

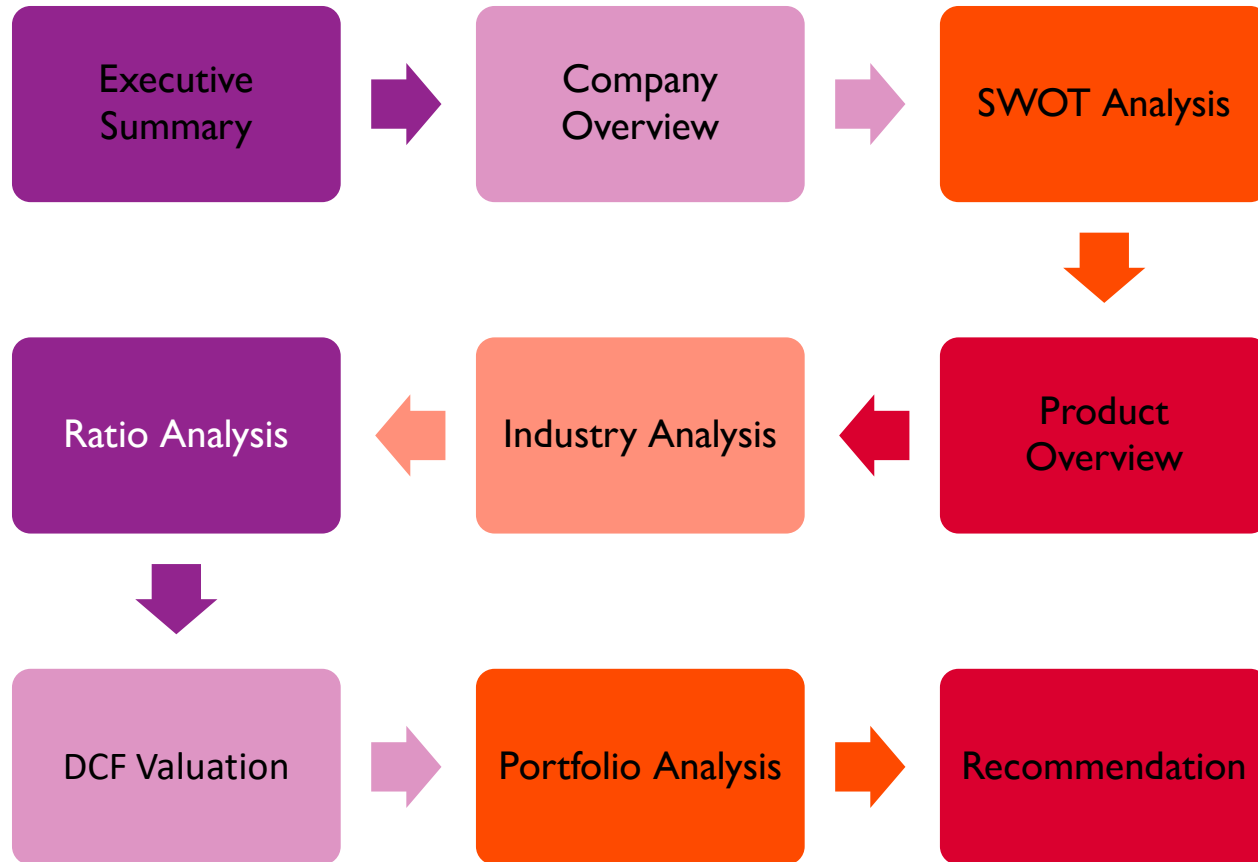


# Perimeter **SOLUTIONS**

Quality Products. Exceptional Response.

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# AGENDA



# EXECUTIVE SUMMARY

- Recommending that the Seger Fund buys \$40k worth of shares of Perimeter Solutions (PRM) to make a position of ~10% of the portfolio, using funds currently in benchmark (Russell 2000)
- We believe that PRM has significant upside potential considering the industry outlook, quality of products, overall company growth, and undervaluation of PRM based on DCF



# COMPANY OVERVIEW

- Headquartered in St. Louis, Missouri
- Produces high-quality lubricant additives and firefighting chemicals - develop products that impact critically important issues of life - issues where there often is no room for error and the job doesn't offer second chances.
- Received 2020 Best Venture Award from the National Renewable Energy Laboratory: Long-Term Fire Retardant as a 'Green Solution' for Saving Lives.





# HISTORICAL PERFORMANCE

# SWOT ANALYSIS

## Strengths:

- Established reputation
- Diverse product offering

## Weaknesses:

- Dependency on government contracts
- High operational costs

## Opportunities:

- Technological advancements
- Sustainability trends

## Threats:

- Regulatory changes
- Economic conditions

# FIRE RETARDANTS

- Perimeter offers "Most Comprehensive Fire-Retardant Solutions" featuring technology development, products, services, training, and equipment.
- Types of fire retardants offered:
  - PROS-CHEK
  - FIRE-TROL
- PHOS-CHEK fire retardants are fully qualified by the USDA Forest Service under specification 5100-304c. They are the safest, most effective, and environmentally friendly products available.
- FIRE-TROL brand long-term fire retardants have been the standard in Europe for over 30 years. FIRE-TROL 931 for aerial application and FIRE-TROL 934 and 936 for ground application are highly effective for the control and suppression of wildland fires.



# FOAM CONCENTRATES



Produce both Class A and B concentrates as well as foam additives for fire extinguishers and foam for training purposes. (Class A is for paper, wood, textiles, etc... while Class B is for flammable liquids.)



Were among the first to introduce fluorine-free Class B foam concentrates to help firefighters extinguish fires caused by flammable and combustible liquids.



# FUEL GELLING AGENTS

- Ground and Heli-torches require gelled fuel
- PHOS-CHEK® FLASH 21:
  - Is a two-part liquid fuel gelling agent that reliably provides high quality gel, very quickly.
  - Was developed to allow mixing with fuel regardless of temperature, ensuring a consistent gelled fuel mixture. Fuel treated with PHOS-CHEK FLASH 21 will not lose viscosity, allowing use during an entire burning operation.
  - Can be mixed with various fuels including straight gasoline and diesel.
  - Research has shown improved gelling and ignition results using PHOS-CHEK FLASH 21 under cold-weather conditions when compared to other fuel gelling agents available in today's market. High temperatures also appear to have no adverse effect on Flash 21 performance



# Our Product Lines



**Fire Retardants (48%)<sup>(1)</sup>**



- Retardant slows, stops and prevents wildfire, typically applied via airtankers



- Market leader with a comprehensive fully-integrated solution delivered globally



- Critical: success measured in lives
- Complex: unpredictable demand profiles and challenging operating environments
- Integrated: asset base and service capabilities built over decades at high-\$



- Mid- to high-single digit volume growth



**Fire Suppressants (22%)<sup>(1)</sup>**

- Foam primarily used to fight flammable liquid fires (airports, refineries, etc.)

- Market leader in fluorine-free foams that are rapidly becoming industry standard

- Critical: life-saving products
- Complex: emergency response demand requires never fail global service network
- Integrated: hardware, consumables and after-market service bundled together

- Expanding fluorine-free installed base



**Specialty Products (30%)<sup>(1)</sup>**

- P<sub>2</sub>S<sub>5</sub> reduces wear / improves durability in lubricating oils, and other niche uses

- Market leader with >50% OECD capacity

- Critical: vital to product, no substitutes
- Complex: difficult chemistry, highly regulated global supply chain / delivery
- Integrated: product plus proprietary and patented delivery system/hardware

- Stable volume demand profile

LTM Revenue of **\$534.2M** and Adjusted EBITDA of **\$258.6M** (~48% Adjusted EBITDA Margin)

(1) %s denote share of Consolidated Revenue as of latest public disclosure, 12/31/2023

# INDUSTRY ANALYSIS



The Fire Fighting Chemicals Market is valued at USD 2.69 Billions as of 2023, and is expected to grow at a CAGR of 3.9%, reaching a value of USD 3.79 Billion at 2032.



Governments around the world have implemented strict fire safety regulations, moved by industrial and urban growth across the globe, mandating the use of firefighting chemicals in residential, industrial and natural sites. Perimeter solutions is a leader in the industry as they already seasoned when it comes to working with regulations.



Rising number of wildfires due to climate change, extreme weathers, and natural devastation, ask for use of fire retardants and such products to be more in demand

# RATIO ANALYSIS

- PRM demonstrates superior liquidity with a Current Ratio of **4.56** and a Quick Ratio of **1.58**, significantly outperforming competitors, ensuring short-term financial stability.
- PRM's Cash Conversion Cycle (**267.61 days**) is notably higher than competitors, suggesting room for improvement in inventory management and cash flow optimization.
- PRM's Days Inventory Outstanding (**287.43 days**) is much higher than competitors, indicating inefficiencies in inventory turnover compared to peers like HWKN (**40.98 days**).
- PRM excels in operational efficiency with an Operating Margin of **29.32%**, far surpassing the margins of competitors and signaling effective cost control.

Ratio Analysis				
2023	PRM	CC	HWKN	MMM
Current Ratio	4.56	1.54	1.96	1.07
Quick Ratio	1.58	0.69	1.18	0.7
Cash Conversion	267.61	43.16	61.08	87.08
DPO	33.08	91.47	28.52	73.01
DIO	287.43	106.54	40.98	100.69
Operating Margin	29.32	-4.07	11.32	-27.93

# DCF VALUATION

- Implied Share price of \$18.55
- Undervalued nearly 35%
- Would consider this valuation as semi-conservative given moderate long-term growth rate and below Bloomberg target price

Smooth TV and NPV	
Smooth TV	2,719,734,581
NPV Next 5 Years	\$683,281,102.59
WACC	11.69%
Reinvestment	
NWC Investment	20,635,744
Capex Dep	3,899,030
Total Reinvestment	24,534,774
NOPAT	186,321,925
Net Reinvestment Rate	13.17%
Total Invested Capital	
Invested Capital	1,152,295,000
Long-Term Debt	666,494,000
Total Invested Capital	1,818,789,000
ROIC	10.24%
LTG	1.35%
DCF Valuation	
Numerator	2756422769
Denominator	10.35%
TV	26644052268
PV of TV	16244506194
Enterprise Value	2,711,800,000
Net Debt	997,647,000
Equity Value	1,714,153,000
Shares O/S	146,200,000
Implied Share Price	18.54856361
Market Price	12.35
Shares Undervalued	-33.42%

# EV/EBITDA

- PM is overvalued when trading at a level of its competitor, Hawkins, another special chemical supplier, not particular to fire retardants
- From this, we understand that a multiple any lower than this would set our valuation to be very low.

Using Hawkins to Value Lockheed	
EBIT	1,281,000,000
Add: Depreciation and Amo	199000000
EBITDA	1,973,000,000
Share Price	124.4
Shares Outstanding	209000000
Market Cap	26,044,000,000
Total Debt	1,011,000,000
Enterprise Value	27,055,000,000
EV/EBITDA Multiple	14
PM Valuation	
EV/EBITDA Multiple	14
EBIT	186,322
Add: Depreciation and Amo	200,000
EBITDA	193,700,000
Enterprise Value	2,711,800,000
Less: Total Debt	997,647,000
Equity Value	1,714,153,000
Shares Outstanding	146,200,000
Implied Price Per Share	11.72471272
Market Price Per Share	12.34
OverValued	-4.99%

# EFFECT ON PORTFOLIO RATIOS

Portfolio Stats Analysis		
	Seger Fund	Seger Fund with PRM
Sharpe Ratio	0.99	1.47
Jensen Alpha	10.96	9.27
Treynor Measure	0.2	0.22
Beta	0.96	1.45
Standard deviation (Annualized)	19.65	21.24
Total Return	18.49	28.93

# CONCLUSION

- We recommend buying 40k worth of PRM using funds currently in the benchmark (Russell 2000).

Buy PRM?

