LUND UNIVERSITY FINANCE SOCIETY EST 1991

WindowMaster A/S (WMA)

Denmark | CleanTech | MCAP DKKm 203.1

01 June 2025

Hold

Target price:	DKK 16.5
Current price:	DKK 14.0
Upside	**17.5%**

Great Ventilation, Greater Valuation

WindowMaster A/S ("WindowMaster" or "the Company") is a Danish B2B provider of natural ventilation solutions, including indoor climate control and smoke ventilation. As demand for energy-efficient ventilation rises with regulations getting stricter globally, the heating and ventilation ("HVAC") market is projected to grow with a CAGR of 6.7% until 2030E. Following a significant re-rating, the valuation now reflects much of the near-term upside. However, strong regulatory-driven demand, a continued shift toward higher-margin, recurring-revenue projects, and a scalable cost base with limited reinvestment requirements continue to support a solid fundamental outlook. An equally weighted DCF and peer valuation imply a justified upside potential of 17.5%

Key Takeaways

- **Market tailwinds drive demand for sustainable ventilation:** Tightening energy efficiency regulations are accelerating investments in energy-efficient buildings. Under EU directives, member states are required to increase annual energy savings by 110bps. Assuming a linear trajectory, this initiative is expected to drive approximately DKK 193bn in additional building efficiency investments. WindowMaster is well-positioned to capture this momentum, offering solutions that improve energy savings by up to 50.0%. As demand grows for sustainable, regulation-compliant ventilation solutions, the Company is set to benefit from long-term structural growth in natural ventilation, with a projected revenue CAGR of 5.0% through 2035E.
- **Margin expansion through full-scale project delivery:** The Company is transitioning the business model from mainly selling products toward higher-margin projects that integrate product delivery with value-added services, such as project management and installation. This shift is expected to support improved profitability, with the EBIT margin projected to increase from 6.0% in 2024A to 7.5% by 2027E. Recurring revenue, currently representing 18.0% of total revenue, is expected to rise to 22.0% by 2027E, driven by long-term service agreements and system monitoring contracts.
- **Scalable operations enable operating leverage:** WindowMaster has strong potential for profitable expansion through operating leverage. The Company maintains a lean structure with approximately 140 full-time employees, with future hiring primarily focused on sales. The current administrative capacity is sufficient to support significantly higher revenue levels without major overhead increases. Additionally, the Company's production facility can handle up to 3x the current turnover without requiring major expansion, with capital expenditures historically averaging 3.4% of revenue. These structural advantages are expected to drive improved capital efficiency, with ROIC forecasted to rise from 15.1% in 2024A to 21.2% by 2027E.

Analysts	
Erik Månsson	Equity Analyst
Torkel Johansson	Equity Analyst

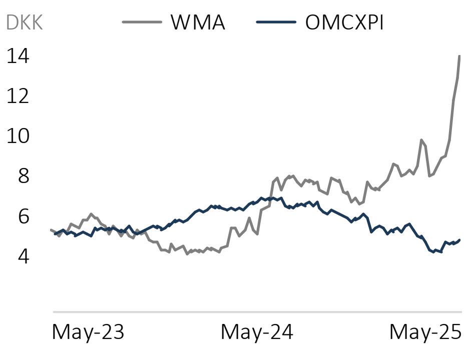
Market Data, DKK	
Exchange	First North Growth Denmark
Shares (m)	14.5
MCAP (m)	203.1
EV (m)	238.3

Metrics & Drivers	24A	25E	26E
EV/EBIT	13.5x	10.2x	9.9x
EV/EBITDA	6.4x	5.8x	5.0x
EV/S	0.8x	0.8x	0.7x
P/E	19.2x	14.3x	13.6x
ROIC	15.1%	19.4%	21.2%

Forecast, DKKm	24A	25E	26E
Total revenue	294.5	317.0	346.7
Rev. growth y/y	23.7%	7.7%	9.4%
Adj. Gross Profit(1)	184.3	197.6	216.5
Gross Margin	62.6%	62.3%	62.4%
EBITDA	37.3	40.9	47.6
EBITDA Margin	12.7%	12.9%	13.7%
EBIT	17.7	23.4	24.1
EBIT Margin	6.0%	7.4%	7.5%

Major Shareholders	
Erik Boyter (CEO)	60.40%
Leif Jensen	0.62%
Lars Fournais	0.56%

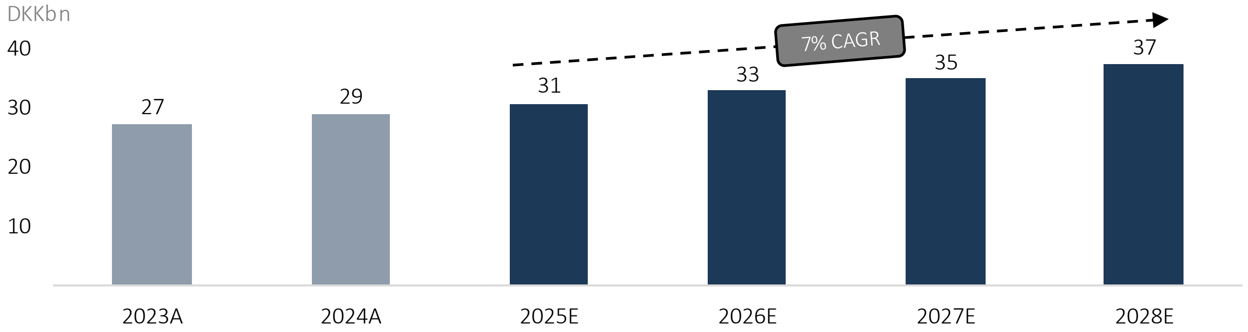
Price Development



Note: (1) External expenses have been reclassified from COGS to OPEX, resulting in an adjusted gross profit higher than reported figures.

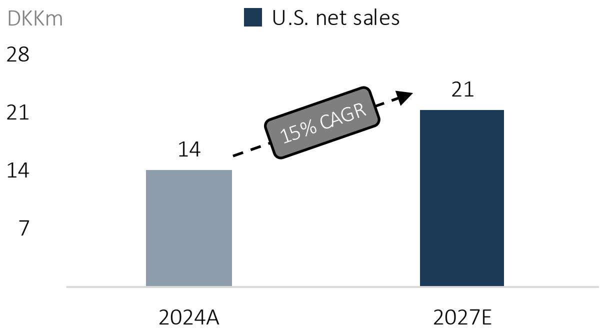
Investment Thesis in Charts

WindowMaster's Addressable Market (TAM) Expected to Grow With a 7% CAGR until 2030E



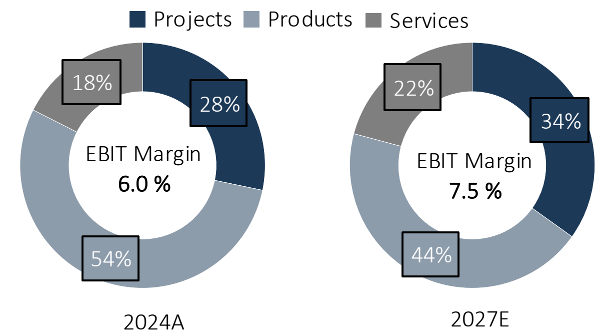
Source: the Company, MarketsAndMarkets

Early Entry Driving U.S. Growth in Niche Markets



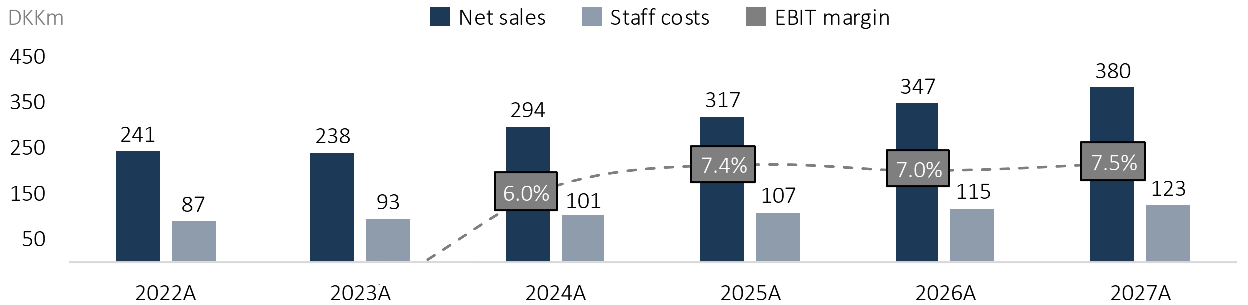
Source: the Company, Analyst estimates

Transition to Full-Scale Projects Drives Higher EBIT Margin



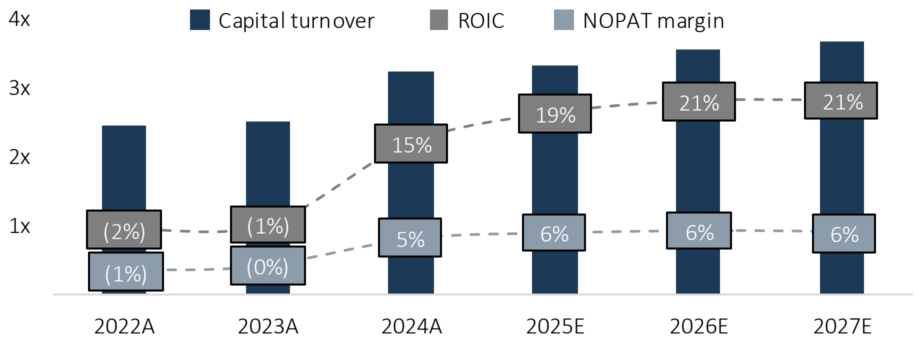
Source: the Company, Analyst estimates

Staff Cost Stability Drives Margin Expansion



Source: the Company, Analyst estimates

Higher NOPAT with Low Capital Intensity Drives Efficient Asset Utilisation



Revenue growth is expected to outpace asset base expansion, as existing production and administrative capacity support scale. This drives higher capital turnover and ROIC through more efficient asset utilisation.

Source: the Company, Analyst estimates

Investment Thesis

Regulation Drive Ventilation Demand

Revised EU energy legislation requires member states to increase annual energy savings from 0.8% to 1.9% by 2028E, driving an estimated DKK 334bn in annual investments. More than 70.0% of this investment is expected to be directed toward enhancing energy efficiency in buildings. With buildings accounting for 30.0% of global energy consumption, and HVAC systems being responsible for 52.0% of that, there is growing demand for ventilation solutions that reduce energy usage while meeting compliance standards. WindowMaster is well-positioned to benefit from this trend, providing natural ventilation and smoke control systems that help buildings meet EU directives such as the Energy Performance of Buildings Directive ("EPBD") and the Energy Efficiency Directive ("EED"). WindowMaster's ventilation solutions can provide up to 50.0% lower energy consumption and 20x lower carbon emissions compared to mechanical ventilation solutions. The Company already has a strong presence among institutional clients such as schools, hospitals, and municipal buildings, with particular strength in regulation-driven markets across the Nordics and the DACH region. As the focus on sustainable building practices grows, WindowMaster is well-positioned to benefit from long-term, structural demand for energy-efficient indoor climate solutions, with a projected top-line CAGR of 5.0% from 2025E to 2035E.

Strategic Traction in a High-Growth North American Market

WindowMaster entered the U.S. market in 2016A and has since developed local offices, distribution, and assembly capacity. Since entry, the Company has secured reference projects across the education, healthcare, and government sectors. The Company is gaining traction in a market driven by smart building adoption, energy efficiency mandates, and rising demand for natural and smoke ventilation solutions. The U.S. smart building market is projected to grow at a 25.9% CAGR, reaching USD 129.7bn by 2030E. This structural growth supports WindowMaster's forecasted 15.0% revenue CAGR in North America through 2027E, with the region expected to contribute 9.0% of total revenue by that time.

Margin Expansion Through Full-Scale Project Delivery

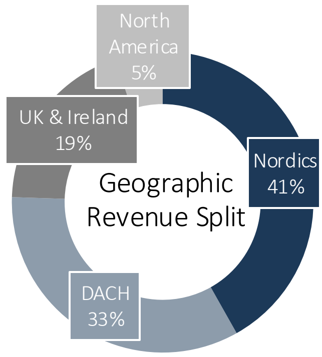
The Company is transitioning toward more project delivery by integrating product sales with execution services, including project management and installation, which supports tighter project control and improved profitability. Since initiating the strategy in 2022A, project-related revenue has increased from 19.0% to 28.0% in 2024A, driving EBITDA margin expansion from 6.9% to 12.7%. Recurring revenue is projected to rise from 18.0% to 22.0% by 2027E, supported by long-term service agreements and system monitoring as project sales increase, strengthening the Company's earnings quality and financial stability.

Operating Leverage Underpinning Strong Margin Expansion

In 2024A, WindowMaster achieved strong top-line growth and significant margin expansion, with revenue increasing 23.7% year-over-year and staff costs increasing 4.6%, resulting in an 18.0% increase in revenue per employee. As a result, EBITDA increased by 94.3%, driving a 460bps expansion in EBITDA margin to 12.7%. The Company operates with approximately 140 full-time employees, with only limited additions expected, primarily in sales. Existing administrative capacity can support significantly higher revenue without materially increasing overhead, based on estimations from management. Staff costs are forecast to grow at a 5.0% CAGR through 2027E, well below the 8.9% revenue CAGR, highlighting operating leverage, which is expected to drive EBIT margin expansion from 6.0% in 2024A to 7.5% by 2027E. Furthermore, the Herford facility in Germany, acquired in 2024A, can support up to three times the current turnover without requiring major new investment. Capital expenditures averaged 3.4% of revenue between 2020A and 2023A, excluding the 2024A acquisition, and are expected to remain modest as the Company scales. ROIC is forecast to increase from 15.1% in 2024A to 21.2% by 2027E.

Company Overview

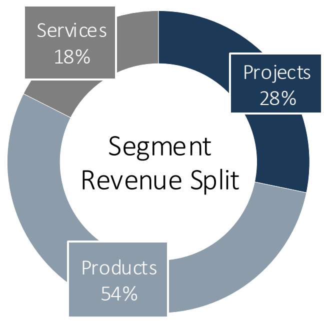
Smart Ventilation Solutions for Commercial and Public Buildings



WindowMaster was founded in 1990 as part of the VELUX Group and has been led by CEO Erik Boyter since a management buy-in in 2015, who currently owns 60.4% of the Company's shares through a holding company. WindowMaster designs and delivers intelligent natural and hybrid ventilation systems that regulate indoor air quality, temperature, and smoke extraction through real-time, sensor-based control of window and roof openings. These solutions help reduce energy use and ensure compliance with increasingly demanding sustainability and fire safety standards in commercial, public, and institutional buildings across Europe and North America. In 2021A, WindowMaster acquired Climatic A/S to expand into fall protection and safety systems, allowing WindowMaster to offer a broader portfolio of complementary solutions to customers seeking integrated safety and ventilation infrastructure.

Business Model

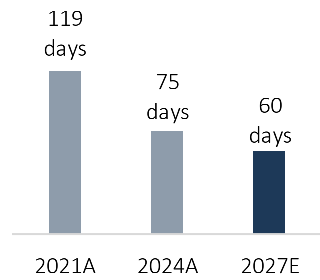
Diversified Business Model Across Product, Project, and Service Streams



WindowMaster generates revenue across three segments, with product sales accounting for 54.0%, project deliveries at 28.0%, and services at 18.0%. Product sales are primarily directed toward OEM clients and partners, often under framework agreements, and typically carry lower margins due to limited value-add beyond component supply. Project deliveries involve complete turnkey ventilation solutions, including design, configuration, installation, and integration. These are primarily sold to contractors, system integrators, and developers across commercial, public, and institutional buildings. The service segment consists of maintenance, optimisation, and remote monitoring, and generates recurring revenue.

Company Strategy Focused on Growth and Profitability

WindowMaster's CCC



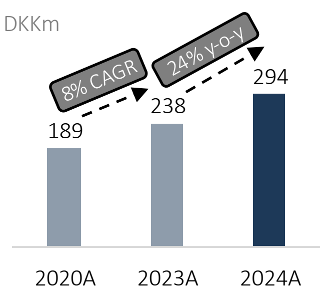
In 2022A, management launched the "Accelerate Core" programme targeting 10.0-15.0% organic revenue growth and an EBT margin of at least 10.0% by 2026E, compared with 4.1% in 2024A. A central pillar of the strategy is reducing the Company's cash conversion cycle, driven primarily by lower inventory levels and a strategic shift away from OEM product sales toward project-based solutions and recurring services. This business mix requires less working capital per revenue unit and enables faster cash conversion through milestone billing and regular service payments. These improvements have contributed to a reduction in the Company's cash conversion cycle from 119 days in 2021A to 75 days in 2024A, and to a ND/EBITDA ratio of 0.9x as of 2024A.

Market Overview

Structural Market Growth Driven by Regulation and Sustainability Concerns

Revenue Growth Trend

DKKm



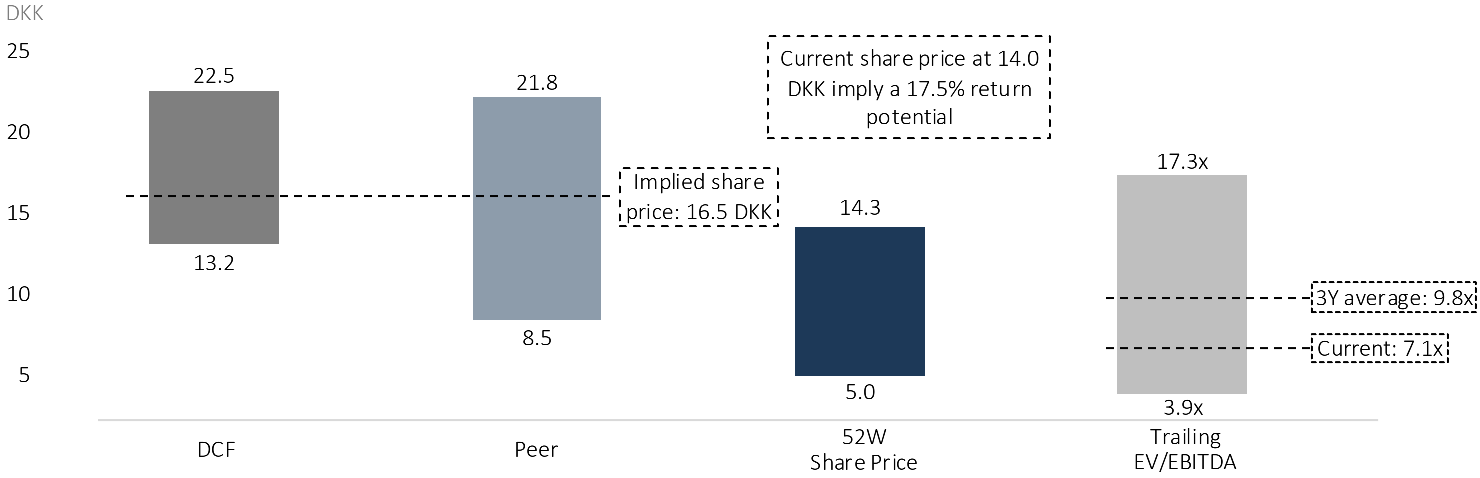
WindowMaster's total addressable market represents approximately 1.5% of the HVAC industry, which is forecast to grow at a CAGR of 6.7% through 2030E. This growth is driven by a global effort to lower building emissions, currently constituting 39.0% of global emissions. The revised Energy Performance of Buildings Directive, effective from May 2024A, mandates minimum energy performance standards, deep renovation of the worst-performing buildings, and zero-emission targets for all new construction by 2030E. These changes support Europe's renovation strategy, targeting 35 million upgraded buildings by 2030E and accelerating demand in the EUR 80bn retrofit market. WindowMaster's natural ventilation and smoke control systems are well-positioned to capitalise on this shift. Notably, WindowMaster has delivered growth above the broader HVAC market. From 2020A to 2023A, revenue grew at a 7.8% CAGR, compared to a 6.7% CAGR for the sector. In 2024A, revenue growth rose to 23.7%, reflecting early benefits from regulatory momentum and reinforcing the Company's positioning ahead of full EPBD implementation.

Valuation

DCF and Peer Valuation Implies a Target Price of DKK 16.5

A target price of DKK 16.5 is derived from an equally weighted DCF and peer valuation approach. The DCF model is based on an 11.5% discount rate, comprising an 8.4% after-tax cost of debt, 12.1% cost of equity, 2.0% terminal growth rate, and a 10.7% terminal EBIT margin. The peer valuation imply a target EV/EBIT multiple of 9.0x for 2027E, which accounts for WindowMaster's smaller market cap and niche position within the natural ventilation segment, while also capturing the Company's strong growth outlook and improving operational scalability.

Valuation Summary



Source: the Company, Analyst estimates

Recurring Revenue and High ROIC Justify Valuation Premium

WindowMaster is currently trading in line with peers, despite delivering stronger operational performance and benefitting from exposure to favourable structural trends. The peer group consists of Nordic companies in the ventilation and broader building materials sectors, selected for similar business models, regional exposure, and profitability profile. Despite the recent re-rating, the outlook remains supported by structural advantages, including a scalable cost base and a growing share of recurring revenue. These factors underpin a resilient long-term earnings profile and support a justified premium valuation. A 9.0x EV/EBIT target multiple for 2027E reflects WindowMaster's niche position in natural ventilation and alignment with long-term demand drivers. This valuation is in line with Firefly, the only peer with a comparable level of recurring revenue, and supports a premium relative to the broader group.

Peer Table	MCAP	EV	Sales CAGR	ROIC	ND/EBITDA	EBIT Margin	EBIT Margin	EV/EBIT	EV/EBIT
Company	DKKm	DKKm	24A-27E	LTM	LTM	2024A	2027E	LTM	2027E
Firefly	740.6	688.5	4.6%	41.6%	(1.0x)	14.1%	13.0%	14.1x	12.5x
QleanAir	157.0	274.9	8.1%	(0.7%)	3.6x	2.7%	12.1%	45.8x	4.4x
Airthings	155.1	140.3	11.2%	(81.0%)	0.0x	(35.6%)	2.7%	(1.5x)	8.2x
TCM Group	826.0	1123.0	8.8%	6.1%	2.5x	6.7%	10.2%	12.2x	6.7x
Average	**469.7**	**556.7**	**8.2%**	**(8.5%)**	**1.3x**	**(3.0%)**	**9.5%**	**17.7x**	**8.0x**
Median	**448.8**	**481.7**	**8.5%**	**2.7%**	**1.3x**	**4.7%**	**11.1%**	**13.2x**	**7.5x**
WindowMaster	203.1	238.3	8.9%	15.1%	0.9x	6.0%	7.5%	13.5x	8.3x

Source: the Company, Analyst estimates, Factset

Appendix: Income Statement

Income statement, DKKm	2019A	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E
Net sales	201.6	189.5	211.4	241.4	238.0	294.5	317.0	346.7	380.5
Total revenue	**201.6**	**189.5**	**211.4**	**241.4**	**238.0**	**294.5**	**317.0**	**346.7**	**380.5**
COGS	(78.9)	(71.0)	(84.0)	(99.5)	(85.7)	(110.2)	(119.4)	(130.2)	(141.4)
Gross profit	**122.7**	**118.4**	**127.4**	**141.9**	**152.3**	**184.3**	**197.6**	**216.5**	**239.0**
Gross margin	60.9%	62.5%	60.2%	58.8%	64.0%	62.6%	62.3%	62.4%	62.8%
External expenses	(39.4)	(39.4)	(39.4)	(38.4)	(40.3)	(46.3)	(49.4)	(53.5)	(57.7)
Staff costs	(68.8)	(68.1)	(78.3)	(86.8)	(92.7)	(100.6)	(107.3)	(115.4)	(122.5)
EBITDA	**14.5**	**10.9**	**9.7**	**16.7**	**19.3**	**37.3**	**40.9**	**47.6**	**58.8**
EBITDA margin	7.2%	5.8%	4.6%	6.9%	8.1%	12.7%	12.9%	13.7%	15.4%
D&A	(9.6)	(8.9)	(9.0)	(19.4)	(20.6)	(19.6)	(17.5)	(23.5)	(30.1)
EBIT	**5.0**	**2.0**	**0.6**	**(2.7)**	**(1.3)**	**17.7**	**23.4**	**24.1**	**28.7**
EBIT margin	2.5%	1.1%	0.3%	(1.1%)	(0.6%)	6.0%	7.4%	7.0%	7.5%
Net financial items	(2.5)	(2.3)	(1.8)	(5.1)	(5.7)	(5.5)	(5.6)	(5.3)	(5.0)
EBT	**2.5**	**(0.3)**	**(1.1)**	**(7.8)**	**(7.0)**	**12.2**	**17.8**	**18.8**	**23.7**
Taxes	(1.8)	(0.8)	(0.8)	(0.2)	(4.1)	(1.6)	(3.7)	(3.9)	(4.9)
Net income	**0.8**	**(1.1)**	**(1.9)**	**(8.0)**	**(11.1)**	**10.6**	**14.2**	**14.9**	**18.8**
Net income margin	0.4%	(0.6%)	(0.9%)	(3.3%)	(4.7%)	3.6%	4.5%	4.3%	4.9%

Source: the Company, Analyst estimates

Appendix: DCF Analysis

Free cash flow, DKKm	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E
NOPAT	**(1.0)**	**13.8**	**18.3**	**18.8**	**22.4**	**28.2**	**30.6**	**33.6**
(+) D&A	20.6	19.6	17.5	23.5	30.1	30.0	31.9	30.9
(-) IFRS leases	(8.8)	(9.0)	(10.4)	(13.9)	(17.7)	(14.6)	(15.7)	(16.7)
(-) Capex	(5.5)	(16.9)	(12.0)	(11.8)	(12.9)	(14.0)	(14.8)	(15.1)
(+/-) ΔNWC	(0.9)	4.9	3.2	0.9	(1.9)	(3.3)	(2.8)	(1.0)
FCFF	**4.3**	**12.4**	**16.5**	**17.5**	**19.9**	**26.3**	**29.1**	**31.6**
FCFF margin	1.8%	4.2%	5.2%	5.1%	5.2%	6.4%	6.7%	7.1%
FCFF yield	3.3%	9.6%	12.7%	13.5%	15.3%	20.3%	22.5%	24.4%

Wider margins from scale and rising project revenue

WACC	Terminal growth rate				
	1.0%	1.5%	2.0%	2.5%	3.0%
10.5%	17.5	18.0	18.6	19.2	20.0
11.0%	17.0	17.5	18.0	18.6	19.3
11.5%	16.6	17.1	17.6	18.1	18.7
12.0%	16.3	16.7	17.1	17.6	18.1
12.5%	16.0	16.3	16.7	17.2	17.6

15% lower NOPAT keeps the margin flat at 5%, keeping implied price per share near current levels

WACC	NOPAT				
	Bear scenario		Base	Bull scenario	
	(15%)	(5%)	0%	5%	15%
11.3%	15.6	17.9	19.1	20.2	22.5
11.8%	15.0	17.2	18.3	19.4	21.6
12.3%	14.3	16.5	17.6	18.6	20.8
12.8%	13.7	15.8	16.8	17.9	20.0
13.3%	13.2	15.2	16.2	17.2	19.2

DCF valuation breakdown, DKKm	
Present value of forecasted cash flows	162.4
Present value of terminal value	127.4
EV	**289.9**
Net debt	35.2
Shares outstanding (m)	14.5
Implied share price	**17.6**
Potential upside	25.4%

Source: the Company, Analyst estimates

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Disclaimer

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