
QUARTERLY NEWSLETTER

Founder & CEO Update

There is no doubt that 2023 revealed a challenging business environment for our industry. The dramatic rise in interest rates threw a wrench into the cogs that drive the private equity sector. As the rate shock rippled through the economy, we first saw a slowdown in demand for a few of our businesses in the first half of the year. Then we saw capital intensive businesses start to focus on reducing and improving their working capital. This resulted in reduced inventory levels and payment terms and a pull back in capital projects. Companies started to use suppliers and customers to help with their financing needs. This was a direct impact from the rise in the Federal Funds rate. The indirect impact was that banks pulled back on lending, which had a greater impact on deals getting done than the actual rise in rates. Deal volume was down significantly from 2022 due to a misalignment between the more conservative leverage and covenants lenders were comfortable with and sellers unrealistic price expectations. If available leverage goes down, valuations must follow or the investment does not model out. It will take some time, but we expect price expectations to align with the current lending environment given the supply of businesses that would like to sell.

We spent the majority of the year focused on managing our portfolio companies, especially those hit hardest by the rise in rates impacting their end customers. We also took the time to grow and professionalize the firm, increasing headcount by almost 30 percent and implementing a new investor platform. A highlight of the year was launching a satellite office in Minneapolis/St. Paul in the second quarter. We hope it will be the first of several offices located in secondary markets, enabling us to source great direct investment opportunities.

Our real estate practice did not sit idle during the year. In fact, the team pulled off its largest transaction to-date, acquiring a portfolio of industrial buildings which includes a corporate campus with a new development need. That deal alone kept the team busy for much of the year. The rest of the real estate portfolio is concentrated in industrial sale-leasebacks and continues to perform well.




While we did not buy any new businesses in 2023, but are proud to have successfully exited two portfolio companies. These were our first exits since launching the firm and both surpassed our expectations and original investment theses. It was a great feeling to return proceeds to our investor group and celebrate the efforts of the management teams and employees. We hope all of our future exits are as successful.

Last year will undoubtedly be a business school case study at some point, but we used the time strategically to invest in our team and set the firm up for future successes. We currently have two businesses under Letter of Intent and we expect overall transaction volume to pick up this year. On behalf of the entire team, I want to thank all of our investors who trust us to manage their money as well as all of the businesses and employees who trust us to do the right thing by them. We do not take those responsibilities lightly.

Sequoia Borgman
Founder & CEO

2023 YEAR IN REVIEW

Across the firm we have much to be proud of as we reflect on 2023 and the investments made in our talent and resources during Borgman Capital's sixth year. Whether you're a business owner, portfolio company employee, service provider, investor, or other valued stakeholder who makes our work possible, thank you for being part of our year.

<p>1</p>  <p>Additional Office Opened in Twin Cities</p>	<p>2</p> <p>Portfolio Company Investments Realized</p>	<p>3</p>  <p>New Full-Time Team Members (and two interns)</p>
<p>4</p>  <p>New Babies Welcomed: Harper, Lily, Lucy and Reid</p>	<p>5</p> <p>Properties Added to Real Estate Portfolio</p>	<p>6</p> <p>Year Firm Anniversary Celebrated</p>

Notable Work Anniversaries

Mike Pepke - 5 years
Alex Reinhart - 5 years



Industry Recognition



Charitable Contributions



FIRM NEWS

2024 Team Retreat

Getting out of the office is always a good idea! Borgman Capital's first annual off-site strategy session and retreat took us to Green Bay in January. We spent our time bouldering and rock climbing (a first for many), checking out a local brewery, enjoying good food and camaraderie. Finally, guided by facilitator Kaitlin Henze from Passion to Profit Consulting, we held a strategy session to reflect on the past year, and use those insights to form our strategic goals, objectives, and key results for 2024.



Seeking Our Next Summer Analyst Intern

We are currently accepting applications for our 2024 summer analyst intern. The ideal candidate is a college junior or senior majoring in finance or a related field, with advanced proficiency in Excel and foundational financial modeling skills. Responsibilities may include reviewing new investment opportunities, conducting financial analysis and modeling, assisting in transaction due diligence and supporting other firm projects and initiatives. If you or someone you know is interested, view the job description and [apply here](#).

Summer Analysts - Where are they now?

Borgman Capital has been providing college students with the opportunity to gain hands-on experience in private equity since the firm's founding. Take a look at where some of our former summer interns have landed:

2023

ISIAH MENGESHA
Analyst, Valtus Capital Group

2022

PHIL LORGE
Analyst, Skyway Capital Markets

2021

AKHIL REMESAN
Partner, Madison Lake Capital

2020

GEORGE LINN
Provider Business Development Associate, Carrum Health

2019

RILEY FARRELL
Senior Financial Analyst, SC Johnson

Work Anniversaries

KEMP COLLINGS · 1 YEAR (1/16/2023)

MARIT HARM · 2 YEARS (1/31/2022)



PORTFOLIO COMPANY UPDATES

Investment Criteria

Our investment approach is relationship-focused. 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 in a platform company investment:

- **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



In addition to new platforms, Borgman Capital is actively seeking add-on acquisitions for each of its portfolio companies.

Gilman Cheese Corporation

DAVID DELGADO PRESIDENT



2023 was a year full of both challenges and successes at Gilman Cheese Corporation. During the first half of the year, we saw a softening in demand for many of our products, and for dairy broadly across the U.S. This softening of demand was compounded by a drop in the CME cheese price. However, the resiliency and dedication of our team became evident as we witnessed a remarkable recovery in demand during the second part of the year, particularly in the fourth quarter. Although December traditionally sees a slowdown, this was not the case in 2023. We concluded the year with very strong growth and are pleased to see the trend persisting into 2024.

At Gilman Cheese Corporation, we recognize that our people are our greatest strength. They drive our success, and the holiday season was a great time to acknowledge and celebrate our outstanding employees with a holiday lunch. The sense of unity and appreciation has always been fundamental to our company culture. We want to express our thanks to every member of the Gilman Cheese family for their dedicated efforts and hard work last year. As we enter 2024, we are optimistic about the opportunities ahead.



AscendTek

SOLOMON HU PRESIDENT



As we reflect on the achievements of the past quarter, we are excited to share insights into AscendTek's strategic moves that have played a pivotal role in shaping our direction.

AscendTek remains agile and responsive to market dynamics. In 4Q 2023, we continued our efforts to right-size the company, ensuring that our resources are optimally aligned with market demand. This strategic approach enables us to adapt swiftly to changing conditions and maintain a competitive edge.

Our telecom industry customers have indicated continued investment in our solutions in 2024. Verizon has shown steady investment with continued build out of their network as well as modifications on their existing towers. Dish has also indicated they plan additional build outs later in 2024.

The EV (Electric Vehicle) charging industry has proven to be a promising frontier for AscendTek, with a long runway for growth. In recognition of the global shift towards sustainable practices, AscendTek has strategically positioned itself in the EV charging sector. The strong government support further reinforces our confidence in the potential for significant impact and growth in this industry.

These strategic moves align with AscendTek's vision of anticipating market trends and positioning the company for success. Our dedication to innovation, customer satisfaction, and responsible business practices continues to drive our journey toward becoming a leader in emerging industries.

Southeastern Meats

JAMIE ARDREY PRESIDENT



2023 was a record year for Southeastern Meats as both sales and earnings reached all-time highs. Sales growth was driven by the launch of new products, the re-introduction of several “old favorites”, the transition to new premium packaging for our French fries, and a couple of significant new customer wins. Profitability increased as we realized improvements in both our supply chain and our plant operating efficiencies.

Southeastern Meats is poised for continued growth in 2024. Pick 5’s positioning – Great Products, Great Value for Everyone! – is well-suited to the current economic environment in which consumers are focused on how much they spend on groceries. Our products taste as good as most national brands, but are priced well below them for individual items, with further savings when you Buy 5. A sampling of our signage is displayed below.

Success in 2024 will be driven by the roll-out of additional items from our new product pipeline, the transition to our new packaging for our chicken and selected other items, and new customer initiatives. The company is pursuing several opportunities to expand distribution in New England and the mid-Atlantic states; there are also opportunities to add new customers in the Southeast. We look forward to sharing our progress with you.



Durex Products, Inc.

BILL FEIERABEND PRESIDENT



2023 at Durex was a significant year of enhancing operational performance and improving profitability. We executed a plan aimed at improving production standards, optimizing high volume SKU costs, and establishing product class margin targets. We also established a safety committee and posted a new “days home safe” safety record. I’m proud to share that we successfully achieved Adj EBITDA percentage at fiscal year end, aligning with our budget for the year.

With our internal framework solidified, our focus has shifted to bolstering our approach to sales and marketing. Last fall, we hired a consulting firm to conduct a full assessment of our sales approach. We are eager to implement their recommendations and are confident it will position us to achieve record sales in 2024.

Also of note, in October we launched our new production management system. The team has done a great job handling the upfront work and we expect to start seeing the benefits shortly. Once fully operational, the system will provide better visibility for production capacity and scheduling and enable us to better meet customer needs.

I am immensely proud of the team's accomplishments in 2023. Customers continue to share that our reliability, product quality and customer service have all improved significantly since the start of 2023. The lessons learned during this period have paved the way for a strategic redirection of our efforts. We are now focused on supporting growth in existing markets and venturing into new territories. This strategic expansion aims to ensure year-over-year growth and profitability in 2024, and I am confident that, as a team, we can achieve these goals together.

K.G. Stevens

JASON GAARE PRESIDENT



In Q4, we surpassed 1000 5-star reviews on Google—a remarkable achievement that truly reflects the exceptional team we have at K.G. Stevens. It's evident that our dedicated employees are the cornerstone of our success across our entire organization. To express our gratitude for the hard work of every K.G. employee, we hosted a combined holiday/employee appreciation party in December to celebrating this impressive milestone.



In preparation for the new year, we've diligently worked on our 2024 Promotional Color Program. This carefully curated selection of granite and quartz countertop options, sold by the square foot, reflects the latest market trends. We're also excited to have expanded our color offering from 39 to 55. Through strategic negotiations with key vendor partners, we've not only lowered material costs but also extended significant savings to our customers. This positions us to be even more competitive in the marketplace. The positive feedback from customers who have previewed the new program is truly encouraging.

On January 13th, we presented a seminar at the Metropolitan Builders Association Home Building & Remodeling Show at the Wisconsin State Fair Expo Center. Focused on Large Format Porcelain, the seminar highlighted its versatile applications, including shower and tub surrounds, wet rooms, fireplace surrounds, exterior projects, flooring, and more. We're excited to highlight this innovative product to our market and actively engage with our builder and contractor customers. Showroom renovations are also underway to better showcase this segment and demonstrate our quality installation capabilities.

Our commercial team continues to execute large-scale, high-profile projects which display our commitment to excellence. Recently, we completed projects throughout Lambeau Field, home to the Green Bay Packers. We currently have ongoing installations at The Couture Milwaukee, the tallest residential building in Wisconsin on the lakefront downtown with elevated finishes and exceptional amenities. Additionally, we're gearing up to begin work on Caroline Heights Apartments, a visionary redevelopment project in Elm Grove that is transforming the historic School Sisters of Notre Dame campus into a 237-unit luxury apartment community. We're proud to be involved with the exciting upcoming renovations at American Family Field, home to the Milwaukee Brewers. We look forward to another year of delivering exceptional craftsmanship and service to both our commercial and residential customers.

REAL ESTATE PRACTICE UPDATES

2023 was a banner year for the real estate practice, with the addition of Kemp Collings to the team in January as Vice President – Real Estate Investments. Additionally, we are proud to have closed our largest real estate transaction to-date. The acquisition of a half million square foot portfolio of five industrial manufacturing and warehouse buildings, including the MGS Manufacturing headquarters, received substantial attention and is a significant milestone for our growing real estate practice. In the second phase of investment, we are currently partnering with MGS Manufacturing on its 118,652-square-foot innovation center and headquarters expansion (pictured above at right) which will be an integral part of the company's future success and growth. The innovation center is on track to be completed in September of 2024 and the positive effects on the company, employees and community will be felt for years to come.



It is no secret that the increased interest rates over the last year have led to a challenging real estate environment. However, our real estate portfolio is in a strong position, and we see a multitude of opportunities ahead. As exemplified by the MGS Manufacturing innovation center project, we are still able to help companies meet their business objectives in today's tough business climate through industrial manufacturing sale leasebacks and turnkey building expansions. Our real estate practice also benefits from the ability to tap into Borgman Capital's expertise in growing and operating businesses. We understand firsthand that having the right partner can make all the difference and it is our commitment to deliver successful projects.

If you are interested in learning more about Borgman Capital's real estate practice, or have a deal to share with us, get in touch. We look forward to hearing from you.

Matt Kiefer
Director - Real Estate Investments
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Real Estate Investment Criteria

- **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



CARL HOLBORN

Shareholder

O'Neil, Cannon,
Hollman, DeJong &
Laing S.C.

Whether he is working with clients to create and administer an estate plan, solving complicated business problems, negotiating with the IRS, or helping to transition a family owned business to the next generation, Carl prides himself on being a trusted advisor to his clients. With a Master's Degree in Taxation, Carl possesses unique skills to assist his clients in solving legal issues in a tax efficient manner. A clear thinker and easy to talk to, Carl distills complex legal issues into understandable ones that allow his clients to make effective decisions. Carl's clients are individuals and businesses in a wide variety of occupations and industries that value a trusted advisor as their lawyer.

"I've been investing with Borgman Capital for several years, and I'm thrilled with the results. The service that Sequoya and his team provide is truly world-class, and their commitment to excellence sets them apart. Borgman Capital's focus on lower midmarket companies offers a unique investing opportunity that is not readily available elsewhere. The diligence and expertise they bring to the table have produced solid returns that are a great complement to a portfolio of publicly traded securities. Investing with Borgman Capital has allowed me to diversify my portfolio in ways I wouldn't have access to otherwise. It's a unique asset class that has added significant value to my overall investment strategy. I highly recommend Borgman Capital to any investor looking for access to this unique market and a partner who prioritizes client satisfaction."

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

Borgman
CAPITAL

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