

Perimeter Solutions, The Outsider's Next Act

The Outsiders by William Thorndike is a cult classic among investors. Warren Buffett recommended it in his 2012 shareholder letter. Eight CEOs are profiled, who have quietly trounced the returns of the market for decades.

“When a CEO generates significantly better returns than both his peers and the market, he deserves to be called “great” and by this definition, [Jack] Welch, who outperformed the S&P by 3.3 times over his tenure at GE, was an undeniably great CEO. He wasn’t even in the same zip code as Henry Singleton, however.” – The Outsiders

Makes sense, as Henry Singleton produced 12x the returns of the S&P over his decades-long tenure. The author William Thorndike, a private-equity investor, has partnered with another “Outsider”-level CEO, the founder of TransDigm, for their next act. It’s called Perimeter Solutions.

Perimeter Solutions makes Phos-Chek, a reddish pink flame retardant made of ammonium phosphate and dropped by planes to limit the spread of fires. It turns into non-flammable carbon when it ignites so fire cannot traverse past the line. It is a monopoly business.

Origins: Monsanto created the Phos-Chek product, which was divested and owned by several buyers, before purchased by a SPAC called Everarc Holdings. Everarc is led by Nick Howley (founder of TransDigm) and William Thorndike (abovementioned author of The Outsiders), the two co-chairmen, as well as Haitham Khouri (CEO and former investor at Hound Partners) to acquire companies meeting five criteria:

1. Recurring revenue: Once you gain a fire retardant customer, you almost never lose them and almost always grow them.
2. Long-term Secular growth tailwinds: Retardant volumes grew 10% for a decade to 2020. US acres burned grows every decade (2M acres / year in 2000, 7M acres / year in 2025).
3. Product that is a small portion of customer’s cost but very valuable: Phos-Chek is low to mid-single digit % of overall wildfire suppression costs. This allows the TransDigm playbook of raising price.
4. Significant FCF with high returns on tangible capital: Capex is low (4 % of revenue), while adj. EBITDA margins are 30-40%.
5. Significant M&A opportunity: Perimeter plans to acquire businesses in multiple industries, unlike TransDigm in one industry.

These five points are important to remember about Perimeter, because it is the basis of their roll-up strategy, reminiscent of TransDigm. In 2021, Everarc did a reverse merger with Perimeter Solutions at a \$2B valuation and listed on the NYSE. Today, four years later, it is at \$4B.

There is quirk with this company. The two founders take private equity economics in the form of shares. 18% above the high-watermark share price (until 2031), and 1.5% annually (until 2027). This heavily dilutes shareholders every year. When I asked if there is a chance the Founders fee gets extended beyond this timeline,

Khouri told me no chance. They will be very significant shareholders by then and will be incentivized enough. These “founders advisory fees” heavily distorts earnings, so we need to look at adjusted EBITDA and EPS. On that basis, PRM trades at 19x P/E or 13x EV/EBITDA, which feels cheap for a business with monopoly characteristics. After modeling in relatively conservative assumptions on pricing, volume and acquisitions, along with share dilution, I see a 21% annualized return over 5 years with no multiple expansion. I am low teens % above consensus on revenue and adj. EPS for FY 2026.

They have three businesses: fire retardants (Phos-Chek, 60% of revenue), fires suppressants, and specialty products (20% revenue each).

The main business, fire retardants, is an extraordinary business. With 100% market share in the US, they are a monopoly. The product is 70 years old, but it has a lot of patents, so it is hard to copy. The share price has risen almost 4x since March 2024 after a potential competitor, FortressFire, had its product dropped by the US Forest Service (USFS), which is the single major customer for fire retardant products in the US. FortressFire’s product was wound down and Perimeter is back to being the only player in the US and internationally.

An expert interview with former founding team member of FortressFire shows how hard it is for a new entrant. It takes roughly four years to go through all the tests. Also, the USFS does not seem incentivized to entertain new players. Hence, there is large customer concentration risk, but also very high lock-in. The expert interview also states that USFS is not price sensitive, giving major pricing power to Perimeter. Why does this pricing power exist? Low cost component to customer, operational quirks, and Perimeter’s 100% success rate in a critical function where risks can’t be taken. They have also redone the contracts to emphasize minimum commitment, such that revenues are stable despite the fire seasonality. Result: fires were down 64% in 2022, but fire safety revenue down just 13%.

Capital allocation excellence

Capital allocation is another strong point, which makes sense given the chairmen’s backgrounds.

- In Oct 2023 when stock traded as low as \$3, they bought back 12% of company at average price ~\$6. Today PRM is \$27. I asked the CEO about his emotions and thought process at the time, and found their hyper-rationality during a difficult time illuminating.
- Their next play is the acquisition of IMS in Dec 2024, which serves as a platform for high ROIC acquisitions of aftermarket services businesses. Think parts and services for mechanical equipment like boats, trains, planes, MRI machines, windmills, etc. The key is that it’s a small part of the customer’s total cost, but a crucial component, that gives it pricing power.

Culture of customer-obsession

Given the old-school business lines, one would not expect culture to be a differentiator. But my takeaway from speaking with the CEO was that they have a unique, “hardcore” customer-obsessed mentality that is part and parcel of what lets them maintain their leadership position across all three segments. This level of customer

obsession is what the CEO considers most underappreciated about Perimeter, and what is not shown in earnings calls or investor presentations. Incentives are thought about carefully too. The CEO believes that he will get fired if he “only produces 15% annualized returns,” because the board keeps him accountable. Employees are compensated 15% less salary than competitors, but receive long-term options “where they can earn 10x more.”

The business generated 36% incremental tangible ROIC (while I prefer to look over a longer period, 2022 and 2023 were milder fire seasons vs a more regular 2024, so incremental ROIC looks artificially higher if including those years).

From what I understand of their strategy, execution, and backgrounds, we are just at the beginning of this company’s compounding. With long-term secular growth in the fire safety business, capital allocation excellence, execution strategy, and a niche but profitable M&A rollup strategy, I see a 20%+ compounder for the next 5 years and beyond. And maybe, it grows into the next TransDigm, Danaher, or Constellation Software.

More in-depth notes on the business, competitors, model, valuation, ROIC, and primary research is in the appendix.

Appendix

Recommendation: Long

Current Price: \$26

5-YR Target Price: \$67

Expected Annualized Return: 21%

11/23/2025

Current Price	\$26	Free Cash Flow (2025E)	199.0
52 wk High / Low	\$8.76 / \$27.7	Free Cash Flow Margin (2025E)	30.8%
Market Cap (mm)	\$3,898	EV / UFCF	18.2x
Net Debt (mm)	\$444	Market Cap / Levered FCF	19.6x
Enterprise Value (mm)	\$4,342	P/NTM EPS	16.4x
Volume (mm)	1.29	Div Yield	Special dividends opportunistically

Business Overview

Two segments: Fire Safety (Fire Retardants and Fire Suppressant) and Specialty Products (previously Oil Additives).

- Fire Retardants (roughly 60% of revenue)
 - o This is the Phos-Chek product. A very good business, given they are sole supplier in US and globally.
- Fire Suppressants (roughly 20% revenue)
 - o System that releases fire retardant foam in industrial facilities; also service and refill. More competitive but gaining share and good market position.
- Specialty Products (roughly 20% revenue)
 - o Product is an additive within engine oil called P2S5.
 - o Recently acquired IMS, a printed circuit board company, to serve as a platform for future acquisitions.
- All three businesses are vertically integrated, giving them pricing power.
 - o The fire retardant business sells both the product and the air base infrastructure.
 - o The Fire suppressant business sells the foam but also the equipment that the foam goes into, and the aftermarket service (ex. refilling foam during emergencies).
 - o For Specialty Products, they sell highly specialized equipment in which it must be delivered, and manage a regulated logistics network.
 - Much like fire retardant, P2S5 is a critical component into the product it's spec'd into yet account for 1% to 2% of end-product cost.
 - o EBITDA margins for the two fire businesses are ~50%, while Specialty Products is ~30%
 - Note that specialty products margin in 2025 is lower (24%) due to an operational issue with production facility

Pricing Power

Why does this pricing power exist?

- Low cost to customer: only 2% of fire safety budget goes to fire retardants. If budget cuts were needed, it's more likely to come from salaries where 90% of the budget is. In addition, budgets are going up high single digit annually, which allows for price increases.
- You have to chemically treat the tanks of the plane and power wash before putting in a new chemical because it will corrode the plane without the right treatment. Doing that for two different solutions is inefficient, so USFS is incentivized to go with the single best supplier.
- Perimeter has 100% success rate history. Fire departments will not risk failure to try and save a bit of money, when a fire can burn 5000 acres within an hour.

Capital allocation excellence

Capital allocation is another strong point, which makes sense given the chairmen's' backgrounds. They are looking to acquire other businesses that meet the five criteria. Because it's not necessarily for cost synergies, the business needs to stand on its own. Usually, empire-building is not a good sign for a business' ROIC, but the board's expertise makes this more likely a strength for Perimeter.

Two data points:

- o In Oct 2023 when stock traded as low as \$3, they bought back 12% of company at average price ~\$6.
- o They issued a special dividend in Q2 2025. I see this as both good and bad. It shows they care about capital distribution rather than hoarding. On the other hand, it shows there's not much reinvestment capacity. It already owns 100% of the fire retardant market.
 - It seems like the IMS acquisition in Dec 2024 to serve as a platform is a means for reinvestment into the business at high ROIC.

Culture of customer-obsession

Given the business lines, one would not expect culture to be a differentiator. But my takeaway from speaking with the CEO was that they have a unique, "hardcore" customer-obsessed mentality that is part and parcel of what lets them maintain their leadership position across all three segments. When I asked what is most underappreciated about Perimeter, he said culture. The culture is very hardcore, and hyper-focused on customer value creation such that they can raise prices and customers are still happy.

Some quotes from the CEO during our chat:

- *"3As – autonomy, accountability, alignment of incentives. We'll give you playbook and autonomy, deliver results or replaced. It's not for everyone."*
- *"People misunderstand how integrated PRM is with the customer. If you visited the base, you wouldn't know who's from USFS or Cal Fire or PRM."*
- *"You can't just increase prices randomly. You have to know your customer better than they know themselves. Spending so much time with them, learning their problems, fears, frustrations. PRM's job is to use R&D, engineering, customer service, product to deliver exactly what relieves their anxiety. These are products where price is a tertiary concern. Once you've done that, the customer is so appreciative of you that when you say "btw, I'm going to raise price 6%" they're happy with that."*
- *"Everyone at Perimeter is compensated via long-term options, with 15% less salary than competitor, but can make 10x more on stock."*

Management & Board

Nick Howley of Transdigm and William Thorndike as previously mentioned are co-chairmen. CEO is Haitham Khouri, who previously worked at Hound Partners as an investor. Nick Howley owns 3.1%, William Thorndike 2.4%, and Haitham Khouri ~1.6%.

Management pursues what it calls private equity returns with public market liquidity – unfortunately for shareholders, this also exists on the cost side in a hefty fee structure. This is both a pro and a con – highly aligned management, but significant dilution for shareholders.

- Specifically, it is a PE fee structure that goes to Everarc Holdings (Nick Howley and William Thorndike): 1.5% in shares outstanding until 2027 and 18% of the value of any upside over \$11.50 (with hurdle based on previous average highest price, currently at \$13.63 as of 2Q25) granted in equity until 2031.
- When I asked if there is a chance the Founders fee gets extended beyond the deadline, Khouri told me no chance. They will be very significant shareholders by then, and will be incentivized enough that way.

The CEO thinks of this as a 20 year job, and has an enormous respect for Nick Howley (co-chairman and founder of Transdigm), who is his role model.

- The board is very tight – they include two business school section mates of Khouri's, and four of Howley's day 1 Transdigm folks. Not a typical board. Close, but highly accountable. While that seemed potentially risky in terms of accountability, Khouri mentioned that while they are close, he is scared of them and they push him. Khouri sees himself getting fired if he does not produce 20% annualized returns.

Competition

Fire Retardant

- Need approval from US Forest Service to get a product used. USFS is 60% of Fire Retardant business.
 - o The above-mentioned competitor, Fortress, got approval and rolled out their product, but was revoked within a year.
- Need bases, equipment, staff: PRM has 200 bases globally and many locations have \$3M of equipment for servicing and delivering product within minutes. Large amount of product must be stored in case of a large fire, and bases must be operational within few hours. Base includes field for plane landing.
- Perimeter's staff will load planes with fire retardant and owns nine manufacturing facilities that make retardant. There are also mobile bases in remote locations in case base fails.

Fire Suppressant

- Market leader in fluoride-free foam, where the industry is headed, away from toxic PFAS.
- Competitors include DAFO, FoamTek, National Foam, Angus Fire, ChemGuard, Tyco, Johnson Controls International.
- Growing high teens with good margins. Growing market.
- Razor blade model where once installed, you get service business.

Specialty Products

- Only one big competitor each in US and Western Europe for P2S5. Larger than both competitors combined.

Valuation & Model Assumptions:

Adjusted EBITDA and Adjusted EPS:

Earnings are volatile and don't show true earnings power, due to multi-hundred million dollar founder advisory fees. Hence, we must look at adjusted EBITDA and adjusted EPS, which the company reports to show the true earnings power of the business. The main adjustment is the Founder fees (both variable and fixed).

Adjusted EBITDA

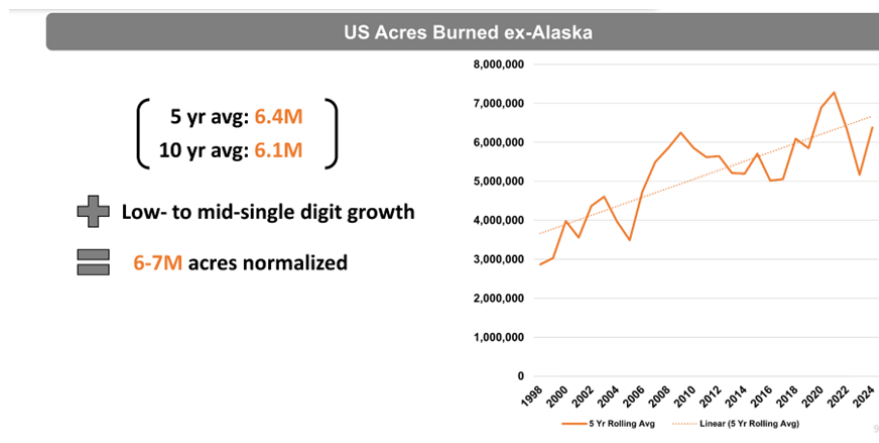
(\$000)	Q2 '24	Q2 '25	YTD '24	YTD '25
Income (loss) before income taxes	34,130	(33,848)	(52,702)	35,331
Depreciation and amortization	16,359	17,924	32,771	34,817
Interest and financing expense	10,590	9,930	21,238	19,574
Founders advisory fees - related party	588	96,883	68,921	16,270
Non-recurring expenses (1)	23	307	563	1,775
Stock-based compensation expense	2,994	2,238	4,736	4,909
Foreign currency loss (gain)	224	(2,096)	1,517	(3,255)
Adjusted EBITDA	64,908	91,338	77,044	109,421
Net Sales	127,276	162,639	186,320	234,669
Adjusted EBITDA Margin	51%	56%	41%	47%

- Note that the Founders fees adjustment can also be a subtraction rather than an add-back – this occurs when the share price falls in the period, reducing the “Founders fees payable” liability on the balance sheet, which then gets recorded as a gain on the income statement, that must be subtracted out to get the true earnings of the business.
- So when share price rises, you add back the hit earnings took from founders fees. When price falls, you do the reverse.

Revenue & Segments:

Long-term secular growth in Fire Safety:

The past ten years saw 11.7% revenue CAGR and past five years saw 16.8% revenue CAGR.



In the last decade, we've seen an average of 6-7M US acres burned ex-Alaska, which is where a normalized fire season should fall per management. This is also a rising trend as you can see in the chart above – two decades ago (2000 – 2005), it was 3M – 4M acres burned. Going back another two decades (1980s – 90s) it was 2.2M acres burned per year. It's no mistake that Everarc bought this business – criteria #2 of their 5 criteria for an acquisition is long-term secular growth trends.

US Acres burned ex-Alaska (M)

Last 5 years	7
2015-2025	6
2000 - 2015	3 to 5
1980-2000	2

Shift towards predictable and consistent revenue growth:

You would think that revenue is very lumpy based on the fire season. While that is true to some extent, it is increasingly getting more stable due to management re-doing contracts for minimum commitments, and a more proactive attack strategy from USFS (using more Phos-check at the early sightings of fire). Perimeter is also building out more bases, which lets them sell more Phos-check. Wall Street loves stability and predictability, and the stock has been rewarded this year for this.

2023 and 2022 were milder than normal seasons: **recall from above - fires were down 64% in 2022, yet fire safety revenue was down just 13%**. 2023 also saw a 50% reduction in US acres burned ex-Alaska, yet revenue was stable from 2022.

Revenue	Dec-22 FY2022	Dec-23 FY2023	Dec-24 FY2024	Dec-25 FY2025
Fire Safety	226.6	225.6	436.3	496.9
% growth		(0.4%)	93.4%	13.9%

Then 2024 saw a more normalized fire season, where we saw an almost 2x increase in Fire Safety revenue.

- Note that Q3 always has the highest sales in Fire Safety. The North American fire season is primarily in Q2 and Q3.

*“Our volumes had a headwind, obviously, from the acre side that was, as we said in the script, almost entirely offset by this more increasingly aggressive tactics... Josh, to be clear, we were **not tapped out on capacity** this year and wouldn't expect to be tapped out on capacity in a stronger fire season.” - Q3 2025 Call*

*“As far as your second part of the question, this contract further moves our business towards consistency, predictability, and stability by **increasing the proportion of revenue EBITDA that comes from services and other fixed components**, and due to the year one price cut, **decreases the proportion that comes from pure gallons**.” - Q3 2025 Call*

International growth opportunity is in early stages:

“Our business in Europe was excellent in Q3. Our business in the Middle East was excellent in Q3. Our business in Asia was strong in Q3. And then our business in the southern hemisphere, both Australia and South America, was strong in Q3. Our international retardant business really is firing on all cylinders. Part of that is self-help and strong execution. Part of it is it should be very strong. It's very early in the adoption cycle. The economics of adoption make a whole lot of sense, and we're riding that wave.” – Q3 2025 Call

Revenue by Geography (FY 2024)

US	79%
Europe	10%
Canada	6%
Other	5%

Revenue Assumptions:

Fire Retardant & Fire Suppressant:

We should see double digit annual growth from 1) volume and 2) pricing increases.

Volume: to be conservative, I assume 4% volume growth.

- There is additional upside in Fire suppressant business, which is rapidly gaining market share in the fluoride-free foam space that the world is transitioning towards, and where Perimeter is the market leader.
- Volume should see greater growth from increasing retardant use per acre, driven by:
 - o Growth of urban areas near wildland where fires must be extinguished faster than they were before.
 - o Increasing number and size of air tankers.
 - o Growth of air tanker bases by Perimeter, which means more retardant sales.
 - o More international countries going from water to retardant, of which Perimeter is the only supplier.

Pricing: Perimeter should be able to raise prices MSD % annually, so I assume 5% growth going forward.

Revenue	Dec-22 FY2022	Dec-23 FY2023	Dec-24 FY2024	Dec-25 FY2025	Dec-26 FY2026	Dec-27 FY2027	Dec-28 FY2028	Dec-29 FY2029	Dec-30 FY2030
Revenue Build (% growth from)									
Fire Safety	(13.2%)	(0.4%)	93.4%	13.9%	9.2%	9.2%	9.2%	9.2%	9.2%
Organic:									
Price	5.0%	5.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Volume/mix	(16.1%)	(4.7%)	86.9%	8.5%	4.0%	4.0%	4.0%	4.0%	4.0%
Inorganic:									
M&A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FX	(1.5%)	(0.5%)	(0.5%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Should be able to raise prices MSD %
Don't want to assume too much growth as 2024 and 2025 were normal fire seasons

Specialty Products:

- Saw 9.4% revenue CAGR in last five years from ~\$100M to \$150M.
- In line with this, I am modeling 3% price growth and 7% volume growth for 10% total.
- 2025 saw ~32% revenue growth from the IMS acquisition (IMS revenue is disclosed in earnings call only). Given plans for regular add-on acquisitions, I project 10-20% yearly revenue growth from these acquisitions.

More about IMS:

IMS was acquired for \$32.8M in December 2024 for 10x adj. EBITDA and added under Specialty Products. They make printed circuit boards (PCBs) that go into everything from MRIs to energy, defense, and communications infrastructure.

From chat with CEO:

- IMS was board member Will's idea.
- There is a set of products out in the world that are extremely high quality and specified into "large" things – boats, trains, planes, MRI machines, gas turbines, windmills. Customers need the part now, and don't care if it's \$3 or \$4 or \$5.
- OEMs (like boat makers) love to get rid of this stuff, they don't want to do this. Boat company is interested in making new models, not servicing old models, but have to, because their customers own the older boats too that need servicing.
- The customer also is frustrated if boat maker does the servicing because they're not doing it well.
- **IMS steps in and buys servicing from boat maker. So IMS is a platform to run around and pick up "obsolete" component segments from OEMs around the world and buy build a aftermarket service business.**

IMS as a new platform:

"IMS product line acquisitions will continue to be an important avenue to deploy capital at attractive IRRs, and we believe we can deploy tens of millions of dollars of capital into IMS product line acquisitions annually for many years to come." - Q3 2025 Earnings call

Specialty Products	32.4%	(27.9%)	29.1%	19.7%	32.3%	32.3%	26.7%	26.7%	21.2%	
Organic:										
Price	37.9%	(6.0%)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Volume/mix	(3.0%)	(23.0%)	25.4%	(11.8%)	7.0%	7.0%	7.0%	7.0%	7.0%	Assuming regular volume increase once factory issue is fixed by 2026
Inorganic:										
M&A	0.0%	0.0%	0.0%	31.8%	20.0%	20.0%	15.0%	15.0%	10.0%	Assuming regular M&A on IMS segment
FX	(1.0%)	(0.3%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Revenue generated from acq					29.9	39.5	39.2	49.7	42.0	
Rough acquisition cost					41.1	54.3	53.9	68.3	57.7	73% In 2025, roughly \$55M of IMS-related acquisitions added \$40M of revenue, so using that ratio

Revenue	Dec-22 FY2022	Dec-23 FY2023	Dec-24 FY2024	Dec-25 FY2025	Dec-26 FY2026	Dec-27 FY2027	Dec-28 FY2028	Dec-29 FY2029	Dec-30 FY2030
Fire Safety	226.6	225.6	436.3	496.9	542.6	592.5	647.0	706.6	771.6
% growth		(0.4%)	93.4%	13.9%	9.2%	9.2%	9.2%	9.2%	9.2%
Retardants	178.3	157.0	352.1	399.8	434.1	474.0	517.6	565.3	617.3
% growth		(11.9%)	124.2%	13.5%	8.6%	9.2%	9.2%	9.2%	9.2%
% of Fire Safety revenue	78.7%	69.6%	80.7%	80.5%	80.0%	80.0%	80.0%	80.0%	80.0%
Suppressants	48.2	68.5	84.1	97.0	108.5	118.5	129.4	141.3	154.3
% growth		42.1%	22.8%	15.2%	11.9%	9.2%	9.2%	9.2%	9.2%
% of Fire Safety revenue	21.3%	30.4%	19.3%	19.5%	20.0%	20.0%	20.0%	20.0%	20.0%
Specialty Products / Oil Additives	133.9	96.6	124.7	149.4	197.5	261.2	331.1	419.6	508.7
% growth		(27.9%)	29.1%	19.7%	32.3%	32.3%	26.7%	26.7%	21.2%
Total Revenue, mm	360.5	322.2	561.0	646.3	740.1	853.8	978.1	1,126.2	1,280.3
% growth		(10.6%)	74.1%	15.2%	14.5%	15.4%	14.6%	15.1%	13.7%

Margin:

Given strategy of valued-based pricing increases, margins should increase.

2025 → 2030:

Gross profit margin: 61% → 71%

Adj. operating profit margin: 41% → 59%

Adj. net income margin: 31% → 41%

Capex & Free Cash Flow:

Management expects \$15-30M in capex over the next four years, which is in the low single digit % of revenue. I model capex at ~4% of revenue.

Given M&A within IMS to occur annually in the tens of millions \$ range, I model that in.

- Method: I estimated 10-20% annual revenue growth from M&A in the previous section, and given that IMS generated \$40M in revenue on \$55M cost, I use that ratio (73%) to get estimated cost of M&A.
- The post-M&A free cash flow is added to the valuation (FCFE for the equity method and FCFF for the EV method)

CFO	(40.2)	0.2	188.4	203.0	246.5	300.7	362.5	438.2	520.4
% of adj. net income excl. amort	-86%	0%	115%	100%	100%	100%	100%	100%	100%
(-) Capex	8.6	9.4	15.5	30.0	34.4	39.6	45.4	52.3	59.4
(-) M&A	-	-	32.8	22.0	41.1	54.3	53.9	68.3	57.7
FCFE, post M&A	(48.8)	(9.2)	140.1	151.0	171.0	206.7	263.2	317.6	403.3
FCFF, post M&A	(21.1)	17.7	166.4	177.0	197.0	232.7	289.2	343.6	429.3
FCFF ex M&A	(21.1)	17.7	199.2	199.0	238.1	287.0	343.1	411.9	487.0
margin	-5.9%	5.5%	35.5%	30.8%	32.2%	33.6%	35.1%	36.6%	38.0%

Capital Structure:

The company aims to maintain a degree of leverage for capital structure efficiency, and will pay out special dividends to maintain this. I do not model in any increases in debt.

Debt									
Net debt	643.0	727.8	582.1	500.6	500.6	500.6	500.6	500.6	500.6
Net debt/ adj. EBITDA	5.1x	7.5x	2.1x	1.5x	1.2x	1.0x	0.8x	0.7x	0.6x

Founder Advisory Shares:

- I model increasing share count growth primarily from the founder fees, and the employee SBC.
- As mentioned above, the CEO has stated that there is no chance of the founder fee extending beyond 2027 (for management fee) and 2031 (for incentive fee).
- I don't model buybacks as the company does this opportunistically when share price is low; instead I leave it as FCF and add it to the final valuation.
- I assume 20% increase in share price annually, which is management's target which they seem to take pretty seriously ("CEO: I will most likely be out of a job if we compound at just 15% annually").

PRM Price as of 11/23/2025	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Notes
\$ 26.35	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	
Diluted S/O, m	161.0	154.7	147.2	148.0	153.9	160.4	165.2	169.9	174.7	
Share Creation										
Share Price	\$ 26.4	\$ 31.6	\$ 37.9	\$ 45.5	\$ 54.6	\$ 65.6	20%	Targeted growth by mgmt		
Market cap	3,879.0	4,679.8	5,838.4	7,303.0	9,028.3	11,142.7				
Employees										
SBC (\$m)	14.6	1.6	12.8	13	15	15	15	15	15	
SBC (m shares)	0.49	0.47	0.40	0.33	0.27	0.23				
Founder fees										
Management fee (m shares)	1.8	1.8	1.8	1.8	1.8	-	-	-	-	Roughly 78% paid in shares historically (157.1M shares * 1.5% * 78%) until 2027
Incentive fee (m shares)				3.6	4.3	4.5	4.4	4.5	4.5	18% incentive fee, assuming 78% paid in shares until 2031
Total shares issued				2.3	5.9	6.5	4.8	4.7	4.8	

ROIC:

This is a very high ROIC business. In the last full fiscal year (2024), the business saw a 73% tangible ROIC. That is **not** the return that as investors earn, which is closer to mid-teens %, because our invested capital includes the goodwill (the price that Everarc paid to acquire Perimeter Solutions).

With that said, the business continues to generate very high incremental tangible ROIC. From 2024 – 2025, the business generated **36% incremental tangible ROIC**. The investments into sales staff, working closely with the customer, and building out fire bases, as well as into the new IMS acquisition has been producing a good return.

- While I prefer to look over a longer period, 2022 and 2023 were milder fire seasons vs a more regular 2024, so incremental ROIC looks artificially higher when including those years.

Summary Model:

For FY 2026, I am 9% above consensus on revenue and 12% above on adj. EPS.

For FY 2027, I am 19% above consensus on revenue and 26% above on adj. EPS.

PRM Price as of 11/23/2025	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Notes
\$	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	
Revenue	360.5	322.2	561.0	646.3	740.1	853.8	978.1	1,126.2	1,280.3	
% growth		-10.6%	74.1%	15.2%	14.5%	15.4%	14.6%	15.1%	13.7%	
Consensus Estimates - Revenue					678.8	714.6				
VS consensus					9%	19%				
COGS	167.2	177.7	224.5	253.5	275.6	300.8	325.1	351.7	374.3	
% of revenue	46.4%	55.1%	40.0%	39%	37%	35%	33%	31%	29%	Margins increase due to pricing power
Gross Profit	193.3	144.5	336.5	392.7	464.6	553.0	653.1	774.5	906.1	
SG&A	74.3	57.1	66.9	70.0	75.0	80.0	85.0	90.0	95.0	Increase by 5m per year, as sales efforts are important
% of revenue	20.6%	17.7%	11.9%	10.8%	10.1%	9.4%	8.7%	8.0%	7.4%	Margins increase due to pricing power
Amortization expense (of acquired intangibles)	55.1	55.1	55.0	55.0	55.0	55.0	55.0	55.0	55.0	Flatline
% of revenue	15.3%	17.1%	9.8%	8.5%	7.4%	6.4%	5.6%	4.9%	4.3%	
Other expense (income), net	4.2	0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0	
Adj. Operating Profit	59.7	31.8	214.5	267.7	334.6	418.0	513.1	629.5	756.1	
margin	16.6%	9.9%	38.2%	41.4%	45.2%	49.0%	52.5%	55.9%	59.1%	
Interest expense	42.6	41.4	40.5	40.0	40.0	40.0	40.0	40.0	40.0	
Other charges (income)	1.3	(0.4)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	
Income Before Tax	15.8	(9.1)	174.1	227.7	294.6	378.0	473.1	589.5	716.1	
Tax	24.1	(2.1)	65.8	79.7	103.1	132.3	165.6	206.3	250.6	
Tax %	152.8%	23.3%	37.8%	35%	35%	35%	35%	35%	35%	
Adj. Net Income	(8.3)	(7.0)	108.4	148.0	191.5	245.7	307.5	383.2	465.4	
Significant items	(39.8)	23.1	114.3	70.0	70.0	70.0	70.0	70.0	70.0	
Net Income, GAAP	31.5	(30.1)	(5.9)	78.0	261.5	315.7	377.5	453.2	535.4	
Adj. Net Income, excl. amort	46.8	48.1	163.4	203.0	246.5	300.7	362.5	438.2	520.4	
margin	13.0%	14.9%	29.1%	31.4%	33.3%	35.2%	37.1%	38.9%	40.6%	
Diluted \$/O, m	161.0	154.7	147.2	148.0	153.9	160.4	165.2	169.9	174.7	
Adj. EPS, Diluted	0.29	0.31	1.11	1.37	1.60	1.87	2.19	2.58	2.98	Incorporates dilution from founder fees and SBC
Consensus Estimates - Adj. EPS, Diluted				1.37	1.43	1.49				
VS consensus					12%	26%				

- 21% 5-year annualized return expectation.
- While the stock looks expensive at a 52x PE on the surface (if you look on Google Finance), using adj. PE that is more representative of the business, it trades at 19x P/E or 13x EV/EBITDA today.

PRM Price as of 11/23/2025	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30
\$	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Multiples									
Adj. P/E				19.2x	16.4x	14.1x	12.0x	10.2x	8.8x
Adj. EV/EBITDA				13.2x	11.2x	9.6x	8.2x	7.0x	6.0x
Valuation									
2030 diluted s/o									174.7
2030 adj. EPS									\$ 2.98
P/E Multiple									20.0x
Terminal Value									\$ 59.58
FCFE 2026 - 2030									1,361.9
per share									\$ 7.80
2030 Target Price									\$ 67.38
5-yr annualized return									21%
EV/EBITDA Method									
2030 adj. EBITDA									846.8
EV/EBITDA Multiple									12.7x
FCFF 2026 - 2030									1,491.9
EV									12,271.9
(-) Net debt									500.6
Equity Value									11,771.2
2030 Target price									\$ 67.38
5-yr annualized return									21%

Notes from chat with CEO Haitham Khouri, 11/19/2025

Culture

- Value creation strategy around customers and shareholders, through decentralized managers. 3 As – autonomy, accountability, incentive alignment. We'll give you playbook and autonomy, deliver results or replaced.
 - o My sense was that the culture was very hardcore, and hyper-focused on customer value creation such that they can raise prices and customers are still happy.
 - o Everyone at Perimeter is compensated via long-term options. 15% less salary than competitor, but can make 10x more on stock.
 - o Highly meritocratic culture.

- CEO thinks of this as a 20-year job – investing was ok, but he always wanted to be like Nick Howley and run a public company.
- CEO is highly accountable
 - Targeting minimum 15% annual return. How? Revenue growing faster than cost, capital allocation, and hopefully deliver returns over 20%. “If 15% only, I’ll most likely be out of a job.”
 - Enormously respects Nick Howley. Talks to him everyday.
- Board is very tight – two B-school section mates of Khouri’s, four of Howley’s day 1 Transdigm folks. Not a typical board. Close, but highly accountable. So closeness seems like a good thing. Loves his board, but they are very tough – Khouri is scared of them.
- What is most underappreciated about PRM? Culture. Can draw a straight line between culture and the results.

Customer Obsessed

- People misunderstand how integrated PRM is with the customer. If you visited the base, you wouldn’t know who’s from USFS or Cal Fire or PRM.
- You can’t just increase prices randomly. You have to know your customer better than they know themselves. Spending so much time with them, learning their problems, fears, frustrations. PRM’s job is to use R&D, engineering, customer service, product to deliver exactly what relieves their anxiety. These are products where price is a tertiary concern. Once you’ve done that, the customer is so appreciative of you that when you say “btw, I’m going to raise price 6%” they’re happy with that.

My Questions

FortressFire’s product was dropped by the USFS because of a corrosion issue. FortressFire claims that it was because the plane tanks were not coated, and the same would occur with Perimeter if so. If that’s the case, I find it strange that they just wound down the product as it seems like a simple fix. What is your take?

- A: Answer is in the question. Why would they shut down if it was a simple coating issue?

Acquisition strategy – why different from Transdigm, and how many opportunities do you see given strict criteria?

- A: Unlike Transdigm, we can look anywhere. But can’t assess as fast, and more likely to get it wrong. Made one acquisition in three years, so not many opportunities.

The Everarc fees end in 2027 and 2031. Could it be extended?

- A: no. It ends then, as we will be significant shareholders then and will work to compound that.

Fires were down 64% in 2022, yet revenue down only 0.5%. How? Related to minimum commitment contracts?

- A: Reworked contracts were a big part of that. And customer was happier with that too, as it’s more stable for their budget.

Tell me more about buying back stock when it crashed, and how you made that decision.

- A: Knew that Fortressfire’s statements about market share they would get (50% within few years) was unrealistic. Even if they did everything right, Perimeter was worth more than \$3. Yes, they were flustered and it wasn’t easy, but the decision-making was extremely rational. Nick Howley is also like that, very emotional but when it comes to decisions, hyper-rational.

Similarities with the best businesses, as described by a guest speaker in class

The below was from a well-known investor from Security Analysis class at Columbia Business School. When I heard this, it reminded me of Perimeter Solutions. **I believe Perimeter has the playbook to become the next Constellation, Danaher, Transdigm, and is in the early stages of executing this strategy.**

1. Holy Grail of Investing

- Persistent structural inefficiencies that can be exploited repeatedly over long periods.
- Investing should be approached like a professional sport: pattern recognition plus decisive execution.

- Excellence comes from extraordinary business models, exceptional people, and abundant reinvestment opportunities.
- Core compounding equation: $ROIC \times \text{Reinvestment Rate} = \text{Compounding Growth Rate}$.
- **Multi-decade 20%+ compounding is achievable with:**
 - Mid-single-digit organic growth
 - Mid-single-digit inorganic growth
 - Acquisitions at less than 6x EBITDA (post-improvement)
 - Light leverage (around 2x)
- Dominating highly specific niches protects against competitive erosion and supports long-term compounding.
- Failure is inherent; rapid recovery matters.

2. Serial Acquirers, HoldCos, and Search Vehicles: Why They Work

- As an asset class, serial acquirers have outperformed public markets for 10–20 years.
- **Well-known examples: Constellation Software, Danaher, TransDigm.**
- Advantages include high recurring revenues, mission-critical products, high margins, low capex, and fragmented customer bases.
- These businesses compound by reinvesting internally generated cash into additional acquisitions.
- The “self-funding flywheel” allows compounding without external capital.

Founders Advisory Agreement (pertaining to the EverArc Founders)

- Fixed Annual Advisory Amount equal to 1.5% of 157,137,410 shares of Common Stock outstanding at Business Combination, paid annually until the year ending 12/31/2027
- Variable Annual Advisory Amount based on the appreciation of the market price of shares of Common Stock if such market price exceeds certain trading price minimums, paid annually until the year ending 12/31/2031
- **Fixed and Variable Annual Advisory Amounts apply solely to 157,137,410 shares of Common Stock outstanding at Business Combination**
- At least 50% of the Fixed and Variable Annual Advisory Amounts will be paid in shares of Common Stock and remainder in cash, with any cash portion intended to cover taxes.
- Per the Founder Advisory Agreement, the EverArc Founder Entity elected to receive approximately 75% of the 2023 Fixed Amount in Ordinary Shares (1,758,464 Ordinary Shares) and approximately 25% of the 2023 Fixed Amount in cash (\$2.7 million). On February 15, 2024, the Company issued 1,758,464 Ordinary Shares and paid \$2.7 million in cash in satisfaction of the 2023 Fixed Amount.