products coming soon. With the new tooling improvements in place, we will be able to produce more efficiently and increase profitability to better service our customers.

K.G. Stevens

JASON GAARE PRESIDENT



It's been more than six months since the add-on acquisition of Minnesota Tile and Stone (MTS), and I couldn't be prouder of our team for their work on finding synergies between the two companies. The largest benefit to date is within our supply chain, which should continue to deliver margin improvement in the future. While facing macroeconomic headwinds, we have been focused on building the foundation of our business platform in order to further grow and expand. While we have been challenged with softness in residential channels, activity continues to be strong in the commercial sectors of our business. Our sales efforts have focused on claiming market share by leveraging our reputation of industry-best customer service and delivering inspiring new spaces with high quality products. The operations teams are focused on building processes that aligning project lead times with customers' expectations.

I am also incredibly proud to highlight that KG Stevens has surpassed 900 five-star reviews on Google -- by far the most in our market and a testament to our relentless focus on customer satisfaction. KG Stevens also recently received two prestigious awards through our relationship with Costco. First, the "All Star" award for running the second most successful program in the country. This is based on revenue per warehouse and overall project management effectiveness. Second, we were recognized with the "People Pleaser" award based on the lowest member escalation rate in the country. Our team's focus on the customer has resulted in less than a 0.02% escalation rate after over a thousand successful projects.

We are excited for the future and can't wait to see what we can accomplish as we continue to build upon the strengths of KG Stevens and Minnesota Tile and Stone.



A recent countertop and cabinet project for a residential customer.



Babcock Hall, University of Wisconsin-Madison project

REAL ESTATE PRACTICE UPDATES

Borgman Capital Acquires Portfolio of Five Industrial Buildings Including MGS Manufacturing Headquarters

Borgman Capital has acquired a portfolio of five industrial manufacturing and warehouse buildings totaling approximately 478,000 square feet. MGS Manufacturing occupies four of the five properties, located in Germantown and Menomonee Falls, WI. The fifth property in Antioch, IL is occupied by Westfall Technik.

“The portfolio was highly desirable for several reasons including location of the properties, a favorable industrial real estate market, and high-quality tenants occupying the buildings,” said Matt Kiefer, Director of Real Estate Investments with Borgman Capital. “In particular, MGS Manufacturing is fully committed to its headquarters in Germantown, having just announced a state-of-the-art expansion project to create a Global Healthcare Manufacturing Center of Excellence. We look forward to partnering with MGS on its headquarters expansion which will be an integral part of the company’s future success and growth.”

The acquired portfolio includes the following properties:

- N117W19125 Fulton Drive, Germantown, WI
- W188N11707 Maple Road, Germantown, WI
- N118W19328 Bunsen Drive, Germantown, WI
- N94W14661 Garwin Mace Drive, Menomonee Falls, WI
- 606 Drom Court, Antioch, IL

The 118,652-square-foot MGS Innovation Center will be located within the Germantown Industrial Park. The expansion will connect the existing headquarters into one continuous campus, enabling an exceptional customer experience and collaboration across all functional areas of the company.

[**READ MORE HERE**](#)



Borgman Capital and Marquette University Students Partner on Real Estate Investment

The Marquette University Real Estate Asset Program's (REAP) third deal - and first industrial investment and portfolio investment - is in the books, with deal sponsor and partner Borgman Capital. Launched last year as a groundbreaking hands-on educational experience, REAP uses about \$2 million from actual investors who decide whether to accept certain deals based on analysis and presentations from Marquette University Center for Real Estate students.

The Marquette students partnered on Borgman Capital's May purchase of five industrial buildings, including the MGS Manufacturing campus in Menomonee Falls and Germantown, WI.

"REAP gives students real-world experience that, as a potential employer for these students moving forward, would give them a leg up," said Matt Kiefer, director of real estate investments for Borgman Capital.

The REAP program is for juniors and seniors and lasts three semesters. The students analyze offerings provided by companies, digging into their projected future revenue, the pros and cons of the surrounding community, and attractiveness of their tenants, for example. In May 2023, nine seniors who participated in the program graduated from Marquette University, representing REAP's first graduating class.



[Read more in the Milwaukee Business Journal article here.](#)

Real Estate Investment Criteria

Borgman Capital's Real Estate practice creates value and delivers outpaced risk adjusted returns for investors through a proven, disciplined and 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 \$5 and \$60 million**
- **Industrial, Office, Multi-Family and Mixed-Use property types**
- **Stabilized core-plus investments and sale leasebacks**
- **Value-add and opportunistic investments located in strong markets**
- **Joint ventures with developers and owner-users**
- **Location agnostic**

INVESTOR HIGHLIGHT

ANNE FERGUS



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

After spending the past 25 years in Milwaukee where Anne Fergus was an endodontist and managing partner at Wisconsin Endodontic Group (WEG) as well as a partner in STAR properties, Anne and her husband Dave recently moved to Peoria, Illinois for business reasons. Anne transitioned out of WEG and is now serving as an Adjunct Assistant Professor at the University of Iowa Dental School to support the next generation of dental leaders while also providing management and financial improvement consulting to dental professionals.

"Expanding my private placement network to include Borgman Capital was one of the easiest and best investment decisions I have made. There were really four simple factors: First, this team is comprised of professionals with exceptional backgrounds and integrity. Second, great deal flow is critical and they clearly have that covered. Third, I have been thrilled with the way they structure deals to align the incentives of Borgman, the investors, and the portfolio management teams. Finally, follow-through and communication. Borgman is actively managing the investments in a manner that provides me with great confidence. Since my initial investment through Borgman, I have been a big fan and am happy to report that they are representing an increasing share of my invested dollars."

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