

# Q1 NEWSLETTER

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MILWAUKEE, WI | APRIL 2023

**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.

# MARKET UPDATE - Q1 2023

SEQUOYA BORGMAN, FOUNDER & CEO

We can assure you that this is not written by ChatGPT. Although at this point, artificial intelligence may be able to do a superior job of predicting the economy than many of the current economists. We are not aware of anyone who predicted that we would be dealing with a bank run and several failed banks this quarter. We had already been operating in a challenging debt market for nearly a year given the Federal Reserve's aggressive interest rate increases. The failure of Silicon Valley Bank has had a direct impact on many of our banking partners. Every loan committee and credit department across the country has been forced to reevaluate their loan portfolio. Many banks had already been sitting on the sidelines to avoid locking into fixed rate loans in a rising interest rate environment. At the same time the credit quality of their current portfolio continues to deteriorate due to the Federal Reserve's push to slow down the economy. The lack of financing is certainly a challenge this quarter and we expect that to continue for the next several quarters, at the least.



The days of low interest rates and light covenants are behind us. For our business, leveraged buyouts, access to capital and access to financing is the key differentiator that separates those who will be successful in this new economy and those who will not be able to get deals done. There is no doubt that there will be great investment opportunities because of lack of access to leverage. To be able to capitalize on those opportunities and finance new acquisitions, you must already have those banking relationships in place and already have a great track record. Fortunately for our firm, the stars have aligned from that standpoint. We are near the finish line of one of our largest transactions to date and we were able to secure the equity and debt for the deal, despite what is going on in the economy. This is a real testament to the platform and the team that we have built over the last five plus years. If it weren't for that track record and the team, we would not be able to continue to source and close on great investment opportunities.

In addition, we are starting to get our first calls for turn-around situations. Those calls have been few and far between over the last three years. These are not a fit for what we focus on, but it does give us some insight into what is going on in the economy and what we should get ahead of in our portfolio. If cash flow is the air that keeps a business alive, many companies are struggling to breathe right now. The macro-economy and banking market is exacerbating the situation. Those companies that were already struggling will have a very challenging time managing through the next nine to twelve months.

# MARKET UPDATE - Q1 2023

SEQUOYA BORGMAN, FOUNDER & CEO

## *CONTINUED FROM PREVIOUS PAGE*

During the first quarter we did see a softening in demand for many of our products and services. The Federal Reserve's rate increases are clearly having an impact on the consumer. At the same time, we are seeing an improved labor market for both skilled and unskilled labor, improved supply chain and lead times and reduced transportation costs. The demand dynamics are also making it harder to accurately forecast from quarter to quarter. This contradicts the challenge of meeting demand that we have been working under since the pandemic began. The softening in demand is reducing the pricing power we have seen over the last two years. Cash flow continues to be the primary focus given the leverage dynamics of our portfolio. The good thing about buying companies with leverage is that it magnifies returns when things are going up. However, just like buying stocks with a margin account, it has the same magnifying effect when things go down.

In many cases, interest rates are now double what they were a year ago. This is having a clear impact on the private equity industry as a whole, especially for larger deals. For lower-middle market deals, where we transact, the ability to secure capital and financing is key. Fortunately, we still have the ability to finance great investment opportunities. We also have several new platform opportunities in the pipeline and continue to look at add-on opportunities across the portfolio. We are fortunate to be in a position to capitalize on some of the disruption that is going on in the industry and continue to source great investment opportunities. We anticipate the next several years to be a great time to invest in the space for firms that are able to source capital.

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.

# ADD-ON ACQUISITION ANNOUNCEMENT

## MINNESOTA TILE & STONE (MTS)

### **BORGMAN CAPITAL ACQUIRES MINNESOTA TILE & STONE**

*Company merges with K.G. Stevens; Jason Gaare named president*



Borgman Capital acquired Minnesota Tile and Stone (MTS) on December 22, 2022 and the company has merged with K.G. Stevens. The acquisition enables both companies to expand their Midwest footprint and diversify their product offerings.

Borgman Capital also announced that Jason Gaare has been named K.G. Stevens president. Gaare joins K.G. Stevens from metal fabricator Super Steel based in Mequon, Wis. where he most recently served as president.

Founded in 1930 in Minneapolis, MTS offers a unique selection of specialized products, including tile, custom fabricated natural stone, quartz, and porcelain countertops, and brick fireplaces to residential and commercial customers. MTS has five showroom locations throughout the Twin Cities in Lakeville, Minneapolis, Minnetonka, Plymouth and Woodbury, Minn.

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

**“With the addition of MTS to our existing business, we have tremendous opportunity to grow our products and services for both existing and new customers on a solid foundation of great people and high quality craftsmanship,”**

**-Jason Gaare  
President  
K.G. Stevens**

# FIRM NEWS

JANUARY | FEBRUARY | MARCH 2023

## BRENT ADAM AND MATTHEW PIKUS PROMOTED

Brent Adam has been promoted to managing director and partner, and Matthew Pikus to senior associate. The promotions were effective January 1, 2023.

“Brent and Matthew each bring a unique skillset to the team and are instrumental to our success. They are highly deserving of their new roles, and I know they will continue to excel and add value,” said Sequoya Borgman, founder and chief executive officer of Borgman Capital. “Additionally, I am thrilled to welcome Brent to the senior management team and look forward to partnering with him as we enter our next phase of growth.”

Adam joined Borgman Capital in May 2020 as chief financial officer and has been primarily responsible for partnering with the firm’s portfolio companies and their finance teams. He has also been involved in the financing and structuring of new deals. As managing director and partner, Adam will add deal origination and firm operations to his responsibilities.

Pikus joined Borgman Capital as an associate in July 2021. His accomplishments include transaction due diligence, preparing financial models and offering memoranda, and supporting Borgman Capital’s operating companies post-acquisition. He will take on additional responsibilities in these areas as senior associate.



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

# FIRM NEWS

JANUARY | FEBRUARY | MARCH 2023

## WE'RE HIRING!

Learn more about our open positions below:

Associate

Vice President - Portfolio Management

## BORGMAN CAPITAL EARNS TOP 50 PE FIRM RECOGNITION

**T**  
**50** Leaders in  
the Middle  
Market™  
**PE**<sup>23</sup>

For the second time, Borgman Capital has been selected as a 2023 TOP 50 PE Firm in the Middle Market™.

Winners were selected based on great leadership, winning culture, and a strong track record. TOP PE Firms in the Middle Market™ is the oldest and most respected program designed specifically to acknowledge and promote small and mid-sized leading private equity firms in the middle market.

[READ MORE 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

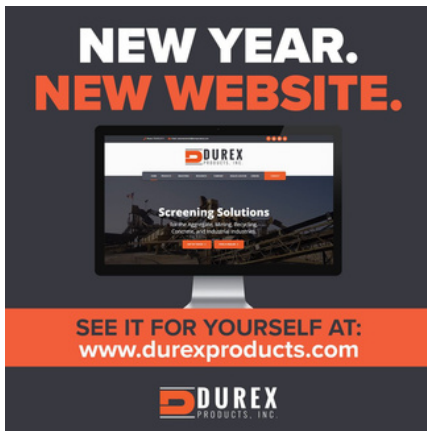
# PORTFOLIO COMPANIES

## PRESIDENTS' UPDATES



### DUREX PRODUCTS, INC.

**BILL FEIERABEND** PRESIDENT



*Durex unveiled its new website in Q1.*



*Several team members attended CONEXPO-CON/AGG 2023 in Las Vegas in March.*

Bill Feierabend assumed the role of President of Durex in March 2023 after serving most recently as Director of Operations. Bill started his career in manufacturing more than 25 years ago while in high school working summer jobs in production, first cutting his teeth in the semiconductor industry. He immediately took an interest in understanding processes, systems, and the business aspects of running a successful manufacturing facility. Today, Bill is passionate about easy changes that elevate a business and take the culture to the next level.

Throughout his career, Bill has held roles including Operations Manager, Plant Manager, Director of Operations and VP of Operations. He also founded and ran a consulting business for seven years, providing support to manufacturing companies. Bill has an extensive background in ERP/MRP integration and development, with extensive knowledge in supply chain, capacity planning, process improvements and inventory management, and holds multiple certificates in Lean concepts and principles.

One of Bill's greatest accomplishments over his career has been leading a company through two plant expansions that resulted in a \$68M increase in gross revenues, paving the way for the company to become an industry leader. Bill is excited for the next chapter of his career leading Durex down the path to success.



# PORTFOLIO COMPANIES

## PRESIDENTS' UPDATES



## SOUTHEASTERN MEATS

### JAMIE ARDREY PRESIDENT

Progress continues at Southeastern Meats as volume and revenue steadily improved in the first quarter relative to the second half of 2022. Given the significant price increases we took in 2022, we are particularly pleased that volume is returning to its pre-COVID levels. Profitability is also quite strong as we now have a handle on all of our costs.

While 2023 is off to a solid start, we are starting to see signs of a more cautious consumer. Brought on by higher prices, the average purchase at the grocery store is declining as consumers focus on immediate needs -- tonight's dinner -- rather than typical pantry-loading. Distributors and warehouses have also begun tightening their inventories. Despite these headwinds, we are confident that our new product initiatives and focus on "value" position us well for the remainder of 2023.

In anticipation of continued growth, Southeastern Meats has recently undertaken a couple of initiatives to improve our productivity and profitability. We recently leased an additional 25,000 square feet of frozen storage space contiguous to our current freezer at a very attractive rate, eliminating our need for more expensive outside storage. We are also updating our most automated production line so that it can run more of our products, thereby reducing our cost per case on those items.

It takes a team. The progress that Southeastern Meats has made over the last six months wouldn't have been possible without a dedicated team of managers working together to achieve our common goal. We're a relatively small company – we don't have the luxury of depth in our management ranks. What we do have is a group of managers who are anxious to help one another wherever they can and back each other up as needed. It is their commitment that drives our success.

# PORTFOLIO COMPANIES

## PRESIDENTS' UPDATES



AERIAL WORK PLATFORMS, INC.



*AWP is pleased to offer additional battery-powered vehicles to meet customer demand.*



*Networking events like the Blue Book, held at AWP's Kenosha location on April 12, keep the team informed about construction industry trends.*

## AERIAL WORK PLATFORMS (AWP)

**ROBERT RIVERA** PRESIDENT

Aerial Work Platforms prides itself on listening to customers, staying on top of marketplace trends, and delivering. One example is the demand for more battery-powered and zero emission vehicles. As such, AWP recently introduced additional battery-operated excavators, ride-on tile scrapers and concrete cut off saws. Another area of interest to customers is the ability to have 24/7 access to their AWP account online. AWP is in the process of launching an online portal enabling customers to view their AWP account history, open contracts, pay invoices and more. Once live, the portal will streamline the customer experience and create efficiencies for the AWP team.

The rental market remains strong; according to a handful of customers in several trades, the workload they are seeing will beat last year's revenues. From an AWP perspective, the milder Wisconsin winter we experienced and the high demand of projects still coming out of the ground have resulted in 20 percent utilization increases in scissor lifts over trailing twelve months.

Lastly, we finished 2022 with 40 percent growth in rental revenue. AWP grew 40 percent year-over-year in Q1 of 2023 in rental revenue and surpassed EBITDA budget by 11 percent, a new first quarter record. The 67 percent EBITDA growth we have achieved year-over-year is a direct result of strategic equipment purchases and infrastructure changes that allow for the continued growth of AWP into the future.

# PORTFOLIO COMPANIES

## PRESIDENTS' UPDATES



### GILMAN CHEESE CORPORATION

**DAVID DELGADO** PRESIDENT

2023 marked the 21st biennial United States Championship Cheese Contest®, the nation’s most respected and honored cheese and butter competition, hosted by the Wisconsin Cheese Makers Association.

Gilman Cheese Corporation won one gold medal award with its colored sharp American, and placed in the top 10 in several other categories.

I want to congratulate the entire Gilman Cheese team on this award. This recognition is a testament to their passion and drive. Keep up the great work!

 <p><b>UNITED STATES CHAMPIONSHIP CHEESE CONTEST</b></p>	<p>Pasteurized Processes Cheese Category 2023</p>
<p><b>Gilman Cheese Colored Sharp American</b> <b>BEST OF CLASS</b> <b>1<sup>st</sup> Place</b></p>	
<p>Gilman Cheese Shelf Stable Ultra Sharp Gilman Cheese Pizella Gilman Cheese Shelf Stable White Cheddar Gilman Cheese Colored American <b>Top 10</b></p>	

# REAL ESTATE PRACTICE UPDATE

## KEMP COLLINGS JOINS FIRM AS VICE PRESIDENT - REAL ESTATE

Kemp Collings joined Borgman Capital as vice president – Real Estate in January 2023, with responsibility for sourcing and executing real estate acquisitions.

“We are excited that Kemp has joined our team,” said Matt Kiefer, Borgman Capital director – Real Estate Investments. “His extensive commercial real estate background and experience will be paramount to helping grow our real estate practice and adding value to our investors.”



Collings, who has eight years of commercial real estate experience, will also support real estate initiatives for Borgman’s portfolio companies.

[READ MORE HERE.](#)

## 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

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



## Jason Schmitt

FOUNDER & CEO  
RISETECH PARTNERS, INC.

**"When presented with the opportunity to invest with Borgman Capital, the decision was simple. I previously had been introduced to Sequoya and Mike through two trusted sources in my inner circle. Our conversations validated the solid reputation that the Borgman team has built in the Milwaukee community. I look forward to getting to know fellow investors and future opportunities with Borgman Capital."**

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Jason Schmitt is the Founder and CEO of Risetech Partners, Inc., a Milwaukee-based provider of Managed IT and Cybersecurity Services to local businesses and non-profit organizations since 2006. Jason enjoys building relationships with other successful professionals through memberships at the Milwaukee Athletic Club, Ozaukee Country Club, and various community activities. In his spare time, Jason enjoys attending concerts, watching sports, playing golf, and traveling.

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