

Q3 NEWSLETTER

MILWAUKEE, WI | OCTOBER 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

BORGMAN CAPITAL Q3 HIGHLIGHTS

A NOTE FROM SEQUOYA BORGMAN, MANAGING DIRECTOR, BORGMAN CAPITAL

Through the third quarter, 2021 is turning out to be a much tougher business environment than anticipated. We thought getting through 2020 unscathed was an accomplishment, but the current economic environment is becoming just as challenging to navigate. The uncertainty surrounding the supply chain, the labor market, and inflation makes it very difficult to forecast beyond a month or two.

Given that we are heading into the busy shipping season, we believe the supply chain challenges are going to get worse before they get better. Lead times continue to drag out. Demand for transportation and shipping containers exceeds supply and will continue to drive costs upward. Given the current situation, it will take at least a year or two for the supply chain to normalize. The disruption has truly revealed how fragile the global supply chain really is.

We are seeing real inflation across our portfolio. Even though the Fed is forecasting a 4.2% inflation rate for the year, we are seeing double digit or higher increases in starting salaries, shipping/transportation costs, packaging costs, and in fuel, steel, and other commodities. As these prices continue to rise, it will become difficult to pass them on fast enough to avoid impacting the bottom line.

The most concerning aspect of the economy is the current labor market. Despite double-digit increases in starting salaries, we cannot hire enough people to keep up with demand. We are seeing this at all of our companies. Unskilled labor is next to impossible to find. However, we are not seeing this issue just at the lower skill labor level. It is a very tight labor market for skilled roles as well. We were anticipating that the reduction in the federal and state unemployment benefits would ease the situation. Unfortunately, we have not seen an uptick in available labor and do not see the situation easing anytime soon. The costs of higher starting salaries, as well as recruiting, training, and retention, are being passed on to the consumer and exacerbating the inflation situation. Since salaries aren't going to go down even when the labor situation eventually does normalize, these price increases are here to stay.

Our biggest concerns going into 2022 are that the government will start to pay for the COVID stimulus incentives through tax

increases and that inflation will drive up interest rates. This will have a negative impact on all of our businesses.

On a positive note, demand continues to exceed production capabilities across the portfolio and consumers have been accepting of price increases.

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**SEQUOYA BORGMAN,
FOUNDER AND MANAGING DIRECTOR OF BORGMAN CAPITAL**



ACQUISITIONS

“We are excited to officially launch our real estate practice with the acquisition of these three industrial properties.”

SEQUOYA BORGMAN

BORGMAN CAPITAL ACQUIRES INDUSTRIAL REAL ESTATE PORTFOLIO

Borgman Capital acquired a portfolio of three industrial warehouse real estate assets. The properties are located in strong markets across Wisconsin, which include Janesville, Sussex, and Neenah. The three stabilized, single-tenant assets are fully occupied and are leased to Aerial Work Platforms (AWP). Founded in 1979, AWP is a Wisconsin-based company specializing in renting, selling, and servicing aerial lift equipment. They have a strong reputation for providing high quality equipment and outstanding customer service.

“We are excited to officially launch our real estate practice with the acquisition of these three industrial properties,” says Sequoia Borgman, Founder and Managing Director of Borgman Capital.

Borgman Capital – Real Estate is an investment capability dedicated to creating value and enhancing returns for investors through a proven, disciplined investment strategy. We seek to promote a positive legacy through our real estate investments by delivering meaningful projects that better communities. We unlock value by invoking a deep understanding of real estate markets, taking a creative approach to our role, and fostering lasting relationships with the professional real estate community.



AERIAL WORK PLATFORMS, INC.

PORTFOLIO COMPANIES – PRESIDENTS’ UPDATES



We are exceptionally proud of our manufacturing process and the remarkable group of people shaping the Gilman Cheese family.

GILMAN CHEESE CORPORATION

DAVID DELGADO PRESIDENT

At Gilman Cheese, we see the demand for our product remains solid in 2021; a crucial piece of this positive trend is the quality of our products. We are exceptionally proud of our manufacturing process and the remarkable group of people shaping the Gilman Cheese family. This attention on providing high-quality products will continue as a vital component to support the company’s growth.

Our employees are, without a doubt, our most important asset, and while we are very proud of the men and women at Gilman Cheese for ensuring high-quality products, we also need to fortify our methods and processes to further employee retention. The labor shortage is another basic concern across the country; Gilman is not exempt from this issue. The current labor dynamic also includes high employee turnover. This quarter, we assembled a task force that zeroed in on comprehending this issue and characterizing specific activities that decrease turnover. We must make sure our teams know each workstation is essential to our success.

Inflation is another aspect that we manage; as in many other industries, manufacturing costs have increased. Cost reduction through operational excellence is underway at Gilman Cheese. The team is engaged, focused, and aligned to the daily indicators from planning to shipping. Actively seeking to “Win the Day,” this quarter we began “Our Credo in Action,” as well as daily monitoring and discussing the Key Performance Indicators. As the late author Robert Collier wrote, “Success is the sum of small efforts repeated day in and day out.”

Another aspect we are working on to address inflation is quarterly review pricing, so we can be certain that costs reflect current business dynamics.

Finally, since the challenges of COVID-19 remain with us and the health and welfare of our team members is always our number one priority, we will continue encouraging our team to follow the CDC’s guidance, including as it pertains to vaccination.

It has been a challenging time, but we have an engaged, dedicated, and focused team actively seeking to “Win the Day.” We look forward to 2021 being one of the best years for Gilman Cheese.



Our partnership with Verizon for C-band deployment marks an exciting milestone for AscendTek while validating a key component of our strategy to elevate our value proposition through integration of robust regional operations.

ASCENDTEK

RICK PLOECKELMANN PRESIDENT

On August 17th, AscendTek was awarded a three-year market partnership contract with Verizon Wireless for the Wisconsin/Illinois market (ILWI) to lead their C-band technology deployment. Our partnership with Verizon for C-band deployment marks an exciting milestone for AscendTek while validating a key component of our strategy to elevate our value proposition through integration of robust regional operations. This agreement transitions our strong relationship with Verizon to the next level, delivering critical market visibility and planning insight through site assignments that will now be grouped in batches up to 350 at a time versus the conventional model of one by one. This clarity and alignment facilitates the assignment of dedicated resources, accuracy in forecasting, and efficiency gain as assigned personnel will remain with the project throughout the execution of construction.

While the partnership with Verizon is the most exciting news, it is one of multiple projects AscendTek is initiating with key clients across our platform that will provide consistent and sustainable access to desirable work over the coming 18 to 36 months. Some of these additional projects and commitments include DISH Networks' deployment of their grassroots network across the country, Ericsson/T-Mobile's "Rip & Replace" in the Southeast, and AT&T C-band deployment in the Northwest and Midwest.

Through 18 months of pandemic-driven market challenges, the resilience and strength of the AscendTek leadership team has proven exceptional. The greatest remaining challenges from the pandemic have been supply chain and human capital, largely delaying the launch of these major projects from their original projected start dates much earlier in the year. That being said, as the arrival of carrier-provided materials becomes more consistent, AscendTek's position to recover from the pandemic with profitable growth will only be limited by our ability to add personnel to our team in a challenging labor environment. We are confident that our Center of Excellence for Recruitment and Training will deliver best-in-class results to attract the right candidates and provide them with the tools they need to accelerate their ability to succeed. This is an exciting time, and we look forward to delivering more positive news in the quarters to come.

MHH - MATERIAL HANDLING HOLDINGS

STEVE DEANGELIS PRESIDENT

Material Handling Holdings LLC

LIFT PRODUCTS INC.
INNOVATIONS IN ERGONOMICS



While we face the common economic headwinds related to supply chain and labor force instability, the material handling industry outlook overall remains encouragingly strong ...

As the new leader of Material Handling Holdings, I am thrilled to be joining the organization at a time of great opportunity. While we face the common economic headwinds related to supply chain and labor force instability, the material handling industry outlook overall remains encouragingly strong, and both LPI and SDI continue to see steady new order volume as the economy continues to ramp back up.

I've had the opportunity in Q3 to build relationships with and learn from key team members, and to travel with some of our dealers to see first-hand the tremendous opportunities for our products across a range of industries and applications. The direct voice of this customer is invaluable, serving to help reinforce and refine our unique value proposition and inform our new product expansion plans.

Lift Products remains dedicated in the near term to controlling costs and managing supply chain lead time to ensure that the needs of our customers are met. In parallel, we are continuing our ongoing efforts to streamline internal processes and expand the capabilities and capacities that will enable us to focus on more strategic, large customer opportunities going forward.

AWP - AERIAL WORK PLATFORMS

ROBERT RIVERA PRESIDENT



We are excited to share the news that, despite these challenges, Aerial Work Platforms has successfully opened its fourth location in the ever-growing Kenosha market.

Even with all the world issues going on in 2021, Aerial Work Platforms continues to stay focused on growth. The global shortage of supplies causing long lead times on equipment are creeping into Q2 of 2022 so the need to utilize existing fleet with increasing efficiency is at an all-time high. Another ongoing challenge around the country is the labor shortage that has impacted every sector of business to the point where some companies have been forced to sell or close.

We are excited to share the news that, despite these challenges, Aerial Work Platforms has successfully opened its fourth location in the ever-growing Kenosha market. This will allow AWP the opportunity to service this territory as a local delivery option and position us to be part of the community as well.

A 22% increase in staff has paved the way for our initiative to increase our market share across the state. We are convinced that there are still many opportunities to continue to grow.

As society continues to open up, there has been an increase in the number of outdoor events. AWP played an integral part in Waukesha's Fox River Church movie night, where 45 televisions were linked together and suspended by a telescopic forklift so families could enjoy a relaxing family night. In Fitchburg, WI, another great event took place; Kids Building Wisconsin inspires kids to think about entering the trades. There were 3,600 registered attendees. AWP provided 53' scissor lift rides so everyone in the family could experience a day in the life of a contractor.



Kids Building Wisconsin 2021



The demand for
our products is
outpacing supply,
which prompted
us to implement
lean manufacturing
practices.

SOUTHEASTERN MEATS

MARINO PAPAZOGLU PRESIDENT

During the third quarter, Southeastern Meats established their values and mission statement:

VALUES: *Safety, Integrity, Value Creation & Teamwork*

MISSION STATEMENT: *We make sure our delicious frozen meat, seafood, and vegetables are accessible and affordable to all customers by using best-in-class processing and food safety practices, and by providing outstanding customer service.*

We commit to be the best for our customers, suppliers, employees, stakeholders, and communities.

For Q4 of 2021, we have set a target of increasing our Productivity Improvement Rate by 10%. Currently, the demand for our products is outpacing supply, which has prompted us to implement lean manufacturing practices. To further address the supply-and-demand issue, we are also looking at evaluating new sources of vegetables from Central and South America. This would mitigate the exponential increases in costs related to overseas supply chains. Likewise, our current customer base has been inquiring about the introduction of new product lines based on Tex-Mex vegetable product mixes, so we will be exploring the possibility of such a new product line in Q4 of 2021.

It is commonly known that organizations everywhere are experiencing supply-and-demand challenges as a result of the labor shortage, and SEM is no exception. While we have been focused on maximizing the efficient use of our team's talent with the goal increased output rates, we have strengthened our commitment to improving employee recruiting and retention rates by implementing more robust orientation and onboarding processes, creating a bonus program for hourly employees, and offering flexible schedules.

This push has already paid off as we are very pleased to report two new additions to our team; Blue Akers, our new Chief Financial Officer, and Kristina Jevtic, our new Safe Quality Food (SQF) Practitioner, will both join our team in October 2021. Furthermore, Derek Blalock was promoted to the position of Procurement Manager; in his new role, Derek will procure most raw materials as well as oversee Maintenance, Repairs and Operations. We are also delighted that Charline Kimbrel accepted a promotion to the position of Master Scheduler; in her new role, Charline will organize and manage production schedules for our three production areas.

Along with our outstanding Employee Safety Performance – zero accidents or recordables year-to-date, our Food Safety and Operations teams deserve congratulations for their excellent work; three USDA inspection officers conducted a thorough, week-long audit of our facility that produced no major findings. According to the Chief Inspection Officer, ours is one of the cleanest facilities they've inspected. We recently upgraded all of our food safety systems and processes, which will not only help increase our output rates, but will also assist the team in preparing for the Safe Quality Food (SQF) Audit scheduled for November 4 and 5, 2021.

We are excited by the prospect of experiencing more new growth in the next quarter as we continue to meet the challenges brought by the current supply-and-demand landscape.

NEW HIRES



MATTHEW PIKUS

ASSOCIATE

Matthew Pikus is an associate of Borgman Capital LLC. Prior to working at Borgman Capital LLC, Matthew spent three years with Wells Fargo's Middle Market Banking team. During his time there, he was responsible for structuring new debt facilities and underwriting a portfolio of existing middle market customers. Prior to Wells Fargo, Matthew spent time interning in equity research and at a sports-focused start-up.

Matthew holds a bachelor's degree in finance from Saint Louis University.

INVESTOR HIGHLIGHTS



RON MILLER

**MANAGING DIRECTOR
AND HEAD
CIBC CLEARY GULL**

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Ron Miller is Managing Director and Head of CIBC Cleary Gull. Located in Milwaukee, CIBC Cleary Gull is the U.S. middle market merger and acquisition division of CIBC, a global commercial and investment bank. CIBC Cleary Gull advises private equity fund portfolio, privately held, and publicly traded companies on middle market sales, divestitures, mergers and acquisitions, private debt and equity capital raises.

Ron joined Cleary Gull in 1993 and has completed more than 130 merger and acquisition and public and private financing assignments which represent approximately \$10 billion in transaction value. Prior to Cleary Gull, Ron worked as a commercial banker at First Chicago Corporation and as a Financial Analyst at Morgan Stanley in New York City.

Ron earned a M.M. from the Kellogg Graduate School of Management at Northwestern University, a B.S.E. from the Wharton School at the University of Pennsylvania, and a B.A. in History from the College of Arts and Sciences at the University of Pennsylvania.

Ron is involved in a number of community activities, including being Past President of the Wisconsin Chapter of the Association for Corporate Growth (ACG – Wisconsin), Treasurer of COA Youth & Family Center, Board Member of Versiti (f/k/a Blood Center of Wisconsin), member of the Business Advisory Council of the Lubar School of Business at the University of Wisconsin – Milwaukee, on the board of SODA: Student Organ Donation Advocates, and a member of the Greater Milwaukee Committee.

Ron lives in Bayside, Wisconsin, with his wife Susan. Ron and Susan have two grown children – Rachel (21), a senior at George Washington University in Washington D.C. and Sara (25), a Senior Operations Analyst at Optum, a division of United Healthcare in Denver. In their free time, Ron and Susan enjoy traveling and (pre-pandemic) visited 37 different countries.

INVESTOR HIGHLIGHTS



MATT MOESER

CEO
CONTINUUS TECHNOLOGIES

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Matt Moeser is the founder of Continuus Technologies, headquartered in Milwaukee, Wisconsin. Continuus Technologies provides end-to-end business intelligence, data analytics, and enterprise data management (EDM) strategies and technology consulting solutions. Our consultants collaboratively serve organizations in the financial services, manufacturing, healthcare, and energy sectors. Growing from a one-man shop to a team of 55+ consultants in recent years, Continuus moved into its first brick-and-mortar office space in the heart of Milwaukee's thriving Third Ward in January 2019. Our clients and partners are located across the United States, but we take pride in our community and are passionate about working with local organizations and hosting events and meetups for the local tech scene. Continuus is proud to be on the Inc. 5000 2021 list, as well as one of Milwaukee's Fastest Growing Firms and a Top 10 Coolest Office in Milwaukee.

Prior to founding Continuus, Matt worked for various Milwaukee-based companies and consulting firms.

Matt graduated from the University of Minnesota/Institute of Technology with a dual major in Computer Science and Mathematics. Matt lives in Grafton, Wisconsin, with his girlfriend Ashleigh and son Caleb. When he's not spending time with his family, there's a good chance he can be found golfing or playing paddle tennis.

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.