

Window Nation, LLC ("WN")



- High leverage of 6.75 and declining liquidity present significant credit risks (e.g. debt service and operational stability) - yet somewhat balanced by PE-backing.
- Leadership changes in 2023 indicate a growth focus, yet profitability challenges still remain. 64% of Assets is Goodwill, 30% Intangible Assets creating further concerns.

Strengths

- Product Differentiation:** Window Nation offers energy-efficient, customizable windows, doors, and siding, catering to the growing demand for sustainable home improvement solutions, which helps maintain a strong market position.
- PE-support:** AEA Investors acquired the entity in 2021 from Coretec. AEA was founded 1968, \$19bn AUM, >300 exits, long-term investment approach, and substantial capabilities within the industry as well as financially (e.g. they also provide debt).
- EBITDA Margin:** Despite financial challenges, Window Nation maintains an EBITDA margin of 11.3%, slightly above the industry median of 10.9%, indicating relatively strong operational efficiency compared to peers.

Challenges

- Liquidity Constraints:** The company's current ratio declined to 0.56 in T6 2024, significantly below the industry median of 1.82, highlighting severe liquidity challenges that may impact its ability to meet short-term obligations.
- High Leverage:** A net debt-to-EBITDA ratio of 6.75, well above the peer median of 2.38, raising concerns about its debt servicing capacity and financial stability. 64% of Total Assets are Goodwill, and 30% Intangible Assets further empahsizing the challenged position the entity is in.
- Low ROCE:** With a ROCE of only 1.8%, vs peer median of 13.9%, their capital efficiency is poor, essentially not creating an appealing return for an investor. Keeping in mind

Scorecard Summary

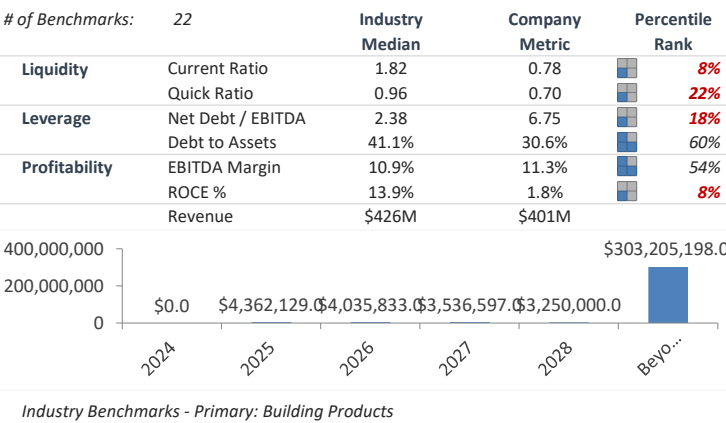
	Weight	Score	Dimension	Weight	Score
Financial	40%	4.0	Liquidity	25%	<div><div></div></div> 1.7
			Leverage	38%	<div><div></div></div> 1.4
			Profitability	38%	<div><div></div></div> 2.4
Business	60%	5.8	Industry Risk	15%	<div><div></div></div> 5.1
			Competitive Position	35%	<div><div></div></div> 5.9
			Mgmt / Governance	15%	<div><div></div></div> 3.7
			Sponsor / Parent	35%	<div><div></div></div> 7.0
Modifiers	-1.2		Trend Analysis		<div><div></div></div> (0.2)
			Financial Flexibility		<div><div></div></div>
			Fixed Cost Coverage Risk		<div><div></div></div>
Financial vs Business Risk Weighting Factors					
	Ownership	Private (PE)			
	Company Stage	Growth			
	Financials	Complete			

Company Overview

Headquarters	Pennsauken Township, NJ
Type	Private (PE)
Employees	~600
Year Founded	2006
Website	https://www.windownation.com/
Business	Home improvement - window, door, and siding replacement.
Revenues	\$401.1M

- Company Overview:** Window Nation, LLC is a PE-owned home improvement company specializing in the replacement of windows, doors, and siding, primarily serving residential homeowners in the Mid-Atlantic and Midwest regions of the US.
- Product:** The company offers a wide range of energy-efficient, customizable windows, entry doors, patio doors, sliding glass doors, and siding, all designed to enhance the aesthetic appeal, value, and energy efficiency of homes.
- Customers:** Primarily serves mid-to-high income residential homeowners, focusing on those seeking high-quality, professional-grade home improvement solutions that increase home value and energy efficiency.
- Ownership:** In 2018 Coretec bought it from the founders, the Magden brothers, who continued to lead its strategic growth and operations until FY-22. In January 2023 Jeff Beck was installed as the new CEO who installed a new leadership team shortly after. AEA Investors acquired the entity from Coretec in 2021.
- Debt Structure:** No maturity wall in sight.
- Other:** The new leadership team, which was hired in 2023, is still due for delivering substantial improvements considering the annualized T5-projection through June-2024 (indicating a loss of nearly -\$50mn). Despite a general long-term investment approach of AEA Investors, given the low ROCE, continued and increasing losses in 2024, the PE firm either doubles down, or might be considering a near-term potential divestment as we are nearing the 4-year investment timeline.

Financial Benchmarking & Debt Maturity Profile



Financial Statement Highlights

\$ '000s	(C)	(B)	(A)	Change	
	Dec-21	Dec-22	Dec-23	(C) to (B)	(B) to (A)
	T12	T12	T12		
Income Statement					
Total Revenue	-	345,900	401,050		15.9%
Gross Profit	-	144,491	173,002		19.7%
Adjusted EBITDA	-	44,449	45,340		2.0%
Gross Profit Margin		41.8%	43.1%		+136 bps
Net Income	-	(10,993)	(7,156)		34.9%
Balance Sheet					
Cash And Cash Equivalents	-	15,031	10,463		-30.4%
Total Current Assets	-	41,972	28,810		-31.4%
Total Assets	-	1,073,114	1,033,209		-3.7%
Total Current Liabilities	-	42,982	36,738		-14.5%
Total Debt	-	338,004	316,330		-6.4%
Total Equity	-	617,636	613,183		-0.7%
Key Ratios					
Current Ratio		0.98	0.78		-19.7%
Quick Ratio		0.92	0.70		-23.6%
Net Debt / EBITDA		7.27	6.75		-7.2%
Debt to Assets		31.5%	30.6%		(88) bps
EBITDA Margin		12.9%	11.3%		(154) bps
ROCE %		1.6%	1.8%		+18 bps

- Revenue increased from \$346mn in FY-22 to \$401mn in FY-23, but saw a significant decline by 17% (H1-24 annualized).
- Despite gross profit margins widening from 41.8% (FY-22) to 43.1% (FY-23), they remain operating at a Loss, due to challenges in managing OPEX and interest expenses.

Business Risk Highlights

- Industry:** The home improvement industry is highly competitive and sensitive to economic cycles, which can impact demand for non-essential renovations, particularly in the mid-to-high income demographic targeted by WN. The U.S. building products industry, particularly in the residential window and door segment, is substantial, with market size expected to reach \$25 billion by 2025, growing at a CAGR of 4.5%.
- Competitive Position:** While the company offers differentiated products, it faces intense competition from larger players like Renewal by Andersen and Pella, which have greater brand recognition and resources.
- Management:** Their management, led by the founding Magden brothers, brings deep industry expertise, but the lack of external oversight or diversified leadership may pose governance risks in a competitive and evolving market.
- PE Sponsor:** AEA Investors has \$19bn in AUM with a robust track record of >300 successful exits. Despite strong industry expertise and long-term value creation strategies. They were founded '68 by the Rockefeller, Mellon & Harriman family interests and S.G. Warburg & Co. They also offer Growth Capital and debt financing.