

# Q3 NEWSLETTER

---

MILWAUKEE, WI | OCTOBER 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 - Q3 2022

SEQUOYA BORGMAN, FOUNDER & CEO

When it comes to the current economy outlook, we are certainly finding out what happens when you only have to land a plane once every decade or so. No matter how much you practice on a simulator, the landing isn't going to be soft. At this point, the Federal Reserve is more concerned with saving the passengers and getting us out of sky-high inflation, than how the economy actually lands. Buckle up, because it is surely going to be a bumpy ride for the next several quarters or longer. We may walk away from this downturn, but not without structural damage that will take a long time to repair. It is time to focus on the fundamentals and do whatever is required to come out stronger on the other side of this market.



That being said, it is a great time to be a long-term investor in the private markets. The public markets are getting hammered as present values are dramatically impacted by rising interest rates and short-term macro-economic trends. Fortunately, lower middle-market leveraged buyouts have so far seen little impact from the rising rate environment. Per the September GF Data Business Services Industry Drilldown covering deal activity in the \$10 to \$250 million range, "Pricing crept up in the first half across all Business Services deals – reaching an average of 7.5x TTM Adjusted EBITDA."

We are also fortunate that the debt markets remain open and we can continue to actively invest in great companies with a focus on long-term returns.

As I reflect on Borgman Capital's fifth anniversary this month, one of many important lessons we have learned time and time again is that success starts with buying from founders and/or families who sincerely care about the continued success of their business. Once we acquire the business, we don't take lightly the responsibility we have to make sure it succeeds under our care and partner with the right management team. At the end of the day, regardless of what the market is doing, success comes down to people. It's true within our portfolio companies, and it's certainly true within our firm.

To each and every person who has played a role in Borgman Capital's success over the past five years, especially my partners and team, thank you for being part of this journey. I truly believe the best is yet to come.

# FIRM NEWS

JULY | AUGUST | SEPTEMBER 2022

## CONGRATULATIONS BRENT ADAM, BIZTIMES MEDIA NOTABLE CFO

Brent Adam has been named a 2022 Notable CFO winner by BizTimes Media. Since joining Borgman Capital in May 2020, Brent Adam has been an integral member of the firm, resource to junior team members and trusted partner to his peers - the CFOs of Borgman Capital's portfolio companies. Most recently, Brent was instrumental in leading the financing and structuring of the largest add-on acquisition in the firm's 5-year history, with his efforts leading to the successful closing of Dairyfood USA on May 23, 2022. | [READ MORE HERE.](#)



## WELCOME JAMIAH BOYD, FALL 2022 MARKETING INTERN



Join us in welcoming Jamiah Boyd to the team! Jamiah is the Fall 2022 Marketing Intern at Borgman Capital. Jamiah is a sophomore at the University of Wisconsin-Milwaukee where she is studying to obtain her finance degree. Jamiah is a native of Milwaukee and graduated from Wisconsin Lutheran High School. While in high school and at the beginning of the Covid-19 pandemic, Jamiah started a wig company called Boss Collections, with a mission to help low-income women in Milwaukee look lovely. The business has become successful since then and Jamiah hopes to expand into a brick-and-mortar store one day.

In her spare time Jamiah enjoys working on her entrepreneurial and leadership skills by working many jobs like Uber, Instacart, and most recently Fat Tuesday as a shift manager. When Jamiah is not working, she is involved in professional business fraternity Delta Sigma Pi. In the spring semester of 2021, she was elected Vice President of Scholarships and Awards and started a chapter scholarship through fundraising to reward the top three brothers in the fraternity for their hard work.

Jamiah was introduced to Borgman Capital through a University of Wisconsin-Milwaukee program called the Student Success and Talent Pipeline Initiative which provides students with early career experiences that develop an array of professional and personal skills necessary for post-graduation success in the Milwaukee area.

# FIRM NEWS

JULY | AUGUST | SEPTEMBER 2022

## FIRM VOLUNTEER OUTING AT NEIGHBORHOOD HOUSE

In July the team spent the afternoon at the Neighborhood House of Milwaukee beautifying the children's playground area and outdoor space. Founded in 1945 as a safe and nurturing place for urban youth, families and seniors, Neighborhood House is a community center serving individuals and families at all stages of life and regardless of income. Its mission is to inspire discovery in children and families of all backgrounds in our community.



## SEQUOYA BORGMAN FEATURED ON THE TECHED PODCAST

In this episode of the TechEd Podcast, host Matt Kirchner talks with Sequoya Borgman about strategies for how businesses can create the most value in their company, why investing in your people is so crucial for a business owner, and why manufacturing is ripe for opportunity in the U.S. Sequoya also shares his journey to founding the firm in 2017.

The TechEd Podcast was launched in 2021 to bridge the worlds of technical education and the workforce. Past guests include leaders from Kohler, Rockwell Automation, Snap-on, Oshkosh Corporation and more. | [LISTEN HERE.](#)





# 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](mailto:sequoya.borgman@borgmancapital.com) or 414.975.4629

# PORTFOLIO COMPANIES

## PRESIDENTS' UPDATES



## DUREX PRODUCTS, INC.

### CHAD HACKETT PRESIDENT

The third quarter of 2022 has continued to provide strong sales and production numbers. The team has successfully focused on reducing the past due backlog and was able to improve our on-time performance going into the fourth quarter. Raw material availability and pricing has started to level off and become more stable, which will allow us to manage our inventory and margins more successfully to finish off 2022.

Part of our strategic plan has been focused on strengthening our leadership and management teams through increased training and employee focus. Durex has brought on board a training consultant and started a three-month training program with our supervisors to enhance their leadership skills. The focus has so far been on identifying our leaders' strengths and focusing on our employee strengths through positive motivation. Feedback from the supervisors has been that it has really presented skills and a leadership model that they have not been exposed to previously. The management team members, including myself, are learning a lot about themselves and taking away skills to enhance Durex and make it a better company.

Garrett Radinzel has joined our engineering department and is excited to get his feet wet in our industry. He comes from a local manufacturing company and will be a much-needed resource to continue to focus on the sales volume we are seeing, along with production and safety improvements.

# PORTFOLIO COMPANIES

## PRESIDENTS' UPDATES



Jamie Ardrey

## SOUTHEASTERN MEATS

### JAMIE ARDREY PRESIDENT

At the beginning of September Southeastern Meats welcomed Jamie Ardrey as President. Jamie brings more than four decades of experience in the food industry to Southeastern Meats. He has also been involved with the Southeastern Meats and Signature Pick 5 businesses for the last five years in both advisory and operating roles. Over this period, Jamie has come to appreciate Southeastern Meats Pick 5's unique position in the supermarket and the opportunity to expand and grow the brand.

After starting his career as a banker in the consumer products sector in the early 1980's, Jamie co-founded Aurora Foods, a company that acquired and rehabilitated neglected brands including Duncan Hines baking mixes, Log Cabin syrup, Mrs. Paul's frozen seafood and Lender's frozen bagels. It was here that he came to appreciate the value, strong cash flow characteristics and potential to build or re-build branded food businesses. Following Aurora Foods, Jamie was CEO of Laura Secord, Canada's largest confectionery company, and then led the restructuring of Signature Marketing, LLC, the previous owner of the Signature Pick 5 line of products.

At the close of the third quarter demand for the company's Pick 5 products remained robust. While Southeastern Meats continues to face supply chain and labor challenges, there are signs of relief. The company is still experiencing delivery delays and out-of-stocks, but more items it purchases are again readily available. Labor continues to be a challenge, but the company expects to see improvement as new recruiting and training practices are put into place. The company is poised to improve productivity and begin meeting increased demand for its products.

# PORTFOLIO COMPANIES

## PRESIDENTS' UPDATES



AERIAL WORK PLATFORMS, INC.



## AERIAL WORK PLATFORMS (AWP)

**ROBERT RIVERA** PRESIDENT

Aerial Work Platforms continues to break into new markets that not only help us in our journey to expand in the marketplace but also make a positive impact in the communities we serve. Many cities around Wisconsin have taken to adding artwork on their buildings and most, if not all, projects require a lift to elevate the artist to heights that are not safe with a ladder. Seeing our lifts used to beautify communities and buildings around the state makes all of us at Aerial Work Platforms proud to be a part of this movement.

With AWP's brand-new fleet of light towers and generators, we are now able to support the wonderful festivals and outdoor celebrations that Wisconsin has to offer. This summer alone we have been part of church festivals, special park festivals, and large county festivals across the state. If you are involved with or know of anyone in charge of one of these events, we would love to hear from you and support your needs in 2023.

Finally, I am thrilled to report that our third quarter was a record-breaking quarter in company history. This achievement is the culmination of a solid foundation and reputation mixed with the many new initiatives that we have introduced in less than two years.



# PORTFOLIO COMPANIES

## PRESIDENTS' UPDATES



### ASCENDTEK

#### RICK PLOECKELMANN PRESIDENT



*AT&T Project*



*Verizon Project*

The AscendTek team is marching into Q4 with a great deal of confidence and clarity. In the last quarter, we recognized significant organic growth and overall improvement in operating performance from the same period last year, consistently exceeding our projected budget and delivering strong results. Specifically, in the three-month period from June through August of 2022, AscendTek's topline revenue grew by nearly 60% compared to the same period in 2021, increasing from \$17.1 million to \$27.7 million. Even better, in this same three-month period, the AscendTek team added nearly \$2.4 million in EBITDA with overall EBITDA margins of 12%.

Our leadership team has done an excellent job in collaborating to elevate our access to key market relationships, improve our negotiating position, and integrate our systems in support of driving operational excellence. Our implementation of a unified project management ERP has yielded clear results in all locations and foundational implementation has been achieved in all operations. Full implementation will be complete in the remaining two locations by the end of October.

Our position as a key market player has caught traction and is generating strength in establishing long term partnerships across all our operations. The partnership level engagements supported by the work execution our team delivers has granted us access to more clarity and information than our operational leadership thought possible. Becoming a part of the planning cycle with Verizon, DISH, and AT&T is generating clarity to support our team making the right strategic decisions for committed resources as we initiate our planning for 2023. The best is yet to come, but we are pleased with our progress and enjoying the tailwinds.

# PORTFOLIO COMPANIES

## PRESIDENTS' UPDATES



## GILMAN CHEESE CORPORATION

### DAVID DELGADO PRESIDENT

People are, without a doubt, the most important asset for us. This year, Gilman Cheese has focused on working from the inside out -- looking at existing resources and how we can streamline internal operations to become more efficient to drive value. Building up our people's internal strengths and abilities leverages our assets at the service of our consumers.

This strategy, along with our good communication and understanding of what our customers need, led us to a solid demand during 3Q2022. Gilman Cheese continued to increase its customer base and grow both top-line sales and bottom-line income. We have done so by enhancing our digital marketing, improving customer communication, and applying a strong focus to our quality products and on-time and in-full deliveries (+99%). Through the end of the year, we will refocus our efforts to help our customers innovate with new flavors and sizes.

The business integration between Gilman Cheese and Dairyfood USA continues. What makes Gilman Cheese Corporation, with our two facilities in Gilman and Blue Mounds, Wisconsin, stand out from the competition is the way we engage our customers to help them grow their businesses. The result is a more strategic relationship between Gilman Cheese and our customers. The response we have received from our customers because of our efforts has never been better. This is just the beginning.

# PORTFOLIO COMPANIES

## PRESIDENTS' UPDATES

Material Handling Holdings LLC



## MATERIAL HANDLING HOLDINGS

**STEVE DEANGELIS** PRESIDENT

### **Solution Dynamics wins large order with US Postal Service**

The United States Postal Service recently selected Solution Dynamics as their source for new bulk mail handling equipment. USPS will utilize these 57 mobile container tilters to move bins of bulk mail around distribution & sorting centers across the US.

Solution Dynamics continues to grow and be recognized as a leading distributor for both off the shelf and customized material handling equipment. With a broad range of available products from industry recognized equipment brands, Solution Dynamics' knowledgeable sales team continues to build on their reputation as a leading material handling solution provider.

**LIFT PRODUCTS**  
INNOVATIONS IN ERGONOMICS

### **Lift Products Manufacturing sets another new production record**

Our ongoing focus on capacity and efficiency improvements at Lift Products Manufacturing (LPM) in Waupun, Wisconsin continues to deliver added value to our customers and our business results. LPM General Manager Jamison Davies and his team set another monthly production record in September, outperforming 2021 average monthly production volume by more than 22%. With similarly strong output in July and August, LPM reduced their overall backlog by greater than 25% during the quarter. These milestone achievements are particularly notable considering continued skilled labor resource shortages at LPM.

Congratulations to Mr. Davies and his talented team on these outstanding results!



*Lift Products Manufacturing in  
Waupun, Wisconsin*

# REAL ESTATE PRACTICE UPDATE

## THREE PROPERTIES IN REAL ESTATE PORTFOLIO DIVESTED

Borgman Capital has sold three industrial properties in its real estate portfolio to The Terrace Group, a full service commercial real estate company based in St. Paul, Minn.

The industrial buildings are located in Janesville, Neenah and Sussex and total 56,500 square feet. The three buildings are fully leased to Borgman Capital's portfolio company Aerial Work Platforms, Inc.



## 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](mailto: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.



## Joe Gehrke

CEO

KESSLERS DIAMOND CENTER

**"First and foremost, I think it is really important to partner with people that align with your values. Sequoya, Mike and Dave are three exceptionally high character individuals who I am honored to call partners. I know that they are doing everything in their power to create value and returns for their partners because they genuinely care about those individual relationships....they don't want to let you down. While there is obvious financial alignment in each transaction, I believe their definition of success extends beyond the financial return. That symbiotic relationship to produce quality outcomes with quality people is what Borgman Capital is all about. "**

---

Joe Gehrke is the CEO of Kessler's Diamond Center Inc., an employee-owned diamond retailer with eight locations throughout Wisconsin and Michigan. Gehrke joined Kessler's Diamonds in 2017 from Associated Bank, where he worked in commercial banking for 17 years. During his tenure at the bank, he provided financial guidance and services to a variety of corporate customers, including Kessler's Diamonds. Gehrke, a native of Michigan's Upper Peninsula, lives with his wife and three daughters in Grafton. He holds a bachelor's degree in finance and economics from the Haworth College of Business at Western Michigan University.

# 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.