

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2023**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM TO**

Commission File Number 001-41027

**PERIMETER SOLUTIONS, SA**

(Exact name of Registrant as specified in its Charter)

**Grand Duchy of Luxembourg**  
(State or other jurisdiction of incorporation or organization)

**98-1632942**  
(I.R.S. Employer Identification No.)

**12E rue Guillaume Kroll, L-1882 Luxembourg**  
**Grand Duchy of Luxembourg**  
**352 2668 62-1**

(Address of principal executive offices and zip code)

**Registrant's telephone number, including area code: (314) 396-7343**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, nominal value \$1.00 per share	PRM	New York Stock Exchange
Warrants for Ordinary Shares	PRMFF	OTC Markets Group Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of ordinary shares held by non-affiliates of the registrant, computed by reference to the closing sale price of the ordinary shares on the New York Stock Exchange as of June 30, 2023 the last business day of the registrant's most recently completed second fiscal quarter, was \$884,129,701.

As of February 16, 2024, there were 145,733,689 ordinary shares, nominal value \$1.00 per share, outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement for its 2024 annual meeting of shareholders, which will be filed within 120 days of December 31, 2023, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K for the year ended December 31, 2023 (this “Annual Report”) contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements involve risks and uncertainties and reflect our current views with respect to, among other things, future events and our financial performance. When used in this Annual Report, the words “believe,” “may,” “could,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “indicate,” “seek,” “should,” “would,” and similar expressions are intended to identify forward-looking statements, though not all forward-looking statements contain these identifying words. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management’s beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. These forward-looking statements include, without limitation, statements about the following matters:

- future financial performance, financial projections or estimates used, including any growth or expansion plans and opportunities;
- our ability to expand our fire safety business;
- our beliefs regarding certain trends and growth drivers in our fire safety business, including weather and climate trends;
- our ongoing commitment to manufacturing high-quality products in an environmentally-conscious way as well as our ongoing commitment to promoting diversity;
- our ability to grow long-term value through, among other things, the continuing performance improvement of our existing operations, execution of a disciplined capital allocation and management of our capital structure;
- our expectations regarding future capital expenditures;
- cash flow projections;
- our ability to maintain a leadership position in any market as well as our ability to remain an innovation leader by enhancing our products and services and investing in expansions through acquisitions;
- expectations concerning sources of revenue;
- expectations about demand for fire retardant products, equipment and services, including our ability to accurately identify key market drivers and leverage our relationships with customers and stakeholders;
- our expectations regarding the impact of significant infrequent events, such as the COVID-19 (“COVID-19”) pandemic and the regional conflicts such as the ongoing conflict between Russia and Ukraine or Israel and Hamas, on our business as well as our ability to mitigate inflationary pressures;
- expectations concerning certain of our products’ ability to protect life and property as population settlement locations change;
- expectations concerning the markets in which we currently operate and intend to expand to in the coming years, overall economic conditions and disruptive weather events;
- our expectations regarding market risk;
- expectations concerning repurchases of our Ordinary Shares (as defined below) under the Share Repurchase Plan (as defined below);
- our beliefs regarding the sufficiency of our current sources of liquidity to fund our future liquidity requirements, our expectations regarding the types of future liquidity requirements and our expectations regarding the availability of future sources of liquidity;
- our beliefs regarding the assumptions and estimates used in assessing goodwill, including our beliefs regarding the methods and approaches a market participant would use;
- our ability to maintain an inventory position that is substantially balanced between our purchases and sales;
- our expectations and beliefs regarding accounting and tax matters;
- our ability to pursue intellectual property protection on product and equipment enhancements; and
- the expected outcome of litigation matters and the effect of such claims on business, financial condition, results of operations or cash flows.

Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date of this Annual Report, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to those summarized below:

- negative or uncertain worldwide economic conditions;
- volatility, seasonality and cyclicity in the industries in which we operate;
- our substantial dependence on sales to the U.S. Department of Agriculture (“USDA”) Forest Service and the state of California and the risk of decreased sales to these customers;
- changes in the regulation of the petrochemical industry, a downturn in the specialty chemicals and/or fire retardant end markets or our failure to accurately predict the frequency, duration, timing, and severity of changes in demand in such markets;
- changes in customer relations or service levels;
- a small number of our customers represent a significant portion of our revenue;
- failure to continuously innovate and to provide products that gain market acceptance, which may cause us to be unable to attract new customers or retain existing customers;
- improper conduct of, or use of our products, by employees, agents, government contractors or collaborators;
- changes in the availability of products from our suppliers on a long-term basis;
- production interruptions or shutdowns, which could increase our operating or capital expenditures or negatively impact the supply of our products resulting in reduced sales;
- changes in the availability of third-party logistics suppliers for distribution, storage and transportation;
- increases in supply and raw material costs, supply shortages, long lead times for components or supply changes;
- adverse effects on the demand for our products or services due to the seasonal or cyclical nature of our business or severe weather events;
- introduction of new products, which are considered preferable, which could cause demand for some of our products to be reduced or eliminated;
- current ongoing and future litigation, including multi-district litigation and other legal proceedings;
- heightened liability and reputational risks due to certain of our products being provided to emergency services personnel and their use to protect lives and property;
- future products liabilities claims where indemnity and insurance coverage could be inadequate or unavailable to cover these claims due to the fact that some of the products we produce may cause adverse health consequences;
- compliance with export control or economic sanctions laws and regulations;
- environmental impacts and side effects of our products, which could have adverse consequences for our business;
- compliance with environmental laws and regulations;
- our ability to protect our intellectual property rights and know-how;
- our ability to generate the funds required to service our debt and finance our operations;
- fluctuations in foreign currency exchange;
- potential impairments or write-offs of certain assets;
- the adequacy of our insurance coverage; and
- challenges to our decisions and assumptions in assessing and complying with our tax obligations.

For additional information regarding known material factors that could cause our actual results to differ from our projected results, please read (1) Part I, Item 1A. “Risk Factors” in this Annual Report; (2) our reports and registration statements filed from time to time with the Securities and Exchange Commission (the “SEC”), and (3) other public announcements we make from time to time. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.



## SUMMARY OF RISK FACTORS

*Our business is subject to varying degrees of risk and uncertainty. Below is a summary of the principal risk factors that may affect our business, financial condition and results of operations. This summary does not address all of the risks that we face. Investors should carefully consider the risks and uncertainties summarized below along with additional discussion of such summarized risks under the heading “Risk Factors” herein, together with other information in this Annual Report and our other filings with the SEC.*

### **Risks Related Our Business and Industry**

- demand for our products is impacted by a number of factors outside of our control;
- a small number of our customers represent a significant portion of our revenue;
- as a supplier and service provider to the U.S. government and many foreign governments, states, and municipalities, we are subject to certain heightened risks;
- our profitability could be negatively impacted by price and inventory risk;
- risks from the improper conduct of, or use of our products, by employees, agents, government contractors, or collaborators could adversely affect our reputation;
- risks related to purchasing products from our suppliers on a long-term basis and production interruptions or shutdowns;
- reliance on third-party logistics suppliers for distribution, storage, transportation, operating supplies and products;
- we are susceptible to supply and raw material cost increases, supply shortages, long lead times, and supply changes;
- if we fail to continuously innovate and to provide products that gain market acceptance, we may be unable to attract new customers or retain existing customers;
- the seasonal or cyclical nature of our business and severe weather events may cause demand for our products and services to be adversely affected;
- our industry and the markets in which we operate have few large competitors and increased competitive pressures;
- our competitive position could be adversely affected if we fail to protect our patents, trade secrets or other intellectual property rights, if our patents expire or if we become subject to infringement claims;
- risks inherent in our global operations;
- we may be required to take write-downs or be subject to restructuring, impairment or other charges that could have a significant negative effect on our business and financial condition as well as the price of our Ordinary Shares (as defined below), which could cause you to lose some or all of your investment;
- we may need to recognize impairment charges related to goodwill, identified intangible assets and fixed assets;
- our substantial indebtedness may adversely affect our cash flow and our ability to operate our business;
- terms of our indebtedness may limit our ability to borrow additional funds or capitalize on business opportunities;
- we may incur substantial additional indebtedness;
- an increase in interest rates would increase the costs on our revolving credit facility and on our variable rate indebtedness;
- our business may be negatively impacted as a result of Russian actions in Ukraine.

### **Risks Related to Regulatory and Legal Matters**

- risks related to litigation by customers, suppliers and other third parties, including multi-district litigation and other legal proceedings;
- certain of our products are provided to emergency services personnel and are intended to protect lives and property, so we are subject to heightened liability and reputational risks;
- some of the products we produce may cause adverse health consequences and we are and may be subject in the future to product liability claims, and indemnity and insurance coverage could be inadequate or unavailable to cover these claims;
- risks related to non-compliance with export control or economic sanctions laws and regulations U.S. Foreign Corrupt Practices Act (the “FCPA”) and similar anticorruption, anti-bribery and anti-kickback laws, environmental laws and laws and regulations related to PFAS (as defined below);
- our contracts with the federal or state governments subject us to additional oversight and risks;
- our products are subject to extensive government scrutiny and regulation, including the USDA Forest Service qualification process;
- environmental laws and regulations may subject us to significant liabilities;
- legal and regulatory claims, investigations and proceedings may be initiated against us in the ordinary course of business.

### **Risks Related to Operating as a Public Company and Our Corporate Structure**

- the requirements of being a public company may strain our resources and divert management’s attention;

- although we have remediated previously identified material weaknesses in our internal control over financial reporting as of December 31, 2023, we may in the future, fail to maintain effective internal controls over financial reporting;
- if analysts do not publish data about us or change their opinion regarding our business, then the price and trading volume of our Ordinary Shares (as defined below) or Warrants (as defined below) could decline;
- there are risks for any holders of our Warrants (as defined below);
- EverArc Founders (as defined below) may have interests that are different than the interests of our shareholders;
- payment of fees in cash pursuant to the advisory agreement entered into by EverArc (as defined below) on December 12, 2019 ("Founder Advisory Agreement") with EverArc Founders, LLC, a Delaware limited liability company ("EverArc Founder Entity") which is owned and operated by William N. Thorndike, Jr., W. Nicholas Howley, Tracy Britt Cool, Vivek Raj and Haitham Khouri (collectively the "EverArc Founders") could reduce cash available for investment, working capital and distribution to shareholders; it being noted that the Founder Advisory Agreement has been assigned to PSSA (as defined below) on November 9, 2021, pursuant to an assignment and assumption agreement entered into by PSSA (as defined below), EverArc (as defined below) and the EverArc Founder Entity;
- shareholders will experience dilution as a consequence of the issuance of our Ordinary Shares (as defined below) as payment for fees under the annual Founder Advisory Agreement;
- if we terminate the Founder Advisory Agreement under certain circumstances, we have to pay a significant termination fee.

#### **Risks Related to Investment in a Luxembourg Company**

- we are organized under the laws of the Grand Duchy of Luxembourg. It may be difficult for you to obtain or enforce judgments or bring original actions against PSSA (as defined below) or the members of its board of directors (the "Board") in the U.S.;
- Luxembourg and European insolvency and bankruptcy laws are substantially different from U.S. insolvency and bankruptcy laws and may offer PSSA's shareholders less protection than they would have under U.S. insolvency and bankruptcy laws;
- the rights of our shareholders may differ from the rights they would have as shareholders of a U.S. corporation, which could adversely impact trading in our Ordinary Shares (as defined below) and its ability to conduct equity financings.

#### **Risks Related to Taxes**

- if we are or become a passive foreign investment company for U.S. federal income tax purposes for any taxable year, U.S. Holders of our Ordinary Shares (as defined below) or Warrants (as defined below) could be subject to adverse U.S. federal income tax consequences;
- if a United States person is treated as owning at least 10% of our Ordinary Shares (as defined below), such person may be subject to adverse U.S. federal income tax consequences;
- changes in tax laws, including the Inflation Reduction Act ("IRA"), may materially adversely affect our business, prospects, financial condition and operating results.

#### **General Risks**

- we may require additional capital to fund our operations;
- cybersecurity attack, acts of cyber-terrorism, failure of technology systems and other disruptions to our information technology systems may adversely impact our business, financial condition and results of operations;
- our insurance may not fully cover all of our risks;
- inflation could adversely affect our business and results of operations;
- we are subject to general governmental regulation and other legal obligations, including those related to privacy, data protection and information security;
- the loss of key personnel or our inability to attract and retain new qualified personnel could hurt our business and inhibit our ability to operate and grow successfully.

## PART I

### Item 1. Business.

#### Overview

Perimeter Solutions, SA, (“PSSA”), a public company limited by shares (*société anonyme*) registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B256.548 was incorporated on June 21, 2021 under the laws of the Grand Duchy of Luxembourg. PSSA is headquartered in the Grand Duchy of Luxembourg with business operations across the globe.

On November 9, 2021 (the “Closing Date”), PSSA consummated the transactions contemplated by the business combination (the “Business Combination”) with EverArc Holdings Limited, a company limited by shares incorporated with limited liability in the British Virgin Islands and the former parent company of PSSA (“EverArc”), SK Invictus Holdings, S.à r.l., a limited liability company (*société à responsabilité limitée*) governed by the laws of the Grand Duchy of Luxembourg (“SK Holdings”), SK Invictus Intermediate S.à r.l., a limited liability company (*société à responsabilité limitée*) governed by the laws of the Grand Duchy of Luxembourg (“SK Intermediate”), doing business under the name Perimeter Solutions (“Perimeter” or “Perimeter Solutions”) and EverArc (BVI) Merger Sub Limited, a company limited by shares incorporated with limited liability in the British Virgin Islands and a wholly-owned subsidiary of PSSA (“Merger Sub”) pursuant to a business combination agreement (the “Business Combination Agreement”) dated June 15, 2021. The terms “we”, “us”, “our”, and the “Company” refer to PSSA and its consolidated subsidiaries, including Perimeter, after the closing of the Business Combination (the “Closing”).

PSSA's ordinary shares, nominal value, \$1.00 per share (the “Ordinary Shares”), are listed on the New York Stock Exchange (“NYSE”) and trade under the symbol “PRM” and the warrants associated with the Ordinary Shares (the “Warrants”) are listed on the OTC Market Groups Inc. and trade under the symbol “PRMFF.”

In connection with the Business Combination, the Merger Sub merged with and into EverArc, with EverArc surviving such merger as a direct wholly-owned subsidiary of PSSA (the “Merger”). The Merger was accounted for as a common control transaction, where substantially all of the net assets of PSSA were those previously held by EverArc. Upon the acquisition of SK Intermediate, PSSA was determined to be the legal and accounting acquirer (the “Successor”) and SK Intermediate was deemed to be the accounting predecessor (the “Predecessor”). The acquisition of SK Intermediate was accounted for using the acquisition method of accounting and the Successor financial statements reflect a new basis of accounting based on the fair value of the net assets acquired. As a result of the application of the acquisition method of accounting, our consolidated financial statements and certain presentations are separated into two distinct periods to indicate the different ownership and accounting basis between the periods presented.

We are a global solutions provider for the fire safety and specialty products industries. Our fire safety business is a formulator and manufacturer of fire management products that help our customers combat various types of fires, including wildland, structural, flammable liquids and other types of fires. Our fire safety business also offers specialized equipment and services, typically in conjunction with our fire management products to support firefighting operations. Our service network can meet the emergency resupply needs of over 150 air tanker bases in North America, as well as many other customer locations globally. Our specialty products business produces and sells high quality Phosphorus Pentasulfide (“P<sub>2</sub>S<sub>5</sub>”) primarily used in the preparation of lubricant additives, including a family of compounds called Zinc Dialkylthiophosphates (“ZDDP”) that provide critical anti-wear protection to engine components. We conduct our operations globally, with approximately 65% of our annual revenues derived in the United States, approximately 15% in Europe and approximately 14% in Canada with the remaining approximately 6% spread across various other countries.

#### Segments

Our business is organized and managed in two reporting segments: Fire Safety and Specialty Products.

#### *Fire Safety Segment*

The Fire Safety segment provides fire retardants and firefighting foams, as well as specialized equipment and services typically offered in conjunction with our retardant and foam products.

## ***Fire Retardants***

Our fire retardants help slow, stop and prevent wildfires by chemically altering fuels (e.g., vegetation) and rendering them non-flammable. Fire retardant is typically applied ahead of an active wildland fire to stop or slow its spread, in order to allow ground-based firefighters to safely extinguish the fire. Retardants can be applied aerially via fixed or rotor wing aircraft, or by ground using standard fire engines or our dedicated ground-applied retardant units. All of our products have a high level of retardant effectiveness, and differences in visibility, viscosity, adherence to vegetation, and persistence through weathering.

Our fire retardant customers are typically government agencies with responsibility for protecting both government and private land, although we also serve commercial customers. We supply federal, state, provincial, local/municipal, and commercial customers around the world, including in the United States, Canada, France, Spain, Italy, Chile, Australia and Israel. We are a supplier of USDA Forest Service qualified fire retardant – a standard that many countries have adopted for ensuring fire retardant is effective, safe and environmentally friendly.

While fire retardant is primarily used to stop or slow the spread of active wildland fires, our fire retardant is also increasingly utilized in a preventative capacity. We are expanding our offerings to several high hazard industries. Wildfires ignited by utilities have turned into some of the most devastating wildfires in U.S. history, many of which have occurred in recent years. Western U.S. states in particular are becoming increasingly diligent in wildfire prevention efforts and increasing their investments to prevent wildfire risk.

We are focused on being an innovation leader in fire retardant, driving continuous improvements in product performance to offer increasing value for our customers. We have made significant enhancements in safety, environmental stewardship and effectiveness, as well as advancements in visibility and aerial drop performance. Working in partnership with the USDA Forest Service wildland fire chemicals group to characterize and develop new products, we consistently release new standard-setting products, including the Phos-Chek® “Fx” family of ultra-high visibility fugitive-colored products, Phos-Chek LCE20-Fx next generation liquid concentrate, which combines high performance with improved environmental performance, and Phos-Chek Fortify® durable retardant, which can offer long-term protection until a significant rainfall event.

## ***Firefighting Foams***

We offer a comprehensive and effective line of firefighting foam, including Class A, Class B, Class A/B, and training foams.

Class A foam is primarily used to combat structural fires and wildfires. Class A foam is specially formulated to make water more effective for structural fire suppression. The surfactants in Class A foam significantly reduce water’s surface tension, and, when mixed with air, create a foam blanket that surrounds fuels. The foam blanket creates a barrier between the fuel and the fire, knocking down the fire faster than water alone, and allowing fire fighters to see the areas of application. Utilizing Class A foam reduces the amount of water needed to extinguish the fire, reduces water damage, and increases firefighter safety through quicker knockdown and reduced mop-up/overhaul requirements. Our Class A foam products are used by wildland firefighters to suppress wildland fires and are typically applied from various fixed wing air tankers, helicopters equipped with fixed tanks or buckets, standard fire engines or rapid attack brush trucks, or 5-gallon backpacks. In addition to wildfire suppression, Class A foam products are used by municipal and rural fire departments as a water enhancer to combat structural and other fires.

Class B foam is primarily used to combat flammable and combustible liquids. Fires caused by flammable and combustible liquids require foams designed for rapid extinguishment and a secure foam blanket to prevent reignition. The foam blanket must have good burn back resistance and strong integrity to minimize the spread of the fire from areas where the blanket has been compromised, for example by falling debris or the dragging of a fire hose or other equipment through the foam blanket. Our Class B foam products are primarily used by industrial customers with significant amounts of flammable and combustible liquids on-site, including petrochemical facilities, airports and other aviation and aerospace facilities, various military and defense facilities, and other industrial and commercial facilities.

Class A/B foam is a foam listed to fight both Class A (structural) fires and Class B (flammable liquid) fires. Our Class A/B foam products are primarily used by municipal fire departments. Training foam has similar characteristics to Class A and B foams but does not include active ingredients and has a shorter drain time so successive tests can be run without

waiting for the foam to disappear. Training foam is used for training and exhibition purposes as well as in the evaluation of foam equipment.

We believe that we are an innovation leader in foams. Our Class B foams either use only C6 fluorosurfactant or are fluorine free. We offer several ground-breaking fluorine free firefighting foam formulations to aid the industry transition to reduce or eliminate the use of firefighting foams that contain Per- and polyfluoroalkyl substances (“PFAS”) in favor of fluorine-free foams. Our products are “ahead of the curve” on many fronts – including fire control performance, reduced viscosity, drainage time and higher stability.

### ***Custom Equipment and Services***

We offer a broad range of equipment and services to support live firefighting operations within our retardant and foam business lines. Our equipment and services are typically purchased and utilized in conjunction with our retardant or foam products and are often priced in a single bundle along with these products.

Custom equipment includes specialized air base retardant storage, mixing, and delivery equipment; mobile retardant bases; retardant ground application units; and mobile foam equipment. We also have the capability to design and manufacture highly custom equipment that operates at very high throughput and reliability levels, including equipment used to support emergency air tanker base and ground crew operations, as well as custom fire suppressant systems for stationary or portable operations typically used at industrial locations or for supporting municipality firefighting capabilities.

Custom services include design, construction, and installation of specialized air base retardant equipment, management and staffing of air base retardant operations, and management of air base supply and replenishment services. We have a broad service capability footprint, with full-service operations in over 50 United States and Canadian air bases, and equipment at over 100 bases globally.

### ***Specialty Products Segment***

The Specialty Products segment produces and sells  $P_2S_5$  used in several end markets and applications, including lubricant additives, various agricultural applications, various mining applications, and emerging electric battery technologies. Within the lubricant additive end market, currently the Company’s largest end market application,  $P_2S_5$  is primarily used in the production of a family of compounds called ZDDP, which is considered an essential component in the formulation of lubricating oils with its main function to provide anti-wear protection to engine components. In addition, ZDDP inhibits oxidation of lubricating oil by scavenging free radicals that initiate oil breakdown and sludge formation, resulting in better and longer engine function.  $P_2S_5$  is also used in pesticide and mining chemicals applications. We offer several grades of  $P_2S_5$  with varying degrees of phosphorus content, particle size, distribution, and reactivity to global customers. The  $P_2S_5$  production process requires a high degree of technical expertise given the reactivity and need for safe transportation and handling. We are committed to being a technology and safety leader, with strong product stewardship and a strong safety track-record. We also conduct regular customer visits and provide extensive technical training to ensure customers are committed to operating safely.

We are focused on being an innovation leader in the specialty products market. Most recently, we engineered and patented superior storage and handling equipment to safely and efficiently handle and transport  $P_2S_5$  with lower cost and maintenance requirements.

### **Key Market Drivers**

There are several key market drivers for our business in the Fire Safety and Specialty Products segments.

### ***Higher Acres Burned and Longer Fire Seasons***

The USDA Forest Service data of the last 39 years shows that the acreage burned in the United States has increased over time. While there is variability in the acreage burned in any given year, the ten-year trailing average of acres burned in the United States has increased from a ten-year trailing average of 3.3 million acres burned in 1997, to a ten-year trailing average of 7.0 million acres burned in 2023. The year 2020 was the most intense fire year recorded in U.S. history with over 10 million acres burned. The U.S. fire season is also lengthening on a consistent basis – according to a 2016 report published by Climate Central, the U.S. fire season is on average 105 days longer than it was in 1970. Climate Central also

reported that the average number of large fires (larger than 1,000 acres) burning each year had tripled between the period of 1970s to 2010s, and the acres burned by such fires showed a six-fold increase in the 2010s compared to the 1970s. If acreage burned continues to increase and the fire season continues to lengthen, we expect the demand and usage of fire retardant to increase.

### ***Increasing Wildland Urban Interfaces***

Urban development is pushing farther out of cities and into the wilderness for both primary and secondary residences. For example, according to Proceedings of the National Academy of Sciences of the United States of America (“PNAS”), the Wildland-Urban Interface (“WUI”), an area where houses and wildland vegetation meet and intermingle, grew rapidly from 1990 to 2010 in terms of both number of new houses and land area, such that it was the fastest-growing land use type in the conterminous United States, with 97% of that growth the result of new housing. As of 2018, the WUI now includes one-third of all homes in the United States although it occupies less than one-tenth of the land area in the U.S. According to PNAS, when homes are built in the WUI, there will be more wildfires due to human ignitions, and wildfires that occur will pose a greater risk to lives and homes. They will be hard to fight, and letting natural fires burn becomes impossible. As the WUI expands and the number of homes at risk from wildland fires increases, we expect the use of retardant to protect property and life from threatening wildfires to increase.

### ***Increasing Firefighting Aircraft Capacity and Usage***

The size and capacity of the firefighting aircraft fleet is a key driver of the amount of fire retardant consumed annually because demand for retardant typically outpaces available aircraft capacity, as evidenced by data regarding the inability to fill aerial firefighting requests published by the National Interagency Fire Center. Since 2010, U.S. aircraft capacity increased significantly and is expected to further increase. Increasing air tanker capacity and modernization is a global trend, with more, larger, and more sophisticated tankers being used in various parts of the world.

### ***Value-Based and Dynamic Pricing Model Protects Attractive Margins***

We believe that our comprehensive and closely intertwined product, equipment, and service offerings (described above) provides tremendous value to our customers and serves as an important differentiator and margin enhancement tool. Furthermore, we are able to structure tiered pricing, availability pricing and annual pricing escalators with key customers, allowing the business to cover a portion of certain fixed costs in lower-volume years and protect margins over time.

### ***Comprehensive Product Offering***

We are a full-service turnkey supplier to many of our key customers. In the Fire Safety segment, in addition to providing fire retardant, we also provide specialized air base equipment including storage, mixing and loading equipment, as well as the air base management and training services necessary for land and aerial wildland firefighting. Our supply chain network also provides a critical service to our customers – we are able to deliver retardant within hours to over 150 air tanker bases in North America, often in emergency situations as our customers are fighting active and threatening wildfires.

In the Specialty Products segment, our competitive advantage is based primarily on our long-standing record of reliability and customer support, our global supply capability for critical, high quality raw materials, and our technical expertise to handle and transport hazardous products and manage complex logistics. We have the largest fleet of specialized tote bins in the world that utilize patented technology to ensure safe handling and transport of P<sub>2</sub>S<sub>5</sub>.

### ***Move toward Fluorine-Free Firefighting Foams***

There is an accelerating transition in the fire suppression market towards products that do not contain intentionally added PFAS. We expect Fluorine-Free Foams (“FFF”) to account for a growing percentage of the firefighting foam market over the next several years. We are positioned to be one of the key players in the FFF market. For example, we introduced SOLBERG® AVIGARD™ 3B and 6B for the aviation market, SOLBERG® VERSAGARD™ AS-100 for use wherever flammable and combustible liquids are stored, transported, or processed, SOLBERG VERSAGARD 1x3 FFF, the first 1x3 FFF, on the market for the emergency response and SOLBERG® RE-HEALING SP-100 for sprinkler applications, with the latter being the latest addition to the most comprehensive FFF platform in the market. In September 2023, SOLBERG 3% MIL-SPEC SFFF became the first Qualified Product List (“QPL”) approved Fluorine Free MIL-SPEC product for military installations and airport emergency response. We expect to continue to invest to advance fluorine-free foam

technology, enhance our third-party certifications like Underwriters Laboratory UL162, Factory Mutual (FM5130), EN1568 and MIL-SPEC for our FFF and equipment providing innovative, sustainable solutions protecting people, property, assets and ensuring business continuity for our customers.

We are also in a unique position to assist customers in their transitions to FFF. We provide a variety of specialized equipment to customers, including fire suppression system components used in conjunction with our fluorine free offerings. We are also experienced in transition activities, including advising on system modifications associated with transition to fluorine free solutions, as well as performance testing to verify compliance with national and industry standards for new fluorine-free systems. For example, in the past, we have assisted Brisbane Airport (Australia), Schiphol Airport (Netherlands) and Transport Canada in their respective transitions to FFF and systems.

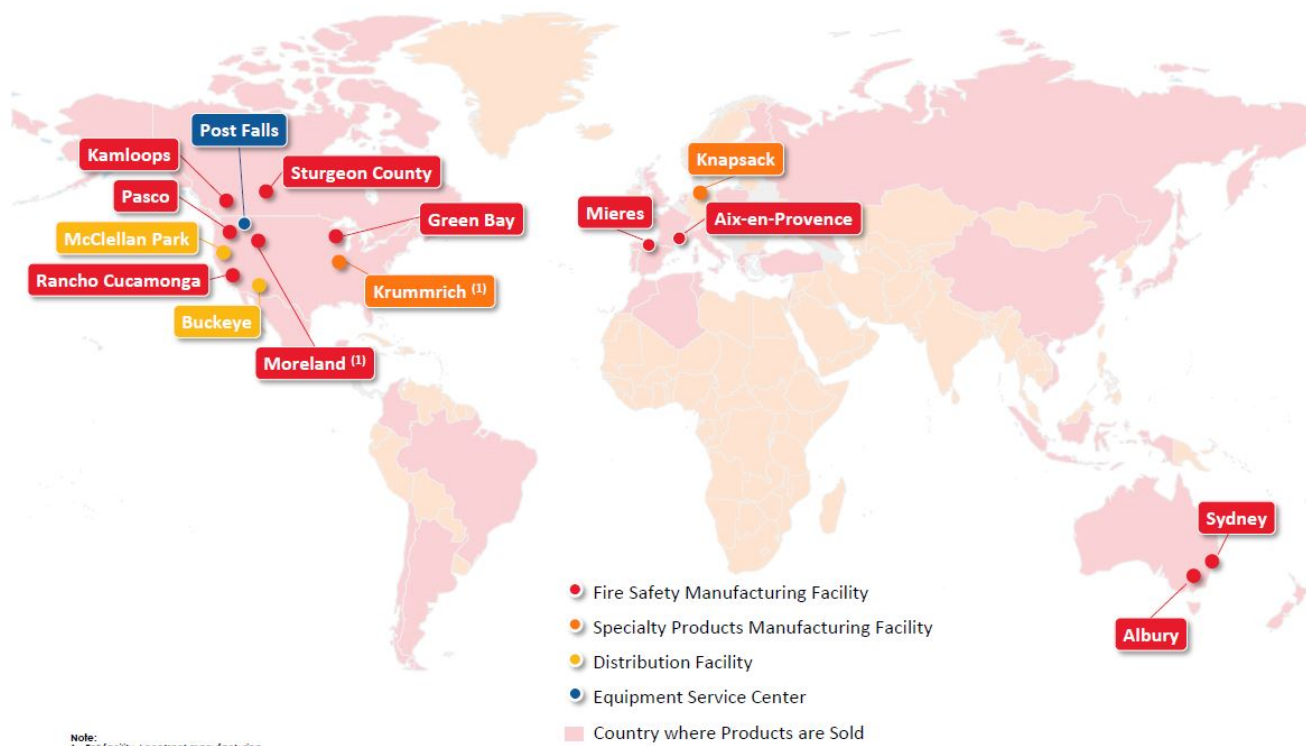
### ***Growth in Miles Driven, Opportunities in Secondary Markets***

Within the lubricant additive end market, currently the Company's largest end market application,  $P_2S_5$  is primarily used in the production of family of compounds called ZDDP, which is considered an essential component in the formulation of lubricating oils. The consumption of ZDDP and other lubricant additives is driven by the social and economic trends globally of increased vehicle production and miles driven. Over the past 30 years, the number of global miles driven has increased resulting in more engine wear and tear and increased demand for motor oil. Secondary markets for  $P_2S_5$  include agricultural applications in the production of intermediates for pesticides and insecticides, flotation chemistry in the mining industry, and for hydraulic and cutting fluids. A significant development opportunity exists for  $P_2S_5$  in the emerging technology of lithium sulfide solid state electrolytes used in batteries for the electric vehicle market.

### ***Nighttime Retardant Operations Opportunity***

Nighttime retardant operations represent a significant expansion in the wildfire business. After several years of study and preparation, in 2021, a cooperative initiative among California counties, a helicopter company and the Company was created to provide limited retardant support for night operations. The program was utilized and expanded during 2022 and 2023. If the nighttime operations program is continued and further expanded, this expansion could materially add to our revenues.

### **Manufacturing Capabilities**



## ***Fire Retardant***

Our primary fire retardant production facility is located at Rancho Cucamonga, California. Our Rancho Cucamonga location was opened in 2013, and has over 100,000 square feet of manufacturing, storage, office and laboratory space. The facility is located close to major air bases in southern California, including San Bernardino air base, one of USDA Forest Service's highest volume air bases. The facility houses a modern laboratory, including a burn chamber, which has produced significant technical improvements to our fire retardant products, a number of which have been included in our newest product offerings.

In addition to our Rancho Cucamonga facility, we have fire retardant production capability at two Canadian plants, one in Kamloops, British Columbia, and the other in Sturgeon County, Alberta. These sites manufacture Phos-Chek® LC95A products for sale to Canadian customers. Our production facility in Aix-En-Provence, France, provides fire retardant to our European Union ("EU") and Israeli customers, while our New South Wales, Australia, facility has repackaging and storing capability to serve our Australian customers.

We also utilize third party tolling and/or manufacturing locations in Moreland, Idaho and in Pasco, Washington. These facilities are located in close proximity to major USDA Forest Service air bases in the Northwest.

We utilize other tolling and warehouse facilities in strategic locations throughout North America to facilitate rapid shipment of products to our customers. Our retardant products are typically shipped and delivered within hours to any air base or customer location in North America.

## ***Firefighting Foams***

We produce firefighting foam products in Green Bay, Wisconsin and Mieres, Spain. Our Green Bay, Wisconsin facility was acquired in 2019 from Amerex Corporation ("Amerex"), and produces Class A and Class B foams. Our Mieres, Spain, facility also produces Class A and Class B foams. Both facilities have significant research and development capabilities and live fire testing capabilities. We have firefighting foam equipment manufacturing capabilities at our Post Falls, Idaho facility as well as at our tolling facility in Port Arthur, Texas.

## ***Specialty Products***

We have two key P<sub>2</sub>S<sub>5</sub> production facilities. One is a tolling facility in Sauget, Illinois, operated by Flexsys Chemical Company, that primarily serves our customers in North America. The other facility is located in Knapsack Chemical Park in Hurth, Germany, and serves our customers outside North America.

## **Intellectual Property Portfolio**

Our intellectual property rights are valuable and important to our business, and we rely on copyrights, trademarks, trade secrets, non-disclosure agreements and electronic and physical security measures to establish and protect our proprietary rights. We intend to continue to pursue additional intellectual property protection on product and equipment enhancements to the extent we believe it would be beneficial and cost-effective.

As of December 31, 2023, our intellectual property portfolio consisted of the following:

- for the Fire Safety business, 10 owned U.S. patents, which we expect to expire in more than 5 years, and 32 owned foreign counterpart patents in certain foreign jurisdictions, of which we expect 20 to expire in 5 years or less and 12 to expire in more than 5 years, and
- for the Specialty Products business, 3 owned U.S. patents and 1 owned foreign counterpart patent, which we expect to expire in 15 or more years. All of our patents and trademarks are registered or pending approval with the U.S. Patent and Trademark Office and in select international offices.

Our patent portfolio covers 20 countries, and the protection is focused on key retardant technology and advancements, including corrosion inhibitors, fugitive color systems and liquid fire retardant compositions and improvements in firefighting foam compositions.



## **Sales and Marketing**

Consistent with our overall strategy, our sales and marketing effort aims to continually develop technical solutions that meet customer needs. We have structured our sales efforts in accordance with our business units, which, in-turn, align around our key product offerings and geographies. Each business unit has a business unit manager, who is responsible for achieving targeted financial and operational results, including the business unit's sales and marketing efforts.

### **Customers**

The markets in which we sell our products are, to varying degrees, cyclical and have experienced upswings and downturns. The following provides insight into the types of customers utilizing our various products, including our most significant customers.

#### ***Fire Retardant***

Fire retardant customers are typically government agencies, with responsibility for protecting both government and private land, although we also serve commercial customers. We supply federal, state, provincial, local/municipal, and commercial customers around the world. We work diligently to build relationships with our customers and stakeholders, and we develop and enhance products and solutions in a highly collaborative manner with our key customers and stakeholders. We provide our retardants in various colors, forms (i.e., liquid or powder concentrates) and for various delivery methods (i.e., fixed wing aircraft, rotor wing aircraft, ground applied, etc.). We expect the demand for our retardant products, equipment, and services to grow, and we expect to continue to foster highly responsive and collaborative relationships with existing and potential customers and stakeholders.

#### ***Firefighting Foams***

Our Class A foam customers primarily consist of local fire departments, which utilize our products for wildland and structural firefighting. Our Class B foam customers primarily consist of industrial, aviation, and military customers which store and utilize flammable liquids on-site. Our customers in the market for Class A/B foam primarily consist of municipal fire departments. We utilize a traditional sales force in marketing these products and seek to build lasting relationships with our customers.

#### ***Specialty Products***

Our Specialty Products segment consists of several key global customers in the lubricant additives, agricultural, mineral extraction and emerging electric battery technologies markets. Given the consolidated nature of this business, our focus is on maintaining our existing customers, expanding their utilization of our products and services and growing our business in the emerging technologies markets.

#### ***Significant Customers***

For fiscal year 2023, our largest customer, the USDA Forest Service accounted for 22% of our consolidated revenues. No other customer individually represented more than 10% of our 2023 consolidated revenues. This customer concentration makes us subject to the risk of nonpayment, nonperformance, re-negotiation of terms or non-renewal by this major customer under our commercial agreements. As a supplier and service provider to the U.S. government, we are subject to certain heightened risks, such as those associated with the government's rights to audit and conduct investigations and with its rights to terminate contracts for convenience or default. The loss of these customers would likely have a material adverse impact on our business, results of operations and cash flows.

### **Competition**

#### ***Fire Retardant***

Sales of fire retardant, and related equipment and services, accounted for 69% of our Fire Safety segment revenues in 2023. The fire retardant business is characterized by its highly specialized nature, its high cost-of-failure, and the integrated nature of the offering across products, specialized equipment, and services. As a result, development and testing of products, and the approval and licensing of such products, is typically a complex and lengthy process. We plan to maintain

our market leadership position through continued investments in innovation and research and development focused on improving, enhancing and customizing our fire retardant products and services on behalf of our customers.

### ***Firefighting Foams***

Sales of firefighting foams, and related equipment and services, accounted for 31% of our Fire Safety segment revenues in 2023. The market for our firefighting foam products is highly fragmented, and subject to intense competition from various manufacturers launching their own competing products. We compete with a variety of firms that offer similar products and services, many of which are better capitalized than us and may have more resources than we do. We compete for clients based on the quality of our products, the quality and breadth of the equipment and services we offer in conjunction with our products, the quality and knowledge base of our employees, the geographic reach of our products and services, and pricing of our product. We believe that we offer our customers an attractive value proposition based on these competitive factors, which allows us to compete effectively in the marketplace.

### ***Specialty Products***

Our Specialty Products business is primarily focused on the North American and European markets, with a smaller focus in Asia and South America. In each of North America and Europe, we have one primary competitor. Competitive factors include the quality of our products, our reliability and consistency as a supplier, our ability to innovate and be highly responsive to our customers' needs, and the pricing of our products.

### **Seasonality**

Sales in our Fire Safety segment, of which approximately 59% are in the United States, are subject to significant seasonal variation due to the length and the severity of the fire season, which in North America typically extends from April through September, as well as the availability of air tanker capacity. Consequently, we record a significant portion of our sales in the second and third quarters of our fiscal year.

### **Environmental and Regulatory**

We are subject to extensive federal, state, local and international laws, regulations, rules and ordinances relating to safety, pollution, protection of the environment, product management and distribution, and the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. In the ordinary course of business, we are subject to frequent environmental inspections and monitoring and occasional investigations by governmental enforcement authorities. In addition, our production facilities require operating permits that are subject to renewal, modification and, in certain circumstances, revocation. Actual or alleged violations of safety laws, environmental laws or permit requirements could result in restrictions or prohibitions on plant operations or product distribution, substantial civil or criminal sanctions, as well as, under some environmental laws, the assessment of strict liability and/or joint and several liability. Moreover, changes in environmental regulations could inhibit or interrupt our operations or require us to modify our facilities or operations. Accordingly, environmental or regulatory matters may cause us to incur significant unanticipated losses, costs or liabilities.

We are committed to manufacturing high quality products while at the same time protecting and preserving the earth's natural resources and maintaining compliance with all applicable Environmental, Health and Safety Systems ("EHS") legal requirements. We have developed policies and management systems that are intended to identify the multitude of EHS legal requirements applicable to our operations, enhance compliance with applicable legal requirements, improve the safety of our employees, contractors, community neighbors and customers and minimize the production and emission of wastes and other pollutants. Although EHS legal requirements are constantly changing and are frequently difficult to comply with, these EHS management systems are designed to assist us in our compliance goals while also fostering efficiency and improvement and reducing overall risk to us.

### **Human Capital Management**

#### ***Employees***

As of December 31, 2023, we had 219 full-time employees and 9 temporary, seasonal or part-time employees worldwide. Other than 24 employees in Germany, who are represented by a works council, none of our employees is

represented by a labor union. We have not experienced any employment-related work stoppages, and we consider relations with our employees to be satisfactory.

### ***Health and Safety***

Our commitment to safety is an essential part of our operating model with a zero-incident culture. We are dedicated to building, designing, maintaining, and operating our facilities to effectively manage process safety and other hazards, and to minimize risks. By partnering with our employees, we are able to maintain a safe work environment while meeting the needs of our customers. Our focus on safety is a critical component of our operations and values.

### ***Talent Development***

We consider our employees to be our most valuable asset. The development, attraction and retention of employees is a critical success factor. To support the advancement of our employees, we offer training and development programs encouraging advancement from within and continue to fill our team with strong and experienced management talent.

### ***Benefits***

We offer attractive benefits packages that attract, retain, motivate and reward our talent, and we are committed to providing our employees and their families with programs that support their health and overall well-being. To assist employees with financial empowerment, we offer a 401(k) program. We also offer members the ability to save money on a tax-free basis through flexible spending accounts and health savings accounts. We offer competitive compensation programs that include base pay, bonus and equity grants. Our full-time employees also receive paid time off and holidays.

Our equity compensation plans are designed to assist in attracting, retaining, motivating and rewarding key employees and directors, and promoting the creation of long-term value for our shareholders by closely aligning the interests of these individuals with those of our shareholders. Equity compensation, and specifically performance-based stock options, is a significant component of our equity-based compensation strategy and value-based culture.

### ***Diversity***

We value the uniqueness of each individual, new ideas, different experiences and fresh perspectives, and firmly believe that a diverse workforce fosters an environment of collaboration and innovation where everyone can perform to their highest potential and achieve personal and professional growth. Diversity and inclusion make us stronger as a company. We are committed to diversity at all levels of management and leadership, and our leadership team and our Board are committed to improving diversity throughout the Company and fostering a more inclusive and open environment. Our workforce includes talented people from many backgrounds. We do not tolerate discrimination and are committed to high ethical standards and equal employment opportunities in all personnel actions without regard to race, color, religion, gender, national origin, citizenship status, age, marital status, gender identity or expression, sexual orientation, physical or mental disability, or veteran status.

### ***Available Information***

We file or furnish annual, quarterly and current reports and other documents with the SEC. The annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, including any amendments, will be made available free of charge on our website, [www.perimeter-solutions.com](http://www.perimeter-solutions.com), as soon as reasonably practicable, following the filing of the reports with the SEC. In addition, our website allows investors and other interested persons to sign up to automatically receive e-mail alerts when news releases and financial information is posted on the website. The SEC also maintains a website, [www.sec.gov](http://www.sec.gov), that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The information on or obtainable through our website is not incorporated into this Annual Report.

## **Item 1A. Risk Factors.**

*Investing in our Ordinary Shares involves significant risks, some of which are described below. In evaluating our business, investors should carefully consider the following risk factors. These risk factors contain, in addition to historical information, forward-looking statements that involve substantial risks and uncertainties. Our actual results could differ materially from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below. The order in which the following risks are presented is not intended to reflect the magnitude of the risks described. The occurrence of any of the following risks could have a material adverse effect on our business, financial condition, results of operations and prospects. In that case, the trading price of our Ordinary Shares could decline, perhaps significantly, and you therefore may lose all or part of your investment.*

### **Risks Related to Our Business and Industry**

#### ***The demand for our products is impacted by a number of factors outside of our control.***

Our end markets experience constantly changing demand depending on a number of factors that are out of our control. In our fire retardant business, demand is dependent on the occurrence of fires, which are seasonal and dependent on environmental and other factors. Changes in the geographic location, occurrence, severity and duration of fires may change demand for our fire retardant products. For example, in 2019 we experienced the lowest U.S. fire season in 17 years. Seasonality in the fire retardant end market could periodically result in higher or lower levels of revenue and revenue concentration with a single or small number of customers. See “—The seasonal or cyclical nature of our business and severe weather events may cause demand for our products and services to be adversely affected while certain of our fixed costs remain the same, and prior performance is not necessarily indicative of our future results.” If we experience a low fire season, the WUI does not continue to expand or if FFF do not continue to account for a growing percentage of the firefighting foam market in the coming years as we expect, this could materially and adversely affect our business. In our specialty products business, we supply  $P_2S_5$  which is primarily used in the lubricant additives market to produce a critical compound in lubricating oils. As more electric vehicles emerge on the automobile market, use of the internal combustion engine may decline, thereby lessening demand for our specialty products. Our inability to offset the volatility of these end markets through diversification into other markets, could materially and adversely affect our business, financial condition and results of operations.

#### ***A small number of customers represent a significant portion of our revenue, and a loss of one or more of these customers could have a material adverse effect on our business, financial condition and results of operations.***

A small number of customers represent a significant portion of our revenue. A certain number of contracts with these customers are on an on-demand, as-needed basis, and there are no guaranteed minimums included in such contracts. In other cases, manufacturing disruptions at customer sites can significantly decrease customer demand. Because of the concentrated nature of our customer base and contract terms applicable to such customers, our quarterly revenue and results of operations may fluctuate from quarter to quarter and are difficult to estimate. In addition, any cancellation of orders or any acceleration or delay in anticipated product purchases by our larger customers could materially affect our revenue and results of operations in any quarterly period. We may be unable to sustain or increase our revenue from our larger customers or offset any discontinuation or decrease of purchases by our larger customers with purchases by new or other existing customers. To the extent one or more of our larger customers experience significant financial difficulty, bankruptcy or insolvency, this could have a material adverse effect on our sales and our ability to collect on receivables, which could harm our business, financial condition and results of operations.

In addition, certain customers, including some of our larger customers, have negotiated, or may in the future negotiate, volume-based discounts or other more favorable terms from us, which can and have had a negative effect on our gross margins or revenue. We expect that such concentrated purchases will continue to contribute materially to our revenue for the foreseeable future and that our results of operations may fluctuate materially as a result of such larger customers' buying patterns.

#### ***We are substantially dependent on sales to the USDA Forest Service and the state of California, which account for approximately 36% of our revenue related to our Fire Safety segment.***

Sales to the USDA Forest Service and the state of California represent a substantial portion of our revenues and this concentration of our sales makes us substantially dependent on those customers. In fiscal year 2023, sales to the USDA

Forest Service and the state of California accounted for approximately 36% of our revenue related to our Fire Safety segment. This customer concentration makes us subject to the risk of nonpayment, nonperformance, re-negotiation of terms or non-renewal by these major customers under our commercial agreements. If the USDA Forest Services and/or the state of California reduce their spend on our fire retardant products, we may experience a reduction in revenue and may not be able to sustain profitability, and our business, financial condition and results of operations would be materially harmed.

***As a supplier and service provider to the U.S. government, we are subject to certain heightened risks, such as those associated with the government's rights to audit and conduct investigations and with its rights to terminate contracts for convenience or default.***

As a supplier and service provider to the U.S. government, we are subject to certain heightened risks, such as those associated with the government's rights to audit and conduct investigations and with its rights to terminate contracts for convenience or default. We may in the future be the subject of U.S. government investigations relating to our U.S. government contracts. Such investigations often take years to complete and could result in administrative, civil or criminal liabilities, including repayments, fines, treble and other damages, forfeitures, restitution or penalties, or could lead to suspension or debarment of U.S. government contracting or of export privileges. For instance, if a business unit were charged with wrongdoing in connection with a U.S. government investigation (including fraud, or violation of certain environmental or export laws), the U.S. government could suspend us from bidding on or receiving awards of new U.S. government contracts or subcontracts. If convicted or found liable, the U.S. government could fine and debar us from receiving new awards for a period generally not to exceed three years and could void any contracts found to be tainted by fraud. We also could suffer reputational harm if allegations of impropriety were made against us, even if such allegations are later determined to be unsubstantiated.

***Some of our sales are to foreign buyers, which exposes us to additional risks such as foreign political, foreign exchange, economic and regulatory risks.***

We derived approximately 35% of our revenues from customers located in foreign countries in fiscal 2023. The amount of foreign sales we make may increase in the future. The additional risks of foreign sales include:

- potential adverse fluctuations in foreign currency exchange rates;
- higher credit risks;
- restrictive trade policies of the U.S. or foreign governments;
- currency hyperinflation and weak banking institutions;
- changing economic conditions in local markets;
- compliance risk related to local rules and regulations;
- political and economic instability in foreign markets;
- changes in leadership of foreign governments; and
- export restrictions due to local states of emergency for disease or illness.

Some or all of these risks may negatively impact our business, financial condition and results of operations.

***Our profitability could be negatively impacted by price and inventory risk related to our business, including commodity price exposure.***

Our realized margins depend on the differential of sales prices over our total supply costs. Our profitability is therefore sensitive to changes in product prices caused by changes in supply, transportation and storage capacity or other market conditions.

Generally, we attempt to maintain an inventory position that is substantially balanced between our purchases and sales, including our future delivery obligations. We attempt to obtain a certain margin for our purchases by selling our product to our customers. However, market, weather or other conditions beyond our control may disrupt our expected supply of product, and we may be required to obtain supply at increased prices that cannot be passed through to our customers. For example, some of our supply contracts follow market prices, which may fluctuate through the year, while our product prices may be fixed on a quarterly or annual basis, and therefore, fluctuations in our supply may not be passed through to our customers and can produce an adverse effect on our margins.

***There can be no assurance that we will maintain our relationship with, or serve, our customers at current levels.***

There can be no assurance that we will maintain our relationship with, or serve, our customers at current levels. In addition, there is no assurance that any new agreement we enter into to supply or share services or facilities will have terms as favorable as those contained in current arrangements. Less favorable contract terms and conditions under any customer contract or contract for supply, purchase or shared services or facilities, could have a material adverse effect on our business, financial condition and results of operations.

***Risks from the improper conduct of, or use of our products by, employees, agents, government contractors, or collaborators could adversely affect our reputation as well as our business, financial condition and results of operations.***

Unapproved or improper use of our products, or inadequate disclosure of risks or other information relating to the use of our products can lead to injury or other serious adverse events. These events could lead to recalls or safety alerts relating to our products (either voluntary or as required by governmental authorities), and could result, in certain cases, in the removal of a product from the market. A recall could result in significant costs and lost sales and customers, enforcement actions and/or investigations by state and federal governments or other enforcement bodies, as well as negative publicity and damage to our reputation that could reduce future demand for our products. Personal injuries relating to the use of our products can also result in significant product liability claims being brought against us. See “—Some of the products we produce may cause adverse health consequences, which exposes us to product liability and other claims, and we may, from time to time, be the subject of indemnity claims. Indemnity and insurance coverage could be inadequate or unavailable to cover such product liability and other claims.”

We cannot ensure that our compliance controls, policies, and procedures will in every instance protect us from acts committed by our employees, agents, contractors, service providers or collaborators that would violate the laws or regulations of the jurisdictions in which we operate, including, without limitation, employment, foreign corrupt practices, trade restrictions and sanctions, environmental, competition, and privacy laws and regulations. Such improper actions could subject us to civil or criminal investigations, and monetary and injunctive penalties, and could adversely impact our reputation as well as our business, financial condition and results of operations.

***There is no guarantee that we will be able to continue purchasing products from our suppliers on a long-term basis.***

There is no guarantee that we will be able to continue purchasing products from our current suppliers on a long-term basis. Some supply contracts are renewable or renew automatically unless notice of termination is given, however there can be no assurance that they will be renewed or that notice of termination will not be given. We also have long-term relationships with certain suppliers, but there are no assurances that such relationships, and related supply, will continue. Finding a new supplier may take a significant amount of time and resources, and once we have identified such new supplier, we would have to ensure that they meet our standards for quality control and have the necessary technical capabilities, responsiveness, high-quality service and financial stability. Further, certain changes in our supply would require requalification with the USDA Forest Service for products on the QPL. If we are unable to efficiently manage our supply chain and / or ensure that our products are available to meet consumer demand, our operating costs could increase and our profit margins could decrease. Any of these factors could impact our ability to supply our products to customers and consumers and may adversely affect our business, financial condition and results of operations.

***Production interruptions or shutdowns could increase our operating or capital expenditures or negatively impact the supply of products resulting in reduced sales.***

Manufacturing of our specialty products and fire retardant products is concentrated at certain facilities. In the event of a significant manufacturing difficulty, disruption or delay, we may not be able to develop alternate or secondary manufacturing locations without incurring material additional costs and substantial delays. Furthermore, these risks could materially and adversely affect our business if our facilities are impacted by a natural disaster or other interruption at a particular location. Transferring manufacturing to another location may result in significant delays in the availability of our products. As a result, protracted regional crises, issues with manufacturing facilities, or the COVID-19 pandemic, could lead to eventual shortages of necessary components. It could be difficult or impossible, costly and time consuming to obtain alternative sources for these components, or to change products to make use of alternative components. In addition, difficulties in transitioning from an existing supplier to a new supplier could create delays in component availability that would have a significant impact on our ability to fulfill orders for our products.

***The operation of manufacturing plants involves many risks, including suspension of operations and increased costs or requirements stemming from new government statutes, regulations, guidelines and policies, including evolving environmental regulations.***

The operation of manufacturing plants involves many risks, including suspension of operations and increased costs or requirements stemming from new government statutes, regulations, guidelines and policies, including evolving environmental regulations. We need environmental and operational registrations, licenses, permits, inspections and other approvals to operate. The loss or delay in receiving a significant permit or license or the inability to renew it and any loss or interruption of the operations of our facilities may harm our business, financial condition and results of operations.

***We rely on third-party logistics suppliers for the distribution, storage and transportation of raw materials, operating supplies and products.***

We rely on third-party logistics suppliers for the distribution, storage and transportation of raw materials, operating supplies and products. Delays or disruptions in the supply chain may adversely impact our ability to manufacture and distribute products thus impacting business financials. Any failure to properly store our products may similarly impact our manufacturing and distribution capabilities, impacting business financials. If we were to lose a supplier it could result in interruption of product shipments, cancellation of orders by customers and termination of relationships. This, along with the damage to our reputation, could have a material adverse effect on our revenues and, consequently, our business, financial condition and results of operations.

In addition, actions by a third-party logistics supplier that fail to comply with contract terms or applicable laws and regulations could result in such third-party logistics supplier exposing us to claims for damages, financial penalties and reputational harm, any of which could have a material adverse effect in our business, financial condition and results of operations.

***Raw materials necessary for the production of our products and with limited sources of supply are susceptible to supply cost increases which we may not be able to pass onto customers, disruptions to the supply chain, and supply changes, any of which could disrupt our supply chain and could lead to us not meeting our contractual requirements.***

All of the raw materials that go into manufacturing our fire retardant and specialty products are sourced from third-party suppliers. Some of the key raw materials used to manufacture our products come from limited or sole sources of supply. We are therefore subject to the risk of shortages and long lead times in the supply of these raw materials and the risk that our suppliers discontinue or modify raw materials used in our products. We have a global supply chain, and geopolitical conflicts, including the ongoing conflicts in the Middle East, heightened tensions in the Red Sea, the disruption of the Suez Canal shipping channels, and the drought in the Panama Canal, may cause delays in the global supply chain, decreased shipping capacity and a reduction in overall shipping resources, resulting in longer lead times for key raw materials to be transported to our facilities. In addition, the lead times associated with certain raw materials are lengthy and preclude rapid changes in quantities and delivery schedules. We have in the past experienced and may in the future experience raw materials shortages and price fluctuations of certain key raw materials and materials, and the predictability of the availability and pricing of these raw materials may be limited. Raw materials shortages or pricing fluctuations could be material in the future. In the event of a raw materials shortage, supply interruption or material pricing change from suppliers of these raw materials, we may not be able to develop alternate sources in a timely manner or at all in the case of sole or limited sources. Developing alternate sources of supply for these raw materials is time-consuming, difficult, and costly as they require extensive qualifications and testing, and we may not be able to source these raw materials on terms that are acceptable to us, or at all, which may undermine our ability to meet our requirements or to fill customer orders in a timely manner. Any interruption or delay in the supply of any of these raw materials, or the inability to obtain these raw materials from alternate sources at acceptable prices and within a reasonable amount of time, would adversely affect our ability to meet our scheduled product deliveries to our customers. This could adversely affect our relationships with our customers and could cause delays in shipment of our products and adversely affect our business, financial condition and results of operations.

In addition, increased raw materials costs could result in lower gross margins. For example, our business uses phosphorus as a key raw material. The price of this raw material may fluctuate in the future. If the price for this raw material increases, our profit margin could decrease for certain business lines. Even where we are able to pass increased raw materials costs along to our customers, there may be a lapse of time before we are able to do so such that we must absorb the increased cost. If we are unable to buy these raw materials in quantities sufficient to meet our requirements on a

timely basis, we will not be able to deliver products to our customers, which may result in such customers using competitive products instead of our products.

***The industries in which we operate and which we intend to operate in the future are subject to change. If we fail to continuously innovate and to provide products that gain market acceptance, we may be unable to attract new customers or retain existing customers, and hence our business, financial condition and results of operations may be adversely affected.***

The industries in which we operate and intend to operate in the future are subject to change, including shifts in customer demands and regulatory requirements and emergence of new industry standards and practices and new competitors. Thus, our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner. We need to anticipate the emergence of new technologies and assess their market acceptance. We also need to invest significant resources in research and development in order to keep our products competitive in the market.

However, research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research and development results, which could result in excessive research and development expenses or delays. If we are unable to keep up with the technological developments and anticipate market trends, or if new technologies render our products obsolete, customers may no longer be attracted to our products. As a result, our business, financial condition and results of operations would be materially and adversely affected.

***The seasonal or cyclical nature of our business and severe weather events may cause demand for our products and services to be adversely affected while certain of our fixed costs remain the same, and prior performance is not necessarily indicative of our future results.***

Our operating revenues of our fire retardant business tend to be higher in summer months primarily due to the hotter/drier weather, which is generally correlated with a higher prevalence of wildfires. This is in part offset by the disbursement of our operations in both the northern and southern hemispheres, so that the summer seasons alternate.

The demand for our fire retardant products can be significantly impacted by the climate. While weather-related and other event-driven increases in demand can boost revenues through additional demand for our products for a limited time, we may incur increased costs in our efforts to produce enough products and to transport our products to our customers in a timely matter.

For these and other reasons, operating results in any interim period are not necessarily indicative of operating results for an entire year, and operating results for any historical period are not necessarily indicative of operating results for a future period. Our share price may be negatively or positively impacted by interim variations in our results.

***Our industry and the markets in which we operate have few large competitors and increased competitive pressures could reduce our share of the markets we serve and adversely affect our business, financial condition and results of operations.***

Increased interest and potential competition in our markets from existing and potential competitors may reduce our market share and could negatively impact our business, financial condition and results of operations. Historically we have had relatively few large competitors. Existing and potential competitors may have more resources and better access to capital markets to facilitate continued expansion. If there are new entrants into our markets, the resulting increase in competition may adversely impact our financial results.

In addition, our competitors may improve the design and performance of their products and introduce new products with competitive price and performance characteristics. While we expect to do the same to maintain our current competitive position and market share, if we are unable to anticipate evolving trends in the market or the timing and scale of our competitors' activities and initiatives, the demand for our products and services could be negatively impacted.

***If new products are introduced into the market that are lower in cost, have enhanced performance characteristics or are considered preferable for environmental or other reasons, demand for some of our products could be reduced or eliminated.***

New fire retardants based on different chemistry or raw materials may be introduced by competitors in the future. These products may be lower in cost or have enhanced performance characteristics compared to our existing products, and



our customers may find them preferable. Replacement of one or more of our products in significant volumes could have a material adverse effect on our business, financial condition and results of operations.

***Our businesses depend upon many proprietary technologies, including patents, licenses, trademarks and trade secrets. Our competitive position could be adversely affected if we fail to protect our patents, trade secrets or other intellectual property rights, if our patents expire or if we become subject to claims that we are infringing upon the rights of others.***

Our intellectual property is of particular importance for a number of the specialty products that we manufacture and sell. The trademarks and patents that we own may be challenged, and because of such challenges, we could eventually lose our exclusive rights to use and enforce such patented technologies and trademarks, which could adversely affect our competitive position, business, financial condition and results of operations. We are licensed to use certain patents and technology owned by other companies to manufacture products complementary to our own products. We pay royalties for these licenses in amounts not considered material, in the aggregate, to our consolidated results.

We also rely on unpatented proprietary know-how and continuing technological innovation and other trade secrets in all regions to develop and maintain our competitive position. Although it is our policy to enter into confidentiality agreements with our employees and third parties to restrict the use and disclosure of trade secrets and proprietary know-how, those confidentiality agreements may be breached. Additionally, adequate remedies may not be available in the event of an unauthorized use or disclosure of such trade secrets and know-how, and others could obtain knowledge of such trade secrets through independent development or other access by legal means. The failure of our patents, trademarks or confidentiality agreements to protect our processes, technology, trade secrets or proprietary know-how and the brands under which we market and sell our products could have a material adverse effect on our business, financial condition and results of operations.

***Our patents may not provide full protection against competing manufacturers in the United States, or in countries outside of the United States, including members of the European Union and certain other countries, and patent terms may also be inadequate to protect our products for an adequate amount of time. Weaker protection may adversely impact our sales, business, financial condition and results of operations.***

In some of the countries in which we operate, the laws protecting patent holders are significantly weaker than in the United States, countries in the European Union and certain other countries. Weaker protection may assist competing manufacturers in becoming more competitive in markets in which they might not have otherwise been able to introduce competing products for a number of years. As a result, we tend to rely more heavily upon trade secret and know-how protection in these regions, as applicable, rather than patents and this may adversely impact our sales, business, financial condition and results of operations.

***Our commercial success will depend in part on our success in obtaining and maintaining issued patents and other intellectual property rights in the United States and elsewhere. If we do not adequately protect our intellectual property, competitors may be able to use our processes and erode or negate any competitive advantage we may have, which could harm our business.***

We cannot provide any assurances that any of our patents have, or that any of our pending patent applications that mature into issued patents will include, claims with a scope sufficient to protect our products, any additional features we develop or any new products. Patents, if issued, may be challenged, deemed unenforceable, invalidated or circumvented. We also cannot provide any assurances that any of our pending patent applications will be approved and a rejection of a patent application could have a materially adverse effect on our ability to protect our intellectual property from competitors.

Furthermore, though an issued patent is presumed valid and enforceable, its issuance is not conclusive as to its validity or its enforceability and it may not provide us with adequate proprietary protection or competitive advantages against competitors with similar products. Competitors may also be able to design around our patents. Other parties may develop and obtain patent protection for more effective technologies, designs or methods. We may not be able to prevent the unauthorized disclosure or use of our knowledge or trade secrets by consultants, suppliers, vendors, former employees and current employees. The laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States, and we may encounter significant problems in protecting our proprietary rights in these countries. Such claims and proceedings can also distract and divert management and key personnel from other tasks important to the

success of our business. In addition, intellectual property litigation or claims could force us to do one or more of the following:

- cease selling products that contain asserted intellectual property;
- pay substantial damages for past use of the asserted intellectual property;
- obtain a license from the holder of the asserted intellectual property, which may not be available on reasonable terms; and
- redesign or rename, in the case of trademark claims, our products to avoid infringing the rights of third parties.

Such requirements could adversely affect our revenue, increase costs, and harm our business, financial condition and results of operations.

***Several of our niche products and services are sold in select markets. There can be no assurance that these markets will not attract additional competitors that could have greater financial, technological, manufacturing and/or marketing resources.***

Select markets for some of our niche products and services may attract additional competitors. We cannot provide any assurances that we will have the financial resources to fund capital improvements to more effectively compete with such competitors or that even if financial resources are available to us, that projected operating results will justify such expenditures. Smaller companies may be more innovative, better able to bring new products to market and better able to quickly exploit and serve niche markets.

***There are other risks that are inherent in our global operations.***

A portion of our revenues and earnings are generated by non-U.S. operations. Risks inherent in our global operations include:

- the potential for changes in socio-economic conditions, laws and regulations, including antitrust, import, export, labor and environmental laws, and monetary and fiscal policies;
- unsettled or unstable political conditions;
- government-imposed plant or other operational shutdowns;
- corruption;
- natural and man-made disasters,
- hazards and losses; and
- violence, civil and labor unrest, and possible terrorist attacks.

There can be no assurance that any or all of these events will not have a material adverse effect on our business, financial condition and results of operations.

***We may be required to take write-downs or write-offs, or we may be subject to restructuring, impairment or other charges that could have a significant negative effect on our business, financial condition and results of operations as well as the price of our Ordinary Shares, which could cause you to lose some or all of your investment.***

Even though extensive due diligence has been conducted on Perimeter, we cannot assure you that this diligence identified all material issues that may be present, that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of our control will not later arise. As a result of these factors, we may be forced to later write-down or write-off assets, restructure our operations, or incur impairment or other charges that could result in our reporting losses. Even if our due diligence successfully identified certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with our preliminary risk analysis. Even though these charges may be non-cash items and not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about our securities or us. In addition, charges of this nature may cause us to violate net worth or other covenants to which we may be subject as a result of assuming pre-existing debt held by us or by virtue of our obtaining post-combination debt financing. Accordingly, any shareholder or warrant holder who chooses to remain a shareholder or warrant holder, respectively, following our initial business

combination could suffer a reduction in the value of their securities. Such shareholders and warrant holders are unlikely to have a remedy for such reduction in value.

***We may need to recognize impairment charges related to goodwill, identified intangible assets and fixed assets.***

We are required to test goodwill, identified intangible assets and fixed assets for possible impairment and on an interim basis if there are indicators of a possible impairment.

There is significant judgment required in the analysis of a potential impairment of goodwill, identified intangible assets and fixed assets. If, as a result of a general economic slowdown or deterioration in one or more of the industries in which we operate or in our financial performance or future outlook, or if the estimated fair value of our long-lived assets decreases, we may determine that one or more of our long-lived assets is impaired. An impairment charge would be determined based on the estimated fair value of the assets and any such impairment charge could have a material adverse effect on our results of operations and financial position.

We concluded that the estimated fair value of our Fire Safety and Specialty Products reporting units on October 1, 2023, the date of our annual impairment assessment, was consistent with estimated fair value of our Fire Safety and Specialty Products reporting units as calculated on September 30, 2023, as a result, there was no indication of goodwill, identified intangible assets and fixed assets impairment on October 1, 2023.

***Our substantial indebtedness may adversely affect our cash flow and our ability to operate our business and fulfill our obligations under our indebtedness.***

As of December 31, 2023, we had \$675.0 million in senior notes outstanding and no borrowings outstanding under our revolving credit facility.

Our substantial indebtedness could have significant effects on our operations. For example, it may:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, dividends, research and development efforts and other general corporate purposes;
- increase the amount of our interest expense, because while our senior notes incur fixed interest expense, our borrowings under our revolving credit facility, if any, are at variable rates of interest, which, if interest rates increase, would result in higher interest expense;
- cause credit rating agencies to view our debt level negatively;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- limit our ability to make strategic acquisitions, introduce new technologies or exploit business opportunities; and
- place us at a competitive disadvantage compared to our competitors that have less indebtedness.

***The terms of our indebtedness may limit our ability to borrow additional funds or capitalize on business opportunities, and our future debt level may limit our future financial and operating flexibility.***

Our ability to access capital markets to raise capital on favorable terms will be affected by our debt level, our operating and financial performance, the amount of our current maturities and debt maturing in the next several years, and by prevailing credit market conditions. Moreover, if lenders or any future credit rating agency downgrade our credit rating, then we could experience increases in our borrowing costs, face difficulty accessing capital markets or incurring additional indebtedness, be unable to receive open credit from our suppliers and trade counterparties, be unable to benefit from swings in market prices and shifts in market structure during periods of volatility in the commodity markets or suffer a reduction in the market price of our Ordinary Shares. If we are unable to access the capital markets on favorable terms at the time a debt obligation becomes due in the future. The price and terms upon which we might receive such extensions or additional bank credit, if at all, could be more onerous than those contained in existing debt agreements. Any such arrangements could, in

turn, increase the risk that our leverage may adversely affect our future financial and operating flexibility and thereby impact our ability to pay cash distributions at expected rates.

***We may incur substantial additional indebtedness, which could further exacerbate the risks that we may face.***

Subject to the restrictions in the agreements that govern our revolving credit facility, we may incur substantial additional indebtedness (including secured indebtedness) in the future. These restrictions are subject to waiver and a number of significant qualifications and exceptions, and indebtedness incurred in compliance with these restrictions could be substantial.

Any material increase in our level of indebtedness will have several important effects on our future operations, including, without limitation:

- we would have additional cash requirements in order to support the payment of interest on our outstanding indebtedness;
- increases in our outstanding indebtedness and leverage would increase its vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure; and
- depending on the levels of our outstanding indebtedness, our ability to obtain additional financing for working capital, capital expenditures and general corporate purposes could be limited.

***An increase in interest rates would increase the interest costs on our revolving credit facility and on our variable rate indebtedness and could impact adversely our ability to refinance existing indebtedness or to sell assets.***

Interest payments for borrowings under our revolving credit facility are based on variable rates. As a result, an increase in interest rates will reduce our cash flow available for other corporate purposes.

Rising interest rates also could limit our ability to refinance existing indebtedness when it matures and increase interest costs on any indebtedness that is refinanced. We may enter into agreements such as floating-to-fixed interest rate swaps, caps, floors and other hedging contracts in order to fully or partially hedge against the cash flow effects of changes in interest rates for floating rate debt.

At the end of 2021, the ICE Benchmark Administration, the administrator for London Interbank Offered Rate (“LIBOR”), ceased publishing one-week and two-month U.S. dollar LIBOR ceased publishing all remaining U.S. dollar LIBOR tenors after June 2023. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, recommended replacing U.S. dollar LIBOR with a new index that measures the cost of borrowing cash overnight, backed by U.S. Treasury securities, referred to as the Secured Overnight Financing Rate (“SOFR”). The switch in the reference rates from LIBOR to SOFR, under our revolving credit facility occurred as of June 30, 2023. We did not have any outstanding borrowings under the revolving credit facility, accordingly, the switch in the reference rates from LIBOR to SOFR did not have a material impact on our consolidated financial statements.

***Our business may be negatively impacted as a result of Russian actions in Ukraine.***

The current military conflict between Russia and Ukraine, and related sanctions, export controls or other actions that may be initiated by nations, including the United States, the European Union or Russia (e.g., potential cyberattacks, disruption of energy flows, etc.) could adversely affect our business and/or our supply chain. Although we currently maintain alternative sources for raw materials, if we are unable to source our products from the countries where we wish to purchase them, either because of the occurrence or threat of wars or other conflicts, regulatory changes or for any other reason, or if the cost of doing so increases, it could have a material adverse effect on our business, financial condition and results of operations. Disruptions in the supply of raw materials and components could temporarily impair our ability to manufacture our products for our customers or require us to pay higher prices to obtain these raw materials or components from other sources, which could have a material adverse effect on our business and our results of operations.

## **Risks Related to Regulatory and Legal Matters**

***We are the subject of litigation by customers, suppliers and other third parties and may be the subject of such litigation in the future.***

We are the subject of litigation by customers, suppliers and other third parties and may be the subject of such litigation in the future. From time to time, such lawsuits are filed against us and the outcome of any litigation, particularly class or collective action lawsuits and regulatory actions, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend any such lawsuits may be significant and may negatively affect our operating results if changes to our business operations are required. There may also be negative publicity associated with litigation that could decrease customer acceptance of our products, regardless of whether the allegations are valid or whether we are ultimately found liable. A significant judgment against us, the loss and/or expiration of a significant permit, license or other approval, or a significant fine, penalty or contractual dispute could have a material adverse effect on our business, financial condition and results of operations.

***Certain of our products are provided to emergency services personnel and are intended to protect lives and property, so we are subject to heightened liability and reputational risks if our products fail to provide such protection as intended.***

Our fire retardant products are provided to emergency services personnel and are intended to protect lives and property, so we are subject to heightened liability risks if our products fail to provide such protection. While our products are effective in retarding fires, there is no guarantee such products will be able to stop all fires due to their unpredictability and variation in size and/or speed in which a fire is burning. In addition, fires need to be fought with the cooperation and assistance of local fire authorities as well as the additional tools and resources that they bring. Therefore, while we recognize the importance of the role our products play in these critical efforts, our products are not the only factor in fighting fires and therefore we cannot guarantee that our products will always be able to protect life and property. Any failure to do so could have an adverse effect on our business.

***Some of the products we produce may cause adverse health consequences, which exposes us to product liability and other claims, and we may, from time to time, be the subject of indemnity claims. Indemnity and insurance coverage could be inadequate or unavailable to cover such product liability and other claims.***

Some of the products we produce may cause adverse health consequences, which exposes us to product liability and other possible claims including indemnity claims by our distributors pursuant to the terms of our distributor arrangements. A successful class action proceeding or one or a series of claims related to degradation of natural resources, product liability or exposure from usage of a product that exceeds our insurance or indemnity coverage could have a material adverse effect on our business, financial condition and results of operations. Such litigation and indemnity claim resolution is expensive, time consuming and may divert management's attention away from the operation of the business. The outcome of litigation and disputes can never be predicted with certainty and not resolving such matters favorably could have a material adverse effect on our business, financial condition, results of operations and/or reputation, as they may require us to pay substantial damages or make substantial indemnification payments, among other consequences.

We manufacture, among other things, products used to extinguish fires. The products that we manufacture are typically used in applications and situations that involve high levels of risk of personal injury. Failure to use our products for their intended purposes, failure to use our products properly or the malfunction of our products could result in serious bodily injury or death of the user. In such cases, we may be subject to product liability claims arising from the design, manufacture or sale of our products. If these claims are decided against us, and we are found to be liable, we may be required to pay substantial damages, and our insurance costs may increase significantly as a result. We cannot assure you that our indemnity and insurance coverage would be sufficient to cover the payment of any potential claim. In addition, we cannot assure you that this or any other indemnity or insurance coverage will continue to be available or, if available, that we will be able to obtain insurance at a reasonable cost. Any material uninsured loss could have a material adverse effect on our business, financial condition and results of operations.

***We are exposed to risks related to litigation, including multi-district litigation and other legal proceedings.***

We operate in a highly regulated and litigious environment. We and/or one or more of our subsidiaries are regularly involved in a variety of legal proceedings arising in the ordinary course of our business, including arbitration, litigation (and related settlement discussions), and other claims, and are subject to regulatory proceedings including governmental

audits and investigations. Legal proceedings, in general, and class action and multi-district litigation, in particular, can be expensive and disruptive, and may not be insured or exceed any applicable insurance coverage. Additionally, defending against these lawsuits and proceedings may involve significant expense and diversion of management's attention and resources. Some of these suits may purport or may be determined to be class actions and/or involve parties seeking large and/or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years.

For example, we are a defendant in a multi-district litigation pending in the United States District Court for the District of South Carolina ("MDL") relating to the manufacture, sale, and distribution of AFFF. The cases allege, among other things, groundwater contamination, drinking water contamination, damages to natural resources, and bodily injuries from exposure to PFAS chemicals in AFFF. There are over 6,000 cases currently pending in the MDL. The plaintiffs include, among others, individual firefighters, municipalities and corporate water providers, and state attorneys general. The lead defendants include 3M Company, Tyco Fire Products LP/Chemguard, and DuPont de Nemours, Inc./The Chemours Company, and approximately 10 to 15 other defendants including, among others, Amerex Corporation ("Amerex"). Amerex has been named as a defendant in approximately half to two thirds of these AFFF lawsuits based on its prior ownership of The Solberg Company ("Solberg"), which Perimeter acquired from Amerex on January 1, 2019. Although Amerex retained certain pre-closing liabilities for Solberg, there are approximately 430 indemnity claims that Amerex noticed to Perimeter prior to the expiration of a contractual indemnity period, and some potential direct claims, that have been made against Perimeter on the basis of the Company's ownership of Solberg after January 1, 2019. Amerex is barred from making new, third-party indemnity claims against Perimeter after December 31, 2021. There are also AFFF cases pending against Perimeter in the MDL on the basis of its manufacturing, distribution, and sale of non-Solberg products, including Phos-Chek. There are currently no AFFF cases against Perimeter pending in state court.

We cannot predict with certainty the outcomes of these legal proceedings and other contingencies, and the costs incurred in litigation can be substantial, regardless of the outcome. Proceedings that we believe are insignificant may develop into material proceedings and subject us to unforeseen outcomes or expenses. Additionally, the actions of certain participants in our industry may encourage legal proceedings against us or cause us to reconsider our litigation strategies. As a result, we could from time to time incur judgments, enter into settlements or revise our expectations regarding the outcome of certain matters, and such developments could harm our reputation and have a material adverse effect on our business, financial condition and results of operations.

***A failure to comply with export control or economic sanctions laws and regulations could have a material adverse impact on our business, financial condition and results of operations. We may be unable to ensure that our distributors comply with applicable sanctions and export control laws.***

We operate on a global basis, with 35% of our revenues in fiscal 2023 made to destinations outside the United States. We face several risks inherent in conducting business internationally, including compliance with applicable economic sanctions laws and regulations, such as laws and regulations administered by U.S. Department of Treasury's Office of Foreign Assets Control, the U.S. Department of State and the U.S. Department of Commerce. We must also comply with all applicable export control laws and regulations of the United States, the EU and other countries. Violations of these laws or regulations could result in significant additional sanctions including criminal or civil fines or penalties, more onerous compliance requirements, more extensive debarments from export privileges or loss of authorizations needed to conduct aspects of our international business.

In certain countries, we may engage third party agents or intermediaries, such as customs agents, to act on our behalf and if these third-party agents or intermediaries violate applicable laws, their actions may result in criminal or civil fines or penalties, or other sanctions being assessed against us. We take certain measures designed to ensure our compliance with U.S. export and economic sanctions law and we believe that we have never sold our products to Crimea, Cuba, Iran, North Korea or Syria through third party agents or intermediaries or made any effort to attract business from any of these countries. We also take steps to prevent our products from being sold, without the necessary legal authorization, to individuals or entities that are the subject or target of U.S. export and economic sanctions laws. However, it is possible that some of our products were sold or will be sold to distributors or other parties that, without our knowledge or consent, re-exported or will re-export such products to these countries or sanctioned persons. Although none of our non-U.S. distributors are located in, or to our knowledge, conduct business with Crimea, Cuba, Iran, North Korea or Syria, we may not be successful in ensuring compliance with limitations or restrictions on business with these or other countries subject to economic sanctions. We may be exposed to compliance-related risks with export control or economic sanctions laws and regulations in the future.

Any such violation could result in significant criminal or civil fines, penalties or other sanctions and repercussions, including reputational harm that could have a material adverse impact on our business, financial condition and results of operations.

***Because of our international operations, we could be materially adversely affected by violations of the U.S. FCPA and similar anticorruption, anti-bribery and anti-kickback laws.***

Our business operations and sales in countries outside the United States are subject to anti-corruption, anti-bribery and anti-kickback laws and regulations, including restrictions imposed by the FCPA, as well as the United Kingdom Bribery Act of 2010 (the “UK Bribery Act”). The FCPA, UK Bribery Act, and similar anti-corruption, anti-bribery and anti-kickback laws in other jurisdictions generally prohibit companies, their employees, their intermediaries and their agents from providing anything of value to government officials or any other persons for the purpose of improperly obtaining or retaining business. We operate and sell our products in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-corruption, anti-bribery and anti-kickback laws may conflict with local customs and practices. We have policies in place that prohibit employees from making improper payments on our behalf. We continue to implement internal controls and procedures designed to promote compliance with anti-corruption, anti-bribery and anti-kickback laws, rules and regulations as well as mitigate and protect against corruption risks. We cannot provide assurance that our internal controls and procedures will protect us from reckless, criminal or other acts committed by our employees or third parties with whom we work. If we are found to be liable for violations of the FCPA or similar anti-corruption, anti-bribery and anti-kickback laws in international jurisdictions, either due to our own acts or omissions, or out of inadvertence, or due to the acts or inadvertence of others, we could suffer criminal or civil fines or penalties or other repercussions, including reputational harm, which could have a material adverse effect on our business, financial condition and results of operations.

***Our contracts with the U.S. federal government subject us to additional oversight and risks inherent in the government procurement process.***

We provide products and services, directly and indirectly, to a variety of government entities. In fiscal 2023, we derived approximately 31% of our revenue from multiple contracts with agencies of the U.S. federal government. As such, we must comply with and are affected by laws and regulations relating to the award, administration and performance of U.S. government contracts. Government contract laws and regulations affect how we do business with our customers and impose certain risks and costs on our business.

Risks associated with selling products and services to government entities include extended sales and collection cycles, varying governmental budgeting processes, and adherence to complex procurement regulations and other government-specific contractual requirements. We may be subject to audits and investigations relating to our government contracts and any violations could result in civil and criminal penalties and administrative sanctions, including termination of contracts, payment of fines, and suspension or debarment from future government business, as well as harm to our business, financial condition and results of operations.

***Our products are subject to extensive government scrutiny and regulation, including the USDA Forest Service qualification process. There can be no assurance that such regulations will not change and that our products will continue to be approved for usage.***

We are subject to regulation by federal, state, local and foreign government authorities. In some cases, for example, for our firefighting products, we need to pass the USDA Forest Service qualification process, which is a rigorous process that requires the product passing several tests and standards, including toxicity, corrosion and stability. The USDA Forest Service also requires a lengthy field evaluation, which adds to the difficulty of meeting USDA Forest Service standards. In addition to meeting the USDA Forest Service standards, the agency may be required to consult with various government agencies, for example, the Environmental Protection Agency, to meet additional requirements and regulations. We are also subject to ongoing reviews of our products, manufacturing processes and facilities by government authorities, and such agencies may at times be involved in challenges by outside groups, and as a result, the Company may be required to must also produce product data and comply with detailed regulatory requirements.

The Registration, Evaluation and Authorization of Chemicals (“REACH”) legislation may affect our ability to manufacture and sell certain products in the EU: REACH requires chemical manufacturers and importers in the EU to prove the safety of their products. We were required to pre-register certain products and file comprehensive reports, including testing data, on each chemical substance, and perform chemical safety assessments. Additionally, substances of

high concern are subject to an authorization process. Authorization may result in restrictions on certain uses of products or even prohibitions on the manufacture or importation of products. The full registration requirements of REACH have been phased in over several years, and we have incurred additional expense to cause the registration of our products under these regulations. REACH may affect our ability to import, manufacture and sell certain products in the EU. In addition, other countries and regions of the world already have or may adopt legislation similar to REACH that affect our business, affect our ability to import, manufacture or sell certain products in these jurisdictions, and have required or will require us to incur increased costs.

The Frank R. Lautenberg Chemical Safety for the 21st Century Act modified the Toxic Control Substances Act (“TSCA”), by requiring the Environmental Protection Agency (“EPA”), to prioritize and evaluate the environmental and health risks of existing chemicals and provided the EPA with greater authority to regulate chemicals posing unreasonable risks. According to this statute, the EPA is required to make an affirmative finding that a new chemical will not pose an unreasonable risk before such chemical can go into production. As a result, TSCA now operates in a similar fashion to the REACH legislation in Europe. These laws and regulations, among others, increase the complexity and costs of transporting our products from the country in which they are manufactured to our customers. Further changes to these and similar regulations could restrict our ability to expand, build or acquire new facilities, require us to acquire costly control equipment, cause us to incur expenses associated with remediation of contamination, cause us to modify our manufacturing or shipping processes or otherwise increase our cost of doing business and have a negative impact on our business, financial condition and results of operations. In addition, the adoption of new laws, rules or regulations related to climate change poses risks that could harm our results of operations or affect the way we conduct our businesses. For example, new or modified regulations could require us to make substantial expenditures to enhance our environmental compliance efforts.

New or stricter laws and regulations may be introduced that could result in additional compliance costs and prevent or inhibit the development, manufacture, distribution and sale of our products. For example, certain PFAS in firefighting foam may become regulated as hazardous substances, phased out or banned. The USDA Forest Service may also change its qualification process or determine that our products no longer qualify under existing requirements. Such outcomes could adversely impact our business, financial condition and results of operations.

***Environmental laws and regulations may subject us to significant liabilities. Changes to existing EHS requirements or the adoption of new EHS requirements, changes to the enforcement of EHS requirements, and the discovery of additional or unknown conditions at facilities owned, operated or used by us or at or near which our products were, are, or will be used, to the extent not covered by indemnity, insurance or a covenant not to sue, could have a material adverse effect on our business, financial condition and results of operations.***

We operate in jurisdictions where legislative initiatives relating to greenhouse gas (“GHG”) emissions are being considered or adopted. For example, the SEC has proposed a mandatory climate change reporting framework that, if implemented, is likely to materially increase the amount of time, monitoring and reporting costs related to these matters. There has been no material effect on any of our facilities to date, and we continue to follow developments closely. Although it is difficult to know what final regulations may be passed in the jurisdictions where our manufacturing facilities are located, we could face increased capital and operating costs to comply with GHG emissions regulations and these costs could be material. The potential impact of current and proposed environmental laws and regulations is uncertain. We cannot predict the nature of these requirements and the impact on our business, but proposed regulations or failure to comply with current and proposed regulations could have a material adverse impact on our business, financial condition and results of operations by substantially increasing capital expenditures and compliance costs, affecting our ability to meet our financial obligations. It may also lead to the modification or cancellation of operating licenses and permits, penalties and other corrective actions.

The regulatory environment in which we operate is subject to change, and new regulations and new or existing claims, such as those related to certain PFAS substances could have a material adverse effect on our business, financial condition and results of operations or make aspects of our business as currently conducted no longer possible. In addition, we are and, in the future may be, subject to claims related to substances such PFAS, including for degradation of natural resources from such PFAS and personal injury or product liability claims as a result of human exposure to such PFAS.

Our operations are subject to extensive environmental regulation in each of the countries in which we maintain facilities. For example, U.S. (federal, state and local), and other countries’ environmental laws applicable to the Company include statutes and regulations intended to impose certain obligations with respect to the manufacture, sale and distribution of firefighting foam that contains intentionally added PFAS chemicals. In addition, certain regulations also



impose restrictions on the discharge of PFAS chemicals in wastewater, and may require allocating the cost of investigating, monitoring and remediating soil and groundwater contamination to a party operating the site, as well as to prevent future soil and groundwater contamination; imposing air ambient standards and, in some cases, emission standards, for air pollutants which present a risk to public health, welfare or the natural environment; governing the handling, management, treatment, storage and disposal of hazardous wastes and substances; regulating the chemical content of products; and regulating the discharge of pollutants into waterways.

With regards to our specialty products business, our use of hazardous substances in our manufacturing processes and the generation of hazardous wastes not only by us, but by prior occupants of our facilities, suggest that hazardous substances may be present at or near certain of our facilities or may come to be located there in the future. Consequently, we are required to closely monitor our compliance under all the various environmental laws and regulations applicable to us. Under certain environmental laws, we may be responsible for remediation costs or other liabilities as a result of the use, release or disposal of hazardous substances at or from any property currently or formerly owned or operated or to which we sent waste for treatment or disposal. Liability under these laws may be imposed without regard to whether we were aware of, or caused, the contamination and, in some cases, liability may be joint or several.

Our facilities are subject to increasingly more stringent federal, state and local environmental laws and regulations. Some of these laws and regulations relate to what are frequently called “emerging contaminants,” such as PFAS. Some of the Company’s products use fluorine as a raw material, which is considered a PFAS chemical. We and some of our competitors have been, are, and in the future may be the target of lawsuits and state enforcement actions because of the alleged discharge of PFAS into the environment, including for degradation of natural resources from such PFAS and personal injury or product liability claims as a result of human exposure to such PFAS. See “—We are exposed to risks related to litigation, including multi-district litigation and other legal proceedings.”

We obtain Phase I or similar environmental site assessments for most of the manufacturing facilities we own or lease at the time we either acquire or lease such facilities. These assessments typically include general inspections. These assessments may not reveal all potential environmental liabilities and current assessments are not available for all facilities. Consequently, there may be material environmental liabilities of which we are not aware. In addition, ongoing cleanup and containment operations may not be adequate for purposes of future laws and regulations. The conditions of our properties could also be affected in the future by neighboring operations or the conditions of the land in the vicinity of our properties. These developments and others, such as increasingly stringent environmental laws and regulations, increasingly strict enforcement of environmental laws and regulations, or claims for damage to property or injury to persons resulting from the environmental, health or safety impact of our operations, may cause us to incur significant costs and liabilities that could have a material adverse effect.

Our facilities are required to maintain numerous environmental permits and governmental approvals for our operations. Some of the environmental permits and governmental approvals that have been issued to us or to our facilities contain conditions and restrictions, including restrictions or limits on emissions and discharges of pollutants and contaminants, or may have limited terms. Maintaining these permits and complying with their terms as well as environmental laws and regulations applicable to our business could require us to incur material costs.

If we fail to satisfy these conditions or to comply with these restrictions or with applicable environmental laws and regulations, we may become subject to enforcement actions and the operation of the relevant facilities could be adversely affected. We may also be subject to fines, penalties, claims for injunctive relief or additional costs. We may not be able to renew, maintain or obtain all environmental permits and governmental approvals required for the continued operation or further development of our facilities, as a result of which the operation of our facilities may be limited or suspended.

Because our specialty products segment manufactures and uses materials that are known to be hazardous, highly combustible and difficult to transport, we are subject to, or affected by, certain product and manufacturing regulations, for which compliance can be costly and time consuming. In addition, we may be subject to personal injury or product liability claims as a result of human exposure to such hazardous materials.

We produce hazardous, highly combustible and difficult to transport chemicals, which subject us to regulation by many U.S. and non-U.S. national, supra-national, state and local governmental authorities. In some circumstances, these authorities must review and, in some cases approve, our products and/or manufacturing processes and facilities before we may manufacture and sell some of these chemicals. To be able to manufacture and sell certain new chemical products, we may be required, among other things, to demonstrate to the relevant authority that the product does not pose an unreasonable risk during its intended uses and/or that we are capable of manufacturing the product in compliance with

current regulations. The process of seeking any necessary approvals can be costly, time consuming and subject to unanticipated and significant delays. Approvals may not be granted to us on a timely basis, or at all. Any delay in obtaining, or any failure to obtain or maintain these approvals would adversely affect our ability to introduce new products and to generate revenue from those products. New laws and regulations may be introduced in the future that could result in additional compliance costs, bans on product sales or use, seizures, confiscation, recall or monetary fines, any of which could prevent or inhibit the development, distribution or sale of our products and could increase our customers' efforts to find less hazardous substitutes for our products. We are subject to ongoing reviews of our products and manufacturing processes.

P<sub>2</sub>S<sub>5</sub> is transported through a combination of ground and sea. These materials are highly combustible and difficult to transport, so they must be handled carefully and in accordance with applicable laws and regulations. An incident in the transportation of our materials or our failure to comply with laws and regulations applicable to the transfer of such products could lead to human injuries or significant property damage, regulatory repercussions or could make it difficult to fulfill our obligations to our customers, any of which could have a material adverse effect on our business, financial condition and results of operations.

Products we have made or used could be the focus of legal claims based upon allegations of harm to human health. We cannot predict the outcome of suits and claims, and an unfavorable outcome in these litigation matters could exceed reserves or have a material adverse effect on our business, financial condition and results of operations and cause our reputation to decline.

***Our products or facilities could have environmental impacts and side effects.***

If the products we sell do not have the intended effects, our business may suffer and it may be subject to products liability or other legal actions. Our products contain innovative combinations of materials. While there is data available with respect to the environmental impacts of our fire retardant products that are conducted by governmental agencies, this data is limited to certain locations and periods and therefore, may not capture all the possible environmental impacts and side effects of use or repeated use of our fire retardant products. Similarly, there have been toxicological studies conducted on the impact of our products on certain fish and mammalian species, however, this is limited in scope and therefore, does not present all the potential side effects and/or the products' interaction with animal biochemistry. As a result, our products could have certain impact on the environment or the animal population that is currently unknown by the Company.

***Legal and regulatory claims, investigations and proceedings may be initiated against us in the ordinary course of business. The outcomes and the amounts of any damages awarded, or fines or penalties assessed, cannot be predicted, and could have a material adverse effect on our reputation as well as our business, financial condition and results of operations.***

We may be the subject of litigation by customers, suppliers and other third parties. A significant judgment against us, the loss of a significant permit, license or other approval, or a significant fine, penalty or contractual dispute could have a material adverse effect on our business, financial condition and results of operations. Some of the products we produce may cause adverse health consequences, which exposes us to product liability claims. See “—Some of the products we produce may cause adverse health consequences, which exposes us to product liability and other claims, and we may, from time to time, be the subject of indemnity claims.” Litigation is expensive, time consuming and may divert management's attention away from the operation of the business. The outcome of litigation can never be predicted with certainty and an adverse outcome in any of these matters could have a material adverse effect on our reputation as well as our business, financial condition and results of operations.

**Risks Related to Operating as a Public Company and Our Corporate Structure**

***The requirements of being a public company may strain our resources and divert management's attention.***

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the NYSE rules. The requirements of these rules and regulations will impact our legal, accounting and compliance expenses, make some activities more difficult, time-consuming or costly and place strain on our personnel, systems and resources. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. Ensuring that we will have adequate internal financial and accounting controls and procedures in place is a costly and time-consuming effort that needs to be re-evaluated frequently. The Company currently outsources its internal audit function and we may need to hire additional accounting and financial

staff with appropriate public company experience and technical accounting knowledge. Implementing any appropriate changes to our internal controls may require specific compliance training for our directors, officers and employees, entail substantial costs, and take a significant period of time to complete. Such changes may not, however, be effective in maintaining the adequacy of our internal controls and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. Moreover, effective internal controls are necessary for us to produce reliable financial reports and are important to help prevent fraud.

The various rules and regulations applicable to public companies make it more difficult and more expensive for us to maintain directors' and officers' liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to maintain coverage. If we are unable to maintain adequate directors' and officers' insurance, our ability to recruit and retain qualified officers and directors will be significantly curtailed.

We expect that the rules and regulations applicable to public companies will result in us incurring substantial additional legal and financial compliance costs. These costs will decrease our net income or increase our net loss and may require us to reduce costs in other areas of our business.

***We have previously identified material weaknesses in our internal control over financial reporting. If we experience additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls in the future, we may not be able to accurately or timely report our financial condition or results of operations.***

As of December 31, 2023, we have remediated the previously identified material weaknesses in internal control over financial reporting, however, we may in the future discover additional material weaknesses in our system of internal financial and accounting controls and procedures that could result from additional material misstatements of our financial statements. Our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If we identify additional material weaknesses, we may be unable to provide required financial information in a timely and reliable manner and we may incorrectly report financial information. Likewise, if our financial statements are not filed on a timely basis, we could be subject to sanctions or investigations by the stock exchange on which our Ordinary Shares are listed, the SEC or other regulatory authorities. The existence of material weaknesses in internal control over financial reporting could adversely affect our reputation or investor perceptions of us, which could have a negative effect on the trading price of our Ordinary Shares.

***If we fail to maintain an effective system of internal controls over financial reporting there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis, which could result in a loss of investor confidence and negatively impact our business, results of operations, financial condition and stock price.***

Effective internal controls are necessary for us to provide reliable and accurate financial statements and to effectively prevent fraud. However, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There can be no assurance that all control issues or fraud will be detected. As we continue to grow our business, our internal controls continue to become more complex and require more resources. Further, some of our employees work remotely and could introduce potential vulnerabilities to our financial reporting systems and our internal control environment and the effectiveness of our internal controls over financial reporting. Any failure to maintain effective controls could prevent us from timely and reliably reporting financial results and may harm our operating results. In addition, if we are unable to conclude that we have effective internal control over financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified report as to the effectiveness of our internal control over financial reporting, as of each fiscal year end, we may be exposed to negative publicity, which could cause investors to lose confidence in our reported financial information. Any failure to maintain effective internal controls and any such resulting negative publicity may negatively affect our business and stock price.

Additionally, the existence of any material weaknesses or significant deficiencies would require management to devote significant time and incur significant expense to remediate any such material weaknesses or significant deficiencies and

management may not be able to remediate any such material weaknesses or significant deficiencies in a timely manner. The existence of any material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations and cause stockholders to lose confidence in our reported financial information, all of which could materially and adversely affect us and the market price of our common stock.

***A market for our securities may not continue, which would adversely affect the liquidity and price of our securities.***

The price of our Ordinary Shares and Warrants may fluctuate significantly due to general market and economic conditions. An active trading market for our Ordinary Shares and Warrants may never develop or, if developed, it may not be sustained. In addition, the price of our Ordinary Shares and Warrants can vary due to general economic conditions and forecasts, our general business condition and the release of our financial reports. If our Ordinary Shares become delisted from the NYSE for any reason, and are quoted on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities that is not a national securities exchange, the liquidity and price of our Ordinary Shares may be more limited than if it were quoted or listed on the NYSE or another national securities exchange. You may be unable to sell your Company securities unless a market can be established or sustained.

***If securities or industry analysts do not publish or cease publishing research or reports about us, our business, or our market, or if they change their recommendations regarding our Ordinary Shares adversely, then the price and trading volume of our Ordinary Shares or Warrants could decline.***

The trading market for our Ordinary Shares and Warrants will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market, or our competitors. If any of the analysts who cover us change their recommendation regarding our Ordinary Shares and Warrants adversely, or provide more favorable relative recommendations about our competitors, the price of our Ordinary Shares and Warrants would likely decline.

***Risks for any holders of our Warrants.***

We may redeem our Warrants prior to their exercise at a time that is disadvantageous to you, thereby significantly impairing the value of such Warrants. We will have the ability to redeem outstanding Warrants at any time after they become exercisable and prior to their expiration, at a price of \$0.01 per Warrant, provided that the closing price of our Ordinary Shares equals or exceeds \$18.00 per share (as adjusted for share sub-divisions, share capitalizations, reorganizations, recapitalizations and the like) for any 10 consecutive trading days. Redemption of the outstanding Warrants could force you (i) to exercise your Warrants and pay the exercise price therefor at a time when it may be disadvantageous for you to do so, (ii) to sell your Warrants at the then-current market price when you might otherwise wish to hold your Warrants, or (iii) to accept the nominal redemption price which, at the time the outstanding Warrants are called for redemption, is likely to be substantially less than the market value of your Warrants.

***The EverArc Founders, all of whom are directors in our company, have interests that are different, or in addition to the interests of our shareholders.***

As a result of the Founder Advisory Agreement entered into by EverArc and the EverArc Founder Entity (and assumed by us upon the Merger) to provide incentives to the EverArc Founders to achieve EverArc's, and following the Merger, the Company's, objectives, the EverArc Founders have interests that are different and in addition to your interests as a shareholder and/or warrant holder generally. Specifically, under the Founder Advisory Agreement, as consideration for services provided to the Company by the EverArc Founder Entity, including strategic and capital allocation advice, the Company will pay the EverArc Founder Entity:

- a fixed advisory amount (the "Fixed Annual Advisory Amount") and a variable advisory amount which variable amount is earned solely based upon appreciation of the market price of our Ordinary Shares (the "Variable Annual Advisory Amount," each an "Advisory Amount" and collectively, the "Advisory Amounts") as follows:
- a Fixed Annual Advisory Amount equal to 1.5% of 157,137,410 Ordinary Shares outstanding on the Closing Date (in each case, payable in our Ordinary Shares or partly in cash, at the election of the EverArc Founder Entity provided that at least 50% of such amounts are paid in our Ordinary Shares); and
- a Variable Annual Advisory Amount based on the appreciation of the market price of our Ordinary Shares if such market price exceeds certain trading price minimums (in each case, payable in our

Ordinary Shares or partly in cash, at the election of the EverArc Founder Entity provided that at least 50% of such amounts are paid in our Ordinary Shares).

With respect to the Fixed Annual Advisory Amount, the EverArc Founder Entity will earn such advisory fee even if our shareholders earn a negative return following the consummation of the Business Combination.

***Pursuant to the Founder Advisory Agreement, we may be required to pay significant fees to the EverArc Founder Entity, which could reduce cash available for investment in the business, working capital and distribution to shareholders.***

We are required to pay the EverArc Founder Entity a Fixed Annual Advisory Amount and, if earned, a Variable Annual Advisory Amount each year until the years ending December 31, 2027 and December 31, 2031, respectively, pursuant to the Founder Advisory Agreement. Under the Founder Advisory Agreement, at the election of the EverArc Founder Entity, at least 50% of the total fees will be paid in Ordinary Shares and the remainder in cash. If the EverArc Founder Entity elects to receive a portion of the future fees in cash, we may need to use cash from operations, borrowings or other sources to make the payment, which will reduce cash available for investing activities, working capital and/or distribution to shareholders.

For additional information about the Founder Advisory Agreement, refer to Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Founder Advisory Agreement” and Note 13, “Related Parties,” in the notes to the consolidated financial statements included in this Annual Report.

***Our shareholders will experience dilution as a consequence of the issuance of our Ordinary Shares as payment for the Advisory Amounts payable to the EverArc Founder Entity.***

We will be obligated to pay the Advisory Amounts to the EverArc Founder Entity until the years ending December 31, 2027 and 2031, respectively. The portion of the Advisory Amounts payable in our Ordinary Shares will reduce the percentage shareholdings for those shareholders holding our Ordinary Shares.

***Pursuant to the Founder Advisory Agreement, we will be required to make a termination payment if the Founder Advisory Agreement is terminated under certain circumstances.***

In the event the Founder Advisory Agreement is terminated by us upon the Company ceasing to be traded on the NYSE or by the Company upon a sale of us we will pay the EverArc Founders a termination payment in cash. This termination payment may be substantial and will be immediately due and payable on the date of termination of the Founder Advisory Agreement.

### **Risks Related to Investment in a Luxembourg Company**

***We are organized under the laws of the Grand Duchy of Luxembourg. It may be difficult for you to obtain or enforce judgments or bring original actions against us or the members of our Board in the U.S.***

We are organized under the laws of the Grand Duchy of Luxembourg. In addition, some of the members of our Board and officers reside outside the U.S. Investors may not be able to effect service of process within the U.S. upon us or these persons or enforce judgments obtained against us or these persons in U.S. courts, including judgments in actions predicated upon the civil liability provisions of the U.S. federal securities laws. Likewise, it also may be difficult for an investor to enforce in U.S. courts judgments obtained against us or these persons in courts located in jurisdictions outside the U.S., including judgments predicated upon the civil liability provisions of the U.S. federal securities laws. Awards of punitive damages in actions brought in the U.S. or elsewhere are generally not enforceable in Luxembourg.

As there is no treaty in force on the reciprocal recognition and enforcement of judgments in civil and commercial matters between the U.S. and Luxembourg, courts in Luxembourg will not automatically recognize and enforce a final judgment rendered by a U.S. court. Pursuant to the general provisions of Luxembourg law for the enforcement of foreign judgments and in particular, but not limited to, article 678 of the Luxembourg New Code of Civil Procedure, a party who obtains a final judgment from a court of competent jurisdiction in the U.S. may initiate enforcement proceedings in Luxembourg (*exequatur*) and the District Court (*Tribunal d’Arrondissement*) may authorize the enforcement in

Luxembourg of the U.S. judgment without re-examination of the merits, if it is satisfied that the following conditions are met (which conditions may change):

- the judgment of the U.S. court is final and enforceable (*exécutoire*) in the U.S.;
- the U.S. court had jurisdiction over the subject matter leading to the judgment according to the Luxembourg conflict of jurisdictions rules (that is, its jurisdiction was in compliance both with Luxembourg private international law rules and with the applicable domestic U.S. federal or state jurisdictional rules);
- the U.S. court applied to the dispute the substantive law that would have been applied by Luxembourg courts (based on recent case law and legal doctrine, it is not certain that this condition would still be required for an exequatur to be granted by a Luxembourg court);
- the judgment was granted following proceedings where the counterparty had the opportunity to appear and, if it appeared, to present a defense, and the decision of the foreign court must not have been obtained by fraud, but with the procedural rules of the jurisdiction in which the judgment was rendered, in particular, in compliance with the rights of the defendant;
- the U.S. court acted in accordance with its own procedural laws; and
- the decisions and the considerations of the U.S. court must not be contrary to Luxembourg international public policy rules or have been given in proceedings of a tax or criminal nature or rendered subsequent to an evasion of Luxembourg law (*fraude à la loi*). Awards of damages made under civil liabilities provisions of the U.S. federal securities laws, or other laws, which are classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages), might not be recognized by Luxembourg courts. Ordinarily, an award of monetary damages would not be considered as a penalty, but if the monetary damages include punitive damages, such punitive damages may be considered a penalty.

In addition, actions brought in a Luxembourg court against us, the members of our Board, or our officers to enforce liabilities based on U.S. federal securities laws may be subject to certain restrictions. In particular, Luxembourg courts generally do not award punitive damages. Litigation in Luxembourg also is subject to rules of procedure that differ from the U.S. rules, including, with respect to the taking and admissibility of evidence, the conduct of the proceedings and the allocation of costs. Proceedings in Luxembourg would have to be conducted in the Luxembourgish, French or German language, and all documents submitted to the court would, in principle, have to be translated into Luxembourgish, French or German. For these reasons, it may be difficult for a U.S. investor to bring an original action in a Luxembourg court predicated upon the civil liability provisions of the U.S. federal securities laws against us, the members of our Board, or our officers. In addition, even if a judgment against us, the non-U.S. members of our Board, or our officers based on the civil liability provisions of the U.S. federal securities laws is obtained, a U.S. investor may not be able to enforce it in U.S. or Luxembourg courts.

Our directors and officers have entered into, or will enter into, indemnification agreements with us. Under such agreements, the directors and officers will be entitled to indemnification from us to the fullest extent permitted by Luxembourg law against liability and expenses reasonably incurred or paid by him or her in connection with any claim, action, suit, or proceeding in which he or she would be involved by virtue of his or her being or having been a director or officer and against amounts paid or incurred by him or her in the settlement thereof. Luxembourg law permits us to keep directors indemnified against any expenses, judgments, fines and amounts paid in connection with liability of a director towards us or a third party for management errors i.e., for wrongful acts committed during the execution of the mandate (*mandat*) granted to the director by us, except in connection with criminal offenses, gross negligence or fraud. The rights to and obligations of indemnification among or between us and any of our current or former directors and officers are generally governed by the laws of Luxembourg and subject to the jurisdiction of the Luxembourg courts, unless such rights or obligations do not relate to or arise out of such persons' capacities listed above. Although there is doubt as to whether U.S. courts would enforce this indemnification provision in an action brought in the U.S. under U.S. federal or state securities laws, this provision could make it more difficult to obtain judgments outside Luxembourg or from non-Luxembourg jurisdictions that would apply Luxembourg law against our assets in Luxembourg.

***Luxembourg and European insolvency and bankruptcy laws are substantially different from U.S. insolvency and bankruptcy laws and may offer our shareholders less protection than they would have under U.S. insolvency and bankruptcy laws.***

As a company organized under the laws of the Grand Duchy of Luxembourg and with our registered office in Luxembourg, we are subject to Luxembourg insolvency and bankruptcy laws in the event any insolvency proceedings are

initiated against us including, among other things, Council and European Parliament Regulation (EU) 2015/848 of 20 May 2015 on insolvency proceedings (recast). Should courts in another European country determine that the insolvency and bankruptcy laws of that country apply to us in accordance with and subject to such EU regulations, the courts in that country could have jurisdiction over the insolvency proceedings initiated against us. Insolvency and bankruptcy laws in Luxembourg or the relevant other European country, if any, may offer our shareholders less protection than they would have under U.S. insolvency and bankruptcy laws and make it more difficult for them to recover the amount they could expect to recover in a liquidation under U.S. insolvency and bankruptcy laws.

***The rights of our shareholders may differ from the rights they would have as shareholders of a U.S. corporation, which could adversely impact trading in our Ordinary Shares and our ability to conduct equity financings.***

Our corporate affairs are governed by our articles of association and the laws of Luxembourg, including the Luxembourg Company Law (*loi du 10 août 1915 sur les sociétés commerciales, telle que modifiée*). The rights of our shareholders and the responsibilities of our directors and officers under Luxembourg law are different from those applicable to a corporation incorporated in the U.S. For example, under Delaware law, the Board of a Delaware corporation bears the ultimate responsibility for managing the business and affairs of a corporation. In discharging this function, directors of a Delaware corporation owe fiduciary duties of care and loyalty to the corporation and its shareholders. Luxembourg law imposes, among others, a duty on directors of a Luxembourg company to: (i) act in good faith with a view to the best interests of a company; and (ii) exercise the care, diligence, and skill that a reasonably prudent person would exercise in a similar position and under comparable circumstances. Additionally, under Delaware law, a shareholder may bring a derivative action on behalf of a company to enforce a company's rights. Under Luxembourg law, the Board has sole authority to decide whether to initiate legal action to enforce a company's rights (other than, in certain circumstances, an action against members of our Board, which may be initiated by the general meeting of the shareholders, or, subject to certain conditions, by minority shareholders holding together at least 10% of the voting rights in the company). Further, under Luxembourg law, there may be less publicly available information about us than is regularly published by or about U.S. issuers. In addition, Luxembourg laws governing the securities of Luxembourg companies may not be as extensive as those in effect in the U.S., and Luxembourg laws and regulations in respect of corporate governance matters might not be as protective of minority shareholders as are state corporation laws in the U.S. Therefore, our shareholders may have more difficulty in protecting their interests in connection with actions taken by our directors, officers or principal shareholders than they would as shareholders of a corporation incorporated in the United States. As a result of these differences, our shareholders may have more difficulty protecting their interests than they would as shareholders of a U.S. issuer.

***Our shareholders may be required to bring certain actions asserting claims arising under the Securities Act in the federal district courts of the United States.***

Pursuant to our articles of association, unless we consent in writing to an alternative forum, the U.S. federal district courts will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for any action asserting a claim arising under the Securities Act. This forum provision prevents our shareholders from bringing claims arising under the Securities Act in a Luxembourg court, which court our shareholders may view as more convenient, cost effective or advantageous to the claims made in such action and therefore may discourage such actions.

The Securities Act forum provision is not intended by us to limit the forum available to our shareholders for actions or proceedings asserting claims arising under the Exchange Act.

The validity and enforceability of such exclusive forum clause cannot be confirmed under Luxembourg law. If a court were to find the exclusive forum clause to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

## **Risks Related to Taxes**

***If we are or become a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year, U.S. Holders of our Ordinary Shares or Warrants could be subject to adverse U.S. federal income tax consequences.***

A PFIC is any foreign (i.e., non-U.S.) corporation with respect to which either: (i) 75% or more of the gross income for a taxable year constitutes passive income for purposes of the PFIC rules, or (ii) 50% or more of such foreign

corporation's assets in any taxable year (generally based on the quarterly average of the value of its assets during such year) is attributable to assets that produce passive income or are held for the production of passive income. Passive income generally includes dividends, interest, certain royalties and rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. If we are or become a PFIC for any taxable year or any portion thereof during which a United States person holds our Ordinary Shares or Warrants (such person, a "U.S. Holder"), certain adverse U.S. federal income tax consequences may apply to such U.S. Holder.

As of the date of this annual report on Form 10-K, we have not made a determination as to our PFIC status for our current or preceding taxable year. Whether we are treated as a PFIC for any taxable year is a factual determination that can only be made after the close of such taxable year and, thus, is subject to significant uncertainty and change. Accordingly, there can be no assurances with respect to our status as a PFIC for any taxable year. U.S. Holders are urged to consult their own tax advisors regarding the possible application of the PFIC rules to their investment in our Ordinary Shares or Warrants.

***If a United States person is treated as owning at least 10% of our Ordinary Shares, such person may be subject to adverse U.S. federal income tax consequences.***

If a United States person is treated as owning (directly, indirectly or constructively) at least 10% of the value or voting power of our Ordinary Shares, such person may be treated as a "United States shareholder" with respect to each of PSSA and our direct and indirect subsidiaries ("PSSA Group") that is a controlled foreign corporation ("CFC") for U.S. federal income tax purposes. If the PSSA Group includes one or more U.S. subsidiaries, certain of our non-U.S. subsidiaries could be treated as CFCs regardless of whether we are treated as a CFC. The PSSA Group currently includes a U.S. subsidiary.

A United States shareholder of a CFC may be subject to adverse income inclusion and reporting requirements. Failure to comply with these reporting obligations (or related tax payment obligations) may subject such United States shareholder to significant monetary penalties and may prevent the statute of limitations with respect to such United States shareholder's U.S. federal income tax return for the year for which reporting or payment of tax was due from starting. We cannot provide any assurances that we will assist holders in determining whether any of its non-U.S. subsidiaries is treated as a CFC or whether any holder is treated as a United States shareholder with respect to any of such CFCs or furnish to any holder information that may be necessary to comply with reporting and tax paying obligations.

***Additional taxes could adversely affect our financial results.***

Our tax filings are subject to audits by tax authorities in the various jurisdictions in which we do business. These audits may result in assessments of additional taxes that are subsequently resolved with the taxing authorities or through the courts. Currently, we believe there are no outstanding assessments whose resolution would result in a material adverse financial result. However, we cannot offer assurances that unasserted or potential future assessments would not have a material adverse effect on our financial condition or results of operations.

***Changes in tax laws may materially adversely affect our business, prospects, financial condition and operating results.***

New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time, which could adversely affect our business, prospects, financial condition and operating results. Further, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us. For example, the Inflation Reduction Act ("IRA") was enacted in the United States on August 16, 2022. Among other provisions, the IRA included a new corporate alternative minimum tax on adjusted financial statement income and an excise tax on certain corporate share repurchases. While we do not currently anticipate that the IRA will have a material effect on our financial performance, we will continue to monitor its potential impact as new information and guidance becomes available.

## **General Risk Factors**

***Cybersecurity attack, acts of cyber-terrorism, failure of technology systems and other disruptions to our information technology systems could compromise our information, disrupt our operations, and expose us to liability, which may adversely impact our business, financial condition and results of operations.***

In the ordinary course of our business, we store sensitive data, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our employees in our information technology systems, including in our data servers and on our networks. The secure



processing, maintenance and transmission of this data is critical to our operations. Despite our security measures, our information technology systems may be vulnerable to attacks by hackers or breached or disrupted due to employee error, malfeasance or other disruptions. Any such attack, breach or disruption could compromise our information technology systems and the information stored in them could be accessed, publicly disclosed, lost or stolen and our business operations could be disrupted. Any such access, disclosure or other loss of information or business disruption could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and damage to our reputation, which could adversely impact our business, financial condition and results of operations. To the extent that such disruptions occur and our business continuity plans do not effectively address these disruptions in a timely manner, they may cause delays in the manufacture or shipment of our products and the cancellation of customer orders and, as a result, our business, operating results and financial condition could be materially and adversely affected.

***Our insurance may not fully cover all of our operational risks, including, but not limited to, environmental risks, and changes in the cost of insurance or the availability of insurance could materially increase our insurance costs or result in a decrease in our insurance coverage.***

We have a significant concentration of our manufacturing facilities. Natural disasters and severe weather events (such as hurricanes, earthquakes, fires, floods, landslides and wind or hailstorms) or other extraordinary events subject us to property loss and business interruption. Illegal or unethical conduct by employees, customers, vendors and unaffiliated third parties can also impact our business. Other potential liabilities arising out of our operations may involve claims by employees, customers or third parties for personal injury, product liability or property damage and potential fines and penalties in connection with alleged violations of regulatory requirements.

In certain instances, our insurance may not fully cover an insured loss depending on the magnitude and nature of the claim. Accordingly, we cannot assure you that we will not be exposed to uninsured or underinsured losses that could have a material adverse effect on our business, financial condition and results of operations. Additionally, changes in the cost of insurance or the availability of insurance in the future could substantially increase our costs to maintain our current level of coverage or could cause us to reduce our insurance coverage.

***Inflation could adversely affect our business and results of operations.***

During 2022 and 2023, the economy in the United States and global markets continued to experience a material increase in the level of inflation. The impact of COVID-19, geopolitical developments such as the ongoing conflicts between Russia and Ukraine or Israel and Hamas and global supply chain disruptions continue to increase uncertainty in the outlook of near-term and long-term economic activity, including whether inflation will continue and how long, and at what rate. Increases in inflation raise our costs for commodities, labor, materials and services and other costs required to grow and operate our business, and failure to secure these on reasonable terms may adversely impact our financial condition. Additionally, increases in inflation, along with geopolitical developments and global supply chain disruptions, have caused, and may in the future cause, global economic uncertainty and uncertainty about the interest rate environment, which may make it more difficult, costly or dilutive for us to secure additional financing. A failure to adequately respond to these risks could have a material adverse impact on our financial condition, results of operations or cash flows.

***We are subject to general governmental regulation and other legal obligations, including those related to privacy, data protection and information security, and our actual or perceived failure to comply with such obligations could harm our business. Compliance with such laws could also impair our efforts to maintain and expand our customer base, and thereby decrease our revenue.***

We receive, store and process personal information and other data from and about customers in addition to our employees and services providers. Our handling of data is subject to a variety of laws and regulations, including regulation by various government agencies, such as the U.S. Federal Trade Commission (the “FTC”) and various state, local and foreign agencies. Our data handling also is subject to contractual obligations and industry standards.

The U.S. federal and various state governments have adopted or proposed limitations on the collection, distribution, use, storage and security of data relating to individuals, including the use of contact information and other data for marketing, advertising and other communications with individuals and businesses. For example, the California Consumer Privacy Act of 2018 (the “CCPA”) became effective January 1, 2020. The CCPA requires covered businesses to, among other things, make new disclosures to consumers about their data collection, use, and sharing practices, and allows consumers to opt out of certain data sharing with third parties. The CCPA also provides a new private cause of action for certain data breaches. The California Privacy Rights Act (the “CPRA”) which will become effective on January 1, 2023,

will significantly modify the CCPA, and also create a new state agency that will be vested with authority to implement and enforce the CCPA and the CPRA. The effects of the CCPA and the CPRA are potentially significant and may require us to incur substantial costs and expenses in an effort to comply and increase our potential exposure to regulatory enforcement and/or litigation. States such as Virginia have enacted and we expect additional states may also enact legislation similar to the CCPA and CPRA. Additionally, the FTC and many state attorneys general are interpreting federal and state consumer protection laws as imposing standards for the online collection, use, dissemination and security of data.

Several foreign countries and governmental bodies, including the European Union, have laws and regulations dealing with the handling and processing of personal information obtained from their residents, which in certain cases are more restrictive than those in the United States, and we expect additional jurisdictions may enact similar regulations. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of various types of data, including data that identifies or may be used to identify an individual, such as names, email addresses and in some jurisdictions, Internet Protocol addresses. Within the European Union, legislators have adopted the General Data Protection Regulation (the “GDPR”) which became effective in May 2018. The GDPR includes more stringent operational requirements for processors and controllers of personal data than previous EU data protection laws and imposes significant penalties for non-compliance.

These domestic and foreign laws and regulations relating to privacy and data security are evolving, can be subject to significant change and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. Interpretation of certain requirements remains unclear and may evolve, in particular for regulations that have recently been enacted. Application of laws may be inconsistent or may conflict among jurisdictions resulting in additional complexity and increased legal risk. In addition, these regulations have increased our compliance costs and may impair our ability to grow our business or offer our service in some locations, may subject us to liability for non-compliance, may require us to modify our data processing and transferring practices and policies and may strain our technical capabilities.

We also handle credit card and other personal information. Due to the sensitive nature of such information, we have implemented procedures in an effort to preserve and protect our data and our customers’ data against loss, misuse, corruption, misappropriation caused by systems failures, unauthorized access or misuse. Notwithstanding these procedures, we could be subject to liability claims by individuals and customers whose data resides in our databases for the misuse of that information. If we fail to meet appropriate compliance levels, this could negatively impact our ability to utilize credit cards as a method of payment, and/or collect and store credit card information, which could disrupt our business.

We may be subject to rules of the FTC, the Federal Communications Commission (the “FCC”) and potentially other federal agencies and state laws related to commercial electronic mail and other messages. Compliance with these provisions may limit our ability to send certain types of messages. If we were found to have violated such rules and regulations, we may face enforcement actions by the FTC or FCC or face civil penalties, either of which could adversely affect our business.

Any failure or perceived failure by us to comply with laws, regulations, policies, legal or contractual obligations, industry standards, or regulatory guidance relating to privacy or data security, may result in governmental investigations and enforcement actions, litigation, fines and penalties or adverse publicity, and could cause our customers and partners to lose trust in us, which could have an adverse effect on our reputation and business. We expect that there will continue to be new proposed laws, regulations and industry standards relating to privacy, data protection, marketing, consumer communications, information security and local data residency in the United States, the European Union and other jurisdictions, and we cannot determine the impact such future laws, regulations and standards may have on our business, financial condition and results of operations.

***The loss of key personnel or our inability to attract and retain new qualified personnel could hurt our business and inhibit our ability to operate and grow successfully.***

Our success depends on the continuing services of certain members of the current management team. Our executive team are incentivized by share-based compensation grants that align the interests of investors with the executive team and certain executives have employment agreements. The loss of key management, employees or third-party contractors could have a material and adverse effect on our business, financial condition and results of operations. Additionally, the success of our operations will largely depend upon our ability to successfully attract and maintain competent and qualified key management personnel. As with any company with limited resources, there can be no guarantee that we will be able to attract such individuals or that the presence of such individuals will necessarily translate into profitability for our company.

If we are successful in attracting and retaining such individuals, it is likely that our payroll costs and related expenses will increase significantly and that there will be additional dilution to existing shareholders as a result of equity incentives that may need to be issued to such management personnel. Our inability to attract and retain key personnel may materially and adversely affect our business operations. Any failure by our management to effectively anticipate, implement, and manage personnel required to sustain our growth would have a material adverse effect on our business, financial condition and results of operations.

In addition, even if we are able to attract and retain personnel, we may not have adequate personnel with the appropriate level of knowledge, experience, and training in the accounting policies, practices or internal controls over financial reporting required of public companies in the U.S. The development and implementation of the standards and controls necessary for us to achieve the level of accounting standards required of a public company in the U.S. may require costs greater than expected. It is possible that we will be required to expand our employee base and hire additional employees to support our operations as a public company, which will increase our operating costs in future periods.

#### **Item 1B. Unresolved Staff Comments.**

None.

#### **Item 1C. Cybersecurity.**

##### *Cybersecurity Risk Management and Strategy*

We have processes in place for assessing, identifying, and managing material risks from cybersecurity threats which have been integrated into the Company's overall risk management strategy and processes. The Company seeks to address cybersecurity risks through a comprehensive approach that is focused on implementing robust protective measures, promoting user awareness and education, continuously monitoring for potential threats, and swiftly responding to any security incidents to ensure the confidentiality, integrity, and availability of sensitive information.

In addition, we actively engage with key vendors and industry communities as part of our continuing efforts to evaluate and enhance the effectiveness of our information security policies and procedures and have processes in place to oversee and identify the risk of cybersecurity threats associated with our use of these third-party vendors. We generally require third parties to, among other things, maintain security controls to protect our confidential information and data, and notify us of material cybersecurity threats that may impact our business.

In 2023, we did not identify any cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect the Company, including its business strategy, results of operations, or financial condition.

##### *Governance*

Our Board has oversight of our strategic and business risk management and has delegated the oversight of cybersecurity risk management to the Company's Audit Committee. The Company's Audit Committee is responsible for overseeing all matters relating to the security of and risks related to the Company's information technology systems and procedures, including its cybersecurity and other information technology risks. The Audit Committee is responsible for ensuring the Company has processes in place for assessing, identifying and managing material risks from cybersecurity threats.

The Company's information security program is managed by the Company's Chief Information Officer (the "CIO"), whose team is responsible for leading our enterprise-wide cybersecurity strategy, policy, standards, architecture, and processes. The CIO has extensive global experience in developing and executing information technology strategies. The CIO and the information security team, in collaboration with the Chief Financial Officer and the Audit Committee, monitor the prevention, detection, mitigation and remediation of cybersecurity incidents.

The CIO provides periodic reports to our Board, as well as our Chief Financial Officer and other members of our senior management as appropriate. These reports include updates on the Company's cyber risks and threats, the status of projects to strengthen our information security systems, assessments of the information security program, and the emerging threat landscape.

**Item 2. Properties.**

The following table indicates our principal manufacturing, distribution and equipment service locations and the reportable segment that makes major use of them; headquarter locations are also included. Except as otherwise indicated, we lease these facilities.

	<u>Fire Safety</u>	<u>Specialty Products</u>
Rancho Cucamonga, California	X	
McClellan Park, California	X	
Kamloops, British Columbia, Canada	X	
Sturgeon County, Alberta, Canada	X	
Aix-En-Provence, France	X	
New South Wales, Australia	X	
Green Bay, Wisconsin*	X	
Mieres, Spain*	X	
Post Falls, Idaho	X	
Moreland, Idaho	X	
Knapsack, Germany		X
Sauget, Illinois†		X
Clayton, Missouri (Corporate Headquarters)		
Luxembourg, Grand Duchy of Luxembourg (Executive Headquarters)		

\*Owned

†Tolling facility

**Item 3. Legal Proceedings.**

We are involved in various claims, actions, and legal proceedings arising in the ordinary course of business, including a number of matters related to the aqueous film forming foam litigation consolidated in the District of South Carolina multi-district litigation and other similar matters pending in other jurisdictions in the United States. Our exposure to material losses, if any, is not considered probable or reasonably estimable at this time.

**Item 4. Mine Safety Disclosures.**

Not Applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

#### Market Information

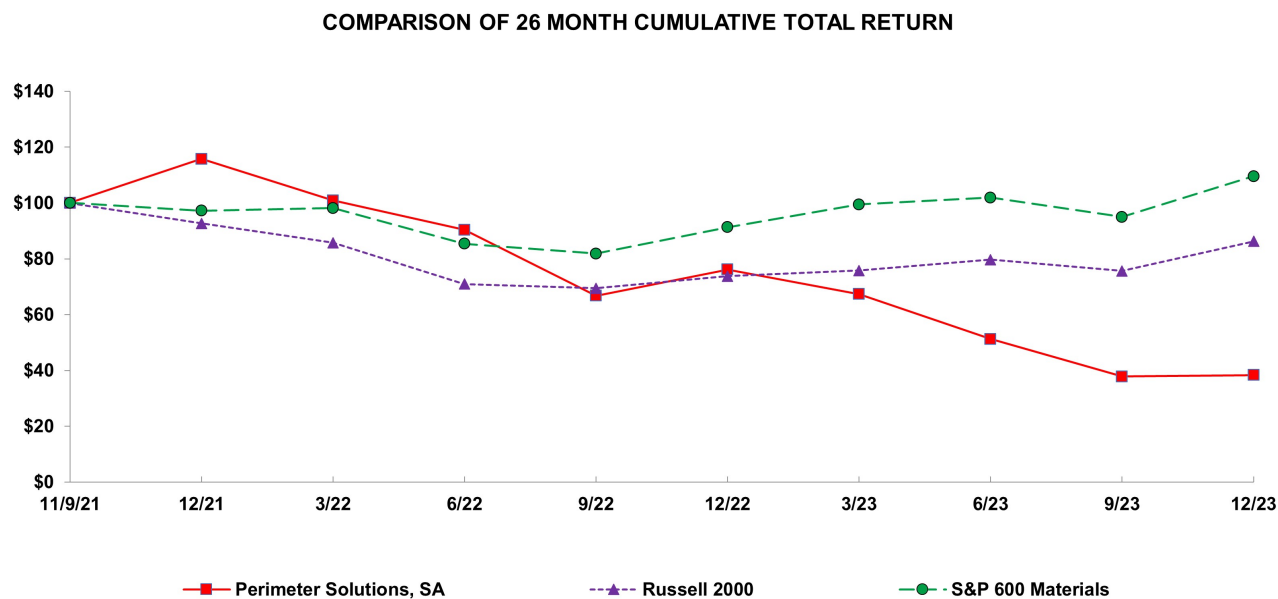
Our Ordinary Shares are traded on the NYSE under the symbol "PRM." As of February 16, 2024, the closing price of our Ordinary Shares on the NYSE was \$5.72, and we had 32 shareholders of record.

#### Dividend Policy

In accordance with the Luxembourg company law, from our annual net profits, at least 5% shall each year be allocated to a reserve (the "Legal Reserve"). That allocation to the Legal Reserve will cease to be required as soon and as long as the Legal Reserve amounts to 10% of the amount of our share capital. The general meeting of shareholders has the power to make a resolution on the payment of dividends upon the recommendation of our Board. In deciding whether to recommend any future dividend, the Board would take into account any legal or contractual limitation, our actual and anticipated future earnings, cash flows, debt service and capital requirements, our business plans and such other matters as the Board believes appropriate, in its discretion. We anticipate that any available cash will be retained by us to satisfy our operational and other cash needs. Accordingly, we do not expect to pay any cash dividend on our Ordinary Shares in the foreseeable future.

#### Performance Graph

The performance graph below compares the cumulative total shareholder return of a hypothetical investment in our Ordinary Shares with the cumulative total return of a hypothetical investment in each of the Russell 2000 Index and the S&P Smallcap 600 Materials Index. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our Ordinary Shares and in each of the indexes on November 9, 2021, and its relative performance is tracked through December 31, 2023. The share price performance of our Ordinary Shares is not necessarily indicative of future performance.



The above information under the caption "Performance Graph" shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Exchange Act except to the extent we specifically request that such information be treated as "soliciting material" or specifically incorporate such information by reference into such a filing.

## Issuer Purchases of Equity Securities

Under the Share Repurchase Plan (as defined below), we are authorized to repurchase, from time-to-time, our Ordinary Shares through open market purchases, in privately negotiated transactions or in such other manner as permitted by securities law and as determined by management at such time and in such amounts as management may decide. The program does not obligate us to repurchase any specific number of shares and may be modified, suspended or discontinued at any time. The timing, manner, price and amount of any repurchases are determined by management in its discretion and depend on a variety of factors, including legal requirements, price and economic and market conditions. Below is a summary of share repurchases for the quarter ended December 31, 2023.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plan or Program <sup>(1)</sup>
October 1, 2023 - October 31, 2023	—	\$ —	—	28,974,873
November 1, 2023 - November 30, 2023	2,772,903	\$ 4.06	2,772,903	26,201,970
December 1, 2023 -December 31, 2023	3,560,390	\$ 4.34	3,560,390	22,641,580
Total	<u>6,333,293</u>	<u>\$ 4.21</u>	<u>6,333,293</u>	

- (1) On December 7, 2021, subject to the approval of the shareholders' of the Company, the Board authorized a share repurchase plan (the "Share Repurchase Plan"). The Share Repurchase Plan allows the Company, which includes any subsidiary of the Company, to repurchase up to \$100.0 million of its issued and outstanding Ordinary Shares at any time during the next 24 months or, if different, such other timeframe as approved by the shareholders of the Company. On July 21, 2022, subject to certain limits, the shareholders' of the Company approved a proposal authorizing the Board to repurchase up to 25% of the Company's Ordinary Shares outstanding as of the date of the shareholders' approval, being 40,659,257 Ordinary Shares, at any time during the next five years. On November 3, 2022, the Board re-established the limit for Ordinary Share repurchases at \$100.0 million, which is within the repurchase limit approved by Company's shareholders' on July 21, 2022. On February 21, 2024, the Board re-established the limit for Ordinary Share repurchases at \$100.0 million, which is within the repurchase limit approved by Company's shareholders' on July 21, 2022.

## Item 6. [Reserved]

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*The following discussion and analysis should be read in conjunction with the audited consolidated financial statements and notes thereto included in this Annual Report. This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, such statements are subject to the "safe harbor" created by those sections and involve risks and uncertainties. Forward-looking statements are based on our management's beliefs and assumptions and on information available to our management as of the date hereof. As a result of many factors, such as those set forth under Part I, Item 1A "Risk Factors" in this Annual Report, our actual results may differ materially from those anticipated in these forward-looking statements, accordingly, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.*

### Overview

PSSA, a public company limited by shares (*société anonyme*) was incorporated on June 21, 2021 under the laws of the Grand Duchy of Luxembourg. PSSA is headquartered in the Grand Duchy of Luxembourg with business operations across the globe.

On the Closing Date, PSSA consummated the transactions contemplated by the Business Combination with EverArc, SK Holdings, SK Intermediate and the Merger Sub pursuant to the Business Combination Agreement. The terms "we", "us", "our", and the "Company" refer to PSSA and its consolidated subsidiaries, including Perimeter, after the Closing. PSSA's Ordinary Shares are listed on NYSE and trade under the symbol "PRM."

In connection with the Business Combination, the Merger was accounted for as a common control transaction, where substantially all of the net assets of PSSA were those previously held by EverArc. Upon the acquisition of SK Intermediate, PSSA was determined to be the Successor, and SK Intermediate was deemed to be the Predecessor. The acquisition of SK Intermediate was accounted for using the acquisition method of accounting, and the Successor financial statements reflect a new basis of accounting based on the fair value of the net assets acquired. As a result of the application of the acquisition method of accounting, our consolidated financial statements and certain presentations are separated into two distinct periods to indicate the different ownership and accounting basis between the periods presented, the period before the consummation of the Business Combination, which includes the period from January 1, 2021 to November 8, 2021 (the "2021 Predecessor Period") and the period on and after the consummation of the Business Combination, from the Closing Date to December 31, 2021 (the "2021 Successor Period").

We are a global solutions provider, producing high-quality firefighting products and lubricant additives. Approximately 65% of our annual revenues is derived in the United States, approximately 15% in Europe and approximately 14% in Canada with the remaining approximately 6% spread across various other countries. Our business is organized and managed in two reporting segments: Fire Safety and Specialty Products.

The Fire Safety business is a formulator and manufacturer of fire management products that help our customers combat various types of fires, including wildland, structural, flammable liquids and other types of fires. Our Fire Safety business also offers specialized equipment and services, typically in conjunction with our fire management products to support firefighting operations. Our specialized equipment includes air base retardant storage, mixing, and delivery equipment; mobile retardant bases; retardant ground application units; mobile foam equipment; and equipment that we custom design and manufacture to meet specific customer needs. Our service network can meet the emergency resupply needs of over 150 air tanker bases in North America, as well as many other customer locations globally. The segment is built on the premise of superior technology, exceptional responsiveness to our customers' needs, and a "never-fail" service network. Significant end markets include primarily government-related entities and are dependent on approvals, qualifications, and permits granted by the respective governments and commercial customers around the world.

The Specialty Products segment produces and sells P<sub>2</sub>S<sub>5</sub> used in several end markets and applications, including lubricant additives, various agricultural applications, various mining applications, and emerging electric battery technologies. Within the lubricant additives end market, currently the Company's largest end market application, P<sub>2</sub>S<sub>5</sub> is primarily used in the production of a family of compounds called ZDDP, which is considered an essential component in the formulation of lubricating oils with its main function to provide anti-wear protection to engine components. In addition, ZDDP inhibits oxidation of lubricating oil by scavenging free radicals that initiate oil breakdown and sludge formation,

resulting in better and longer engine function.  $P_2S_5$  is also used in pesticide and mining chemicals applications. We offer several grades of  $P_2S_5$  with varying degrees of phosphorus content, particle size, distribution, and reactivity to global customers.

We operate seven business units within our two reporting segments. The business unit structure is meant to promote the decentralized execution and accountability, and maintain the geography- and product-specific focus and granularity necessary to drive continued improvement in our key operational value drivers. Our key operational value drivers are profitable new business, pricing our products and services to the value they provide, and continued productivity improvements. Each business unit has a business unit manager, who is responsible for achieving targeted financial and operational results.

## **Known Trends and Uncertainties**

### ***Growth in Fire Safety***

We believe that our Fire Safety segment benefits from several secular growth drivers, including increasing fire severity, as measured by higher acres burned, longer fire seasons and a growing wildland urban interface resulting in a need for higher quantity of retardant use per acre and thereby necessitating an increase of the airtanker capacity. We believe that these trends are prevalent in North America, as well as globally and we expect these trends to continue and drive growth in demand for fire retardant products.

We are also working to grow our fire prevention and protection business, which is primarily focused on expanding use of ground-applications for long-term fire retardant. This includes use of ground assets in response to active fires (protection), as well as proactive treatments around critical infrastructure and known high-risk areas (prevention). The protection business expands on our existing aerial support to enhance the ability of customers to effectively fight active fires. Fire prevention products can be used to prevent fire ignitions and protect property from potential fire danger by providing proactive retardant treatment in high-risk areas such as roadways, and critical infrastructure like electrical utilities and railroads. Treating these areas ahead of the fire season can potentially stop ignitions from equipment failures or sparks.

We have invested and intend to continue investing in the expansion of our fire safety business through acquisitions in order to further grow our global customer base.

### ***Weather Conditions and Climate Trends***

Our business is highly dependent on the needs of government agencies to suppress fires. As such, our financial condition and results of operations are significantly impacted by weather as well as environmental and other factors affecting climate change, which impact the number and severity of fires in any given year. Historically, sales of our products have been higher in the summer season of each fiscal year due to weather patterns which are generally correlated to a higher prevalence of wildfires. This is in part offset by the disbursement of our operations in both the northern and southern hemispheres, where the summer seasons alternate.

### ***Global Economic Environment***

In recent years, the global economy and labor markets have experienced significant inflationary pressures attributable to ongoing economic recovery and supply chain issues, in part due to the impacts of the COVID-19 pandemic and the conflicts in Ukraine and the Middle East. While the Company has limited exposure in regions with active conflict, it continues to monitor and take actions with its customers and suppliers to mitigate the impact of these inflationary pressures in the future. Actions to mitigate inflationary pressures with suppliers include aggregation of purchase requirements to achieve optimal volume benefits, negotiation of cost-reductions and identification of more cost competitive suppliers. While these actions are designed to offset the impact of inflationary pressures, the Company cannot provide assurance that they will be successful in fully offsetting increased costs resulting from inflationary pressure. In addition, interest payments for borrowings under the Company's revolving credit facility are based on variable rates, and any continued increase in interest rates may reduce the Company's cash flow available for other corporate purposes.



## ***Impairment Assessment***

Goodwill is deemed to have an indefinite life and is assessed for impairment annually at the reporting unit level or more frequently when events or circumstances occur that indicate that it is more likely than not that the fair value of a reporting unit or an intangible asset is less than its carrying value. The Company conducts an annual impairment test on October 1st each year.

Depending on the facts and circumstances, the impairment test for goodwill can be performed using either a qualitative or quantitative approach. The qualitative approach consists of a weighting of several qualitative factors, including, but not limited to, macroeconomic conditions (including changes in interest rates and discount rates), industry and market considerations, the recent and projected financial performance of the reporting unit, changes in the Company's enterprise market value and other relevant factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. This assessment can require significant judgments, including the estimation of future cash flows and an assessment of market and industry dependent risks. If the assessment of all relevant qualitative factors indicates that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, a quantitative goodwill impairment test is not necessary. If the assessment of all relevant qualitative factors indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company will perform a quantitative goodwill impairment test. The Company has the unconditional option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing a quantitative goodwill impairment assessment.

The quantitative goodwill impairment assessment is conducted by estimating and comparing the fair value of the reporting unit to its carrying value. If the carrying amount of the reporting unit exceeds its fair value, the Company recognizes an impairment loss equal to the amount of the excess, limited to the amount of goodwill assigned to that reporting unit. Application of the impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units and the determination of the fair value of the reporting unit.

Under the income approach, we calculate the fair value of a reporting unit based on estimated future discounted cash flows which require assumptions about short and long-term revenue growth rates, operating margins for each reporting unit, discount rates, foreign currency exchange rates and estimates of capital expenditures. The assumptions we use are based on what we believe a hypothetical marketplace participant would use in estimating fair value. Under the market approach, we estimate the fair value based on market multiples of our earnings before interest, taxes, depreciation and amortization ("EBITDA").

The values separately derived from each of the income and market approach valuation techniques were used to develop an overall estimate of our reporting units' fair value. We use a consistent approach across both of our reporting units when considering the weight of the income and market approaches for calculating the fair value of each of our reporting units. This approach relies equally (50%) on the calculated fair value derived from the income approach and market approach. We believe this approach is consistent with that of a market participant in valuing prospective purchase business combinations. The selection and weighting of the various fair value techniques may result in a higher or lower fair value. Judgment is applied in determining the weightings that are most representative of fair value.

The assumptions for our future cash flows begin with our historical operating performance adjusted for the impact of known economic, industry and market trends as well as the impact that we expect from the execution of our value drivers, including price, productivity, and profitable new business. At the end of the forecast period, the long-term growth rate we used to determine the terminal value of our reporting units was 3.0% based on management's assessment of the minimum expected terminal growth rate of the reporting unit, as well as broader economic considerations such as inflation and the maturity of the markets we serve. We projected revenue growth for our reporting units in completing our impairment testing based on expected planned business initiatives and prevailing trends exhibited by these reporting units. The anticipated revenue growth in the reporting units, however, is partially offset by assumed increases in expenses.

We utilize a weighted average cost of capital ("WACC"), in our impairment analysis that makes assumptions about the capital structure that we believe a market participant would make and include a risk premium based on an assessment of risks related to the projected cash flows for the reporting unit. We believe this approach yields a discount rate that is consistent with an implied rate of return that a market participant would require for an investment in a company having similar risks and business characteristics to the reporting unit being assessed. To calculate the WACC, the cost of equity and cost of debt are multiplied by the assumed capital structure of the reporting unit as compared to industry trends and relevant benchmark company structures. We believe the benchmark companies used for our Fire Safety and Specialty

Products reporting units serve as an appropriate input for calculating a fair value for the reporting unit as those benchmark companies have similar risks and participate in similar markets. The cost of equity was computed using the Capital Asset Pricing Model which considers the risk-free interest rate, beta, equity risk premium and specific company risk premium related to a particular reporting unit. The cost of debt was computed using a benchmark rate and the Company's tax rate. For the quantitative impairment assessment as of September 30, 2023, the discount rate used to develop the estimated fair value for the Fire Safety reporting unit and Specialty Products reporting unit was 15.0%.

As of September 30, 2023, total goodwill was \$1,028.8 million, of which, \$858.2 million was assigned to Fire Safety reporting unit, and \$170.6 million was assigned to the Specialty Products reporting unit. During the three months ended September 30, 2023, the Company concluded that a triggering event occurred primarily due to (i) a sustained decrease in the market value of the Company's Ordinary Shares, and (ii) a downward revision in the revenue forecast of the contingent earn-out eligible fire retardant product. As a result, the Company performed an interim quantitative goodwill impairment test as of September 30, 2023 to compare the fair value of the Fire Safety reporting unit and Specialty Products reporting unit to their respective carrying amounts, including the goodwill.

Based on the interim quantitative goodwill impairment test as of September 30, 2023, the fair value of the Company's Fire Safety reporting unit exceeded its carrying value by 5.9% and the fair value of its Specialty Products reporting unit exceeded its carrying value by 15.3%. The Company also reconciled its market capitalization to the aggregated estimated fair value of all reporting units, including consideration of a control premium representing the estimated amount a market participant would pay to obtain a controlling interest in the Company. The implied control premium resulting from the difference between (i) the Company's market capitalization (based on the average trading price of the Company's Ordinary Shares for the thirty-day period ended September 30, 2023) and (ii) the estimated fair value of all reporting units was within the range of average and mean premiums observed for recent comparable transactions. As a result, no goodwill impairment was recorded.

The Company concluded that the estimated fair value of our Fire Safety and Specialty Products reporting units on October 1, 2023, the date of our annual impairment assessment, was consistent with estimated fair value of our Fire Safety and Specialty Products reporting units as calculated on September 30, 2023, as a result, there was no indication of goodwill impairment on October 1, 2023.

The estimated fair value of the reporting unit is highly sensitive to changes in these projections and assumptions; therefore, in some instances changes in these assumptions could impact whether the fair value of a reporting unit is greater than its carrying value. For example, an increase in the discount rate, continued decline in market price of our Ordinary Shares and decline in the projected cumulative cash flow of a reporting unit could cause the fair value of certain reporting units to be below its carrying value. We perform sensitivity analyses around these assumptions in order to assess the reasonableness of the assumptions and the resulting estimated fair values. It is reasonably possible that changes to any projections, assumptions or market capitalization may require a non-cash charge for impairment in a future period, which may significantly affect the Company's results of operations in the period of such charge.

Long-lived assets include acquired property, plant, and equipment and intangible assets subject to amortization. We evaluate the recoverability of long-lived assets for possible impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Such events and changes may include significant changes in performance relative to expected operating results, significant changes in asset use, significant negative industry or economic trends, and changes in our business strategy.

The process of evaluating the potential impairment of long-lived assets under the accounting guidance on property, plant and equipment and intangible assets subject to amortization is also highly subjective and requires significant judgment. In order to estimate the fair value of long-lived assets, we typically make various assumptions about the future prospects of our business or the part of our business to which the long-lived assets relate to estimate future cash flows to be generated by the asset group, which requires significant judgment as it is based on assumptions about market demand for our products over a number of future years. Based on these assumptions and estimates, we determine the recoverability of such assets by comparing an asset's respective carrying value to estimates of the sum of the undiscounted future cash flows expected to result from its asset group. If such review indicates that the carrying amount of long-lived assets is not recoverable, the carrying amount of such assets is reduced to fair value. Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors, such as industry and economic trends, and internal factors, such as changes in our business strategy and our internal forecasts. Although we believe the assumptions and estimates we have made are reasonable and appropriate, changes in assumptions and estimates could materially impact our reported financial results.

As a result of the goodwill triggering event described above, the Company performed a recoverability test on all of its finite-lived asset groups as of September 30, 2023 before proceeding to the goodwill impairment review and concluded that no impairment charge was necessary, except for the impairment of a technology asset as noted below.

Due to a downward revision in the revenue forecast related to a contingent earn-out eligible fire retardant product acquired by the Company in May 2020 during the purchase of LaderaTech, Inc. (“LaderaTech”), the Company determined that the \$40.7 million in carrying value of the technology underlying the contingent earn-out eligible fire retardant product is no longer recoverable. As a result, during the three months ended September 30, 2023 the Company recorded an impairment of \$40.7 million in the accompanying consolidated statements of operations and comprehensive income (loss).

## Results of Operations

### Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

The following table sets forth our results of operations for the years ended December 31, 2023 and December 31, 2022 (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022	Change	
			\$	%
Net sales	\$ 322,108	\$ 360,505	\$ (38,397)	(11%)
Cost of goods sold	183,253	217,853	(34,600)	(16%)
Gross profit	138,855	142,652	(3,797)	(3%)
Operating expenses				
Selling, general and administrative expense	57,073	74,319	(17,246)	(23%)
Amortization expense	55,065	55,105	(40)	—%
Founders advisory fees - related party	(108,481)	(117,302)	8,821	(8%)
Intangible impairment	40,738	—	40,738	—%
Other operating expense	10	465	(455)	(98%)
Total operating expenses	44,405	12,587	31,818	253%
Operating income	94,450	130,065	(35,615)	(27%)
Other expense (income):				
Interest expense, net	41,378	42,585	(1,207)	(3%)
Gain on contingent earn-out	(7,273)	(12,706)	5,433	(43%)
Unrealized foreign currency (gain) loss	(1,655)	3,462	(5,117)	(148%)
Other expense (income), net	417	(503)	920	(183%)
Total other expense, net	32,867	32,838	29	—%
Income before income taxes	61,583	97,227	(35,644)	(37%)
Income tax benefit (expense)	5,903	(5,469)	11,372	(208%)
Net income	\$ 67,486	\$ 91,758	\$ (24,272)	(26%)

*Net Sales.* Net sales decreased by \$38.4 million for the year ended December 31, 2023 compared to the same period in 2022. Net sales in the Fire Safety segment decreased by \$1.0 million, representing lower fire retardant sales of \$21.3 million, largely offset by a \$20.3 million increase in fire suppressant sales. Fire retardant sales decreased \$20.5 million in the Americas and \$1.8 million in Europe due to decreased fire activity in those regions compared to the same period in 2022, partially offset by a \$1.0 million increase in Asia Pacific. Fire retardant sales in a given geography are generally driven by the activity of the fire season in that geography. Fire suppressant sales increased \$15.2 million in the Americas, \$4.4 million in Europe and \$0.7 million in Asia Pacific due to growth in sales of new FFF concentrates, a strong performance in emergency response business and geographic expansion. Net sales in the Specialty Products segment decreased \$37.4 million, of which \$27.0 million was in the Americas and \$10.4 million was in Europe. The decrease in Specialty Products sales reflects a reduction in purchases by our specialty chemicals customers due to inventory destock in the end markets.

*Cost of Goods Sold.* Cost of goods sold decreased by \$34.6 million for the year ended December 31, 2023 compared to the same period in 2022. The decrease in Fire Safety segment of \$24.7 million was primarily due to a \$24.8 million decrease in amortization of inventory step-up related to the Business Combination, a \$0.7 million decrease in labor and share-based compensation expense and \$0.2 million in lower material and manufacturing costs, partially offset by a \$1.0 million increase in other costs. The \$9.9 million decrease in the Specialty Products segment was due to a \$8.7 million

decrease in raw material and manufacturing costs, a \$0.9 million decrease in depreciation expense and a \$0.3 million decrease in lease expense.

*Selling, General and Administrative Expense.* Selling, general and administrative expense decreased by \$17.2 for the year ended December 31, 2023 compared to the same period in 2022. The decrease was primarily due to an \$11.8 million decrease in personnel related and share-based compensation expenses, a \$3.4 million decrease in logistics expenses, a \$2.5 million decrease in insurance costs and a \$0.6 million decrease in accounting, legal and consulting expenses, partially offset by a \$1.1 million increase in other costs. The decrease in personnel related and share-based compensation expenses is primarily due to the recognition of \$1.3 million in share-based compensation expense during the year ended December 31, 2023 that is based on fair value as of the modification date or the grant date, as applicable, compared to \$12.9 million recognized during the same period in 2022 that was based on period end Ordinary Share price.

*Founder advisory fees - related party.* The founder advisory fees - related party represents the change in the fair value of the liability-classified Fixed Annual Advisory Amount and Variable Annual Advisory Amount (collectively, the “Annual Advisory Amounts”). The decrease in the fair value of the Annual Advisory Amounts for the year ended December 31, 2023 of \$108.5 million was primarily due to a reduction in the average price per Ordinary Share from \$8.86 as of December 31, 2022 to \$4.51 as of December 31, 2023. The decrease in the fair value of the Annual Advisory Amount for the year ended December 31, 2022 of \$117.3 million was primarily due to a reduction in the average price per Ordinary Share from \$13.63 as of December 31, 2021 to \$8.86 as of December 31, 2022.

*Intangible impairment.* Intangible impairment increased by \$40.7 million for the year ended December 31, 2023 compared to the same period in 2022. The increase was primarily due to recording an impairment on the carrying value of the technology underlying the contingent earn-out eligible fire retardant product acquired by the Company in May 2020 during purchase of LaderaTech.

*Interest Expense.* Interest expense decreased by \$1.2 million for the year ended December 31, 2023 compared to the same period in 2022. The decrease was primarily due to a one-time, non-cash accounting accrual related to the Company’s senior notes of \$1.5 million during the year ended December 31, 2022.

*Gain on Contingent Earn-out.* The gain on contingent earn-out related to the purchase of LaderaTech decreased by \$5.4 million for the year ended December 31, 2023 compared to the same period in 2022. The decrease was primarily due to a downward revision in the revenue forecast of the contingent earn-out eligible fire retardant product.

*Unrealized Foreign Currency Gain.* Unrealized foreign currency gain increased by \$5.1 million for the year ended December 31, 2023 compared to the same period in 2022. Unrealized foreign currency gains and losses are incurred in the normal course of business based on movement in foreign currency exchange rates. The increase during the year ended December 31, 2023 was due to changes in the applicable foreign currency exchange rates, primarily the Euro.

*Income Tax Benefit (Expense).* Income tax benefit increased by \$11.4 for the year ended December 31, 2023 compared to the same period in 2022. The increase is due primarily to changes in earnings in jurisdictions that were not covered by a valuation allowance.

## **Business Segments**

We use segment net sales and segment adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”), financial measures that are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), to evaluate operating performance by segment, for business planning purposes and to allocate resources. The following tables provide information for our net sales and Adjusted EBITDA (in thousands):

	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Fire Safety	Specialty Products	Fire Safety	Specialty Products
Net sales	\$ 225,554	\$ 96,554	\$ 226,583	\$ 133,922
Adjusted EBITDA	\$ 76,214	\$ 20,573	\$ 77,365	\$ 48,026

Adjusted EBITDA for our Fire Safety segment for the year ended December 31, 2023 decreased by \$1.2 million to \$76.2 million compared to the same period in 2022. The decrease was primarily due to lower sales offset by lower cost of goods sold and operating expenses.

Adjusted EBITDA for our Specialty Products segment for the year ended December 31, 2023 decreased by \$27.5 million to \$20.6 million compared to the same period in 2022. The decrease was primarily due to lower sales offset by lower cost of goods sold and operating expenses.

### **Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021 (“S/P Combined”)**

For a detailed discussion of our consolidated results of operations for December 31, 2022 compared to S/P Combined, refer to Part II, Item 7. “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” of Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 1, 2023.

### **Liquidity and Capital Resources**

We have historically funded our operations primarily through cash flows from operations, borrowings under our revolving credit facility, and the issuance of debt and equity securities. However, future cash flows are subject to a number of variables, including the length and severity of the fire season, growth of the wildland urban interface and the availability of air tanker capacity, higher costs from inflation, all of which could negatively impact revenues, earnings and cash flows, and potentially our liquidity if we do not moderate our expenditures accordingly.

We have the following financing arrangements in place to, among other things, fund our operations and supplement our liquidity position.

#### ***Revolving Credit Facility***

On November 9, 2021, SK Invictus Intermediate II S.à r.l., a société à responsabilité limitée (limited liability company) governed by the laws of the Grand Duchy of Luxembourg (“SK Intermediate II”), a wholly owned subsidiary of SK Intermediate, entered into a five-year revolving credit facility (the “Revolving Credit Facility”), which provides for a senior secured revolving credit facility in an aggregate principal amount of up to \$100.0 million.

The Revolving Credit Facility matures on November 9, 2026. The Revolving Credit Facility includes a \$20.0 million swingline sub-facility and a \$25.0 million letter of credit sub-facility. All borrowings under the Revolving Credit Facility are subject to the satisfaction of customary conditions, including the absence of a default and the accuracy of representations and warranties, subject to certain exceptions.

The ICE Benchmark Administration, the administrator for London Interbank Offered Rate (“LIBOR”) ceased publishing one-week and two-month U.S. dollar LIBOR after June 30, 2023 (the “Rate Switch Event”). Pursuant to the Rate Switch Event, borrowing under our Revolving Credit Facility is subject to the Secured Overnight Financing Rate for the applicable corresponding tenor (“Term SOFR”) as published by CME Group Benchmark Administration (“Term SOFR Administrator”). We did not have any outstanding borrowings under the Revolving Credit Facility prior to the Rate Switch Event, accordingly, the switch in the benchmark rates from LIBOR to Term SOFR did not have any impact on the accompanying consolidated financial statements.

Borrowings under the Revolving Credit Facility bear interest at a rate equal to (i) an applicable margin, plus (ii) at SK Intermediate II’s option, either (x) Term SOFR as published by the Term SOFR Administrator, adjusted for certain additional costs or (y) a base rate determined by reference to the highest of (a) the prime commercial lending rate published by the Wall Street Journal, (b) the federal funds rate plus 0.50%, (c) the one-month Term SOFR rate plus 1.00% and (d) a minimum floor of 1.00%. The applicable margin is 3.25% in the case of Term SOFR-based loans and 2.25% in the case of base rate-based loans, with two step downs of 0.25% each based upon the achievement of certain leverage ratios.

As of December 31, 2023, the Company did not have any outstanding borrowings under the Revolving Credit Facility and was in compliance with all covenants, including the financial covenants.

## ***Senior Notes***

On November 9, 2021, SK Intermediate II assumed \$675.0 million principal amount of 5.00% senior secured notes due October 30, 2029 (the “Senior Notes”) issued by EverArc Escrow S.à r.l, a newly-formed limited liability company governed by the laws of the Grand Duchy of Luxembourg and a wholly owned subsidiary of EverArc, under an indenture dated as of October 22, 2021 (“Indenture”). The Senior Notes bear interest at an annual rate of 5.00%. Interest on the Senior Notes is payable in cash semi-annually in arrears on April 30 and October 30 of each year.

The Senior Notes are general, secured, senior obligations of SK Intermediate II; rank equally in right of payment with all existing and future senior indebtedness of SK Intermediate II (including, without limitation, the Revolving Credit Facility); and together with the Revolving Credit Facility, are effectively senior to all existing and future indebtedness of Invictus II that is not secured by the collateral.

For additional information about our long-term debt, refer to Note 7, “Long-Term Debt and Redeemable Preferred Shares,” in the notes to the consolidated financial statements included in this Annual Report.

## ***Share Repurchase Plan***

On December 7, 2021, subject to the approval of our shareholders, the Board authorized the Share Repurchase Plan. Under the Share Repurchase Plan, we and our subsidiaries are authorized to repurchase up to \$100.0 million of our issued and outstanding Ordinary Shares at any time during the next 24 months or, if different, such other timeframe as approved by our shareholders. Until such time as the Share Repurchase Plan was approved by the shareholders of the Company, the Board authorized any subsidiary of the Company to take such actions necessary to purchase Ordinary Shares of the Company. Repurchases under the Share Repurchase Plan may be made, from time to time, in such quantities, in such manner and on such terms and conditions and at prices the Company deems appropriate.

On July 21, 2022, subject to certain limits, the shareholders’ of the Company approved a proposal authorizing the Board to repurchase up to 25% of the Company’s Ordinary Shares outstanding as of the date of the shareholders’ approval, being 40,659,257 Ordinary Shares, at any time during the next five years. On November 3, 2022, the Board re-established the limit for Ordinary Share repurchases at \$100.0 million, which is within the repurchase limit approved by Company’s shareholder on July 21, 2022.

During the years ended December 31, 2023 and 2022, the Company repurchased 12,178,454 and 6,436,736 Ordinary Shares, respectively. The repurchased Ordinary Shares were recorded at cost and are being held in treasury.

For additional information about our Share Repurchase Plan, refer to Item 5, “Market for the Company’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities,” and Note 10, “Equity,” in the notes to the consolidated financial statements included in this Annual Report.

## ***Founder Advisory Agreement***

On December 12, 2019, EverArc and the EverArc Founder Entity entered into the Founder Advisory Agreement to provide incentives to the EverArc Founders to achieve EverArc’s and the Company’s, objectives. In exchange for the services provided to the Company, including strategic and capital allocation advice, the EverArc Founder Entity is entitled to receive both a Fixed Annual Advisory Amount and a Variable Annual Advisory Amount until the years ending December 31, 2027 and 2031, respectively. Under the Founder Advisory Agreement, at the election of the EverArc Founder Entity, at least 50% of the Advisory Amounts will be paid in Ordinary Shares and the remainder in cash.

The Fixed Annual Advisory Amount is equal to 2,357,061 Ordinary Shares (1.5% of 157,137,410 Ordinary Shares outstanding as of November 9, 2021) for each year through December 31, 2027 and valued using the period end volume weighted average closing share price for ten consecutive trading day of Ordinary Shares. The Variable Annual Advisory Amount for each year through December 31, 2031 is based on the appreciation of the market price of Ordinary Shares if such market price exceeds certain trading price minimums at the end of each reporting period and is valued using a Monte Carlo simulation model. Because up to 50% of the aggregate shares could be settled through a cash payment, 50% are classified as a liability and the remaining 50% is classified within equity. For Advisory Amounts classified within equity, the Company does not subsequently remeasure the fair value. For the Advisory Amounts classified as a liability, the Company remeasures the fair value at each reporting date. As a result, the compensation expense recorded by the Company in the future will depend upon changes in the fair value of the liability-classified Advisory Amounts.

As of December 31, 2023, the Advisory Amounts payable to the EverArc Founder Entity over the remaining term of the Founder Advisory Agreement was \$113.8 million. The fair value of the Fixed Annual Advisory Amount was calculated to be \$42.5 million based on the period end volume weighted average closing share price for ten consecutive trading days of Ordinary Shares of \$4.51 and the fair value of the Variable Annual Advisory Amount was determined to be \$71.3 million using a Monte Carlo simulation model.

For 2023, the EverArc Founder Entity is entitled to receive Fixed Annual Advisory Amount of 2,357,061 Ordinary Shares or a value of \$10.6 million, based on average price of \$4.51 per Ordinary Share (the “2023 Fixed Amount”). The EverArc Founder Entity did not qualify to receive Variable Annual Advisory Amount for 2023 as average price of \$4.51 per Ordinary Share for 2023 was lower than the average price of \$13.63 per Ordinary Share established for 2021 (the “2023 Variable Amount” and together with the 2023 Fixed Amount, the “2023 Advisory Amount”). The EverArc Founder Entity elected to receive approximately 74.6% of the 2023 Advisory Amount in Ordinary Shares (1,758,464 Ordinary Shares) and approximately 25.4% of the 2023 Advisory 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 2023 Advisory Amount.

For additional information about the Founder Advisory Agreement, refer to Note 13, “Related Parties,” in the notes to the consolidated financial statements included in this Annual Report.

We believe that our existing cash and cash equivalents of approximately \$47.3 million, net cash flows generated from operations and availability under the Revolving Credit Facility as of December 31, 2023 will be sufficient to meet our current capital expenditures, working capital, founders’ advisory fee payments and debt service requirements for at least 12 months from the filing date of this Annual Report. Our fiscal year 2024 capital expenditure budget is \$10.0 million, which we expect will cover both our maintenance and growth capital expenditure requirements. We may also utilize borrowings available to us under various other financing sources, including the issuance of equity and/or debt securities through public offerings or private placements, to fund our acquisitions, pay the 2023 Advisory Amount and meet long-term liquidity needs. Our ability to complete future offerings of equity or debt securities and the timing of these offerings will depend upon various factors including prevailing market conditions and our financial condition.

### ***Sources and Uses of Cash***

The following table presents the sources and uses of our cash for the periods presented (in thousands):

	Successor			Predecessor
	Year Ended December 31, 2023	Year Ended December 31, 2022	November 9, 2021 Through December 31, 2021	January 1, 2021 Through November 8, 2021
Cash provided by (used in):				
Operating activities	\$ 193	\$ (40,172)	\$ 4,359	\$ 67,991
Investing activities	(14,894)	(10,251)	(1,210,623)	(15,746)
Financing activities	(64,453)	(48,812)	(697,221)	(64,210)
Effect of foreign currency on cash and cash equivalents	(320)	431	(738)	435
Net change in cash and cash equivalents	<u>\$ (79,474)</u>	<u>\$ (98,804)</u>	<u>\$ (1,904,223)</u>	<u>\$ (11,530)</u>

### **Operating Activities**

Cash provided by (used in) operating activities was \$0.2 million, \$(40.2) million, \$4.4 million and \$68.0 million for the years ended December 31, 2023 and 2022, 2021 Successor Period and 2021 Predecessor Period, respectively. For the year ended December 31, 2023, the change from cash used in operating activities in 2022 to cash provided by operating activities in 2023 of \$40.4 million was primarily due to a reduction in payment of founders advisory fees payable - related party of \$48.9 million, reduction in inventory, accounts receivable and other current assets of \$50.7 million due to lower sales, offset by lower net income and non-cash items of \$21.4 million and an increase in operating liabilities of \$37.8 million. For the year ended December 31, 2022, the change was primarily due to a founders advisory fee payment of \$53.5 million and an increase in inventory of \$61.9 million due to a mild fire season in North America during 2022 offset by higher net income. During the 2021 Successor Period the operating cash flows were negatively impacted by lower net income and an increase in working capital, offset by share-based compensation. Operating cash flows for the 2021 Predecessor Period were negatively impacted by an increase in working capital which was offset by higher net income and

non-cash depreciation and amortization expense. The increase in working capital was primarily due to an increase in accounts receivable from higher net sales.

### **Investing Activities**

Cash used in investing activities was \$14.9 million, \$10.3 million, \$1,210.6 million and \$15.7 million for the years ended December 31, 2023 and 2022, 2021 Successor Period and 2021 Predecessor Period. During the year ended December 31, 2023, we purchased property and equipment of \$9.4 million and invested \$5.5 million in short-term certificate of deposits. During the year ended December 31, 2022, we purchased property and equipment of \$8.6 million and paid an additional \$1.6 million to SK Holdings upon finalization of the difference in estimated and actual working capital as of the Closing Date under the Business Combination Agreement. During the 2021 Successor Period, we acquired SK Intermediate for cash consideration of \$1,209.2 million, net of approximately \$11.0 million in cash acquired, and purchased property and equipment of \$1.5 million. During the 2021 Predecessor Period, we paid a total of \$7.5 million in cash related to the acquisitions of Budenheim Iberica, S.L.U., PC Australasia Pty Ltd., and Magnum Fire & Safety Systems. We also purchased property and equipment of \$8.3 million during the 2021 Predecessor Period.

### **Financing Activities**

Cash used in financing activities was \$64.5 million, \$48.8 million, \$697.2 million and \$64.2 million for the years ended December 31, 2023 and 2022, 2021 Successor Period and 2021 Predecessor Period, respectively. During the year ended December 31, 2023, we repurchased outstanding Ordinary Shares for \$64.1 million and made \$0.4 million in principal payments on finance lease obligations. During the year ended December 31, 2022, we repurchased outstanding Ordinary Shares for \$49.3 million offset by \$0.5 million in proceeds from exercise of Warrants. During the 2021 Successor Period, we borrowed \$40.0 million against the Revolving Credit Facility and paid \$2.3 million of revolver fees. The Revolving Credit Facility was repaid in full on December 9, 2021. Upon the Business Combination, two of the Company's directors acquired Ordinary Shares valued at \$2.0 million. We repaid \$697.0 million of debt previously held by SK Intermediate. During the 2021 Predecessor Period, we distributed \$60.0 million to our shareholders, and we received \$19.5 million in proceeds from the Revolving Credit Facility, which was offset by repayments of \$19.5 million on the Revolving Credit Facility and repayments of \$4.2 million on long-term debt.

### ***Critical Accounting Estimates and Policies***

Our consolidated financial statements have been prepared in conformity with U.S. GAAP, which often requires the judgment of management in the selection and application of certain accounting principles and methods. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities and expenses. On an ongoing basis, we evaluate these estimates and judgments. We based our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities and the recording of expenses that are not readily apparent from other sources. Actual results could, therefore, differ materially from these estimates under different assumptions or conditions.

We have identified the following estimates as our most critical accounting estimates, which are those that are most important to aid in fully understanding and evaluating the Company's financial condition and results of operations, and that require management's most subjective and complex judgments. Information regarding our other significant accounting estimates and policies are described in more detail in Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements" in the notes to the consolidated financial statements included in this Annual Report. We believe that the following accounting estimates and policies are most critical to the judgments and estimates used in the preparation of the consolidated financial statements.

### ***Impairment of Goodwill and Long-Lived Assets***

Goodwill is deemed to have an indefinite life and is assessed for impairment annually at the reporting unit level or more frequently when events or circumstances occur that indicate that it is more likely than not that the fair value of a reporting unit or an intangible asset is less than its carrying value. The Company conducts an annual impairment test on October 1st each year.

Depending on the facts and circumstances, the impairment test for goodwill can be performed using either a qualitative or quantitative approach. The qualitative approach consists of a weighting of several qualitative factors, including, but not



limited to, macroeconomic conditions (including changes in interest rates and discount rates), industry and market considerations, the recent and projected financial performance of the reporting unit, changes in the Company's enterprise market value and other relevant factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. This assessment can require significant judgments, including the estimation of future cash flows and an assessment of market and industry dependent risks. If the assessment of all relevant qualitative factors indicates that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, a quantitative goodwill impairment test is not necessary. If the assessment of all relevant qualitative factors indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company will perform a quantitative goodwill impairment test. The Company has the unconditional option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing a quantitative goodwill impairment assessment.

We perform a qualitative assessment to determine whether it is more likely than not that goodwill is impaired. Factors utilized in the qualitative assessment include macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and events specific to us. If the qualitative assessment indicates it is more likely than not that goodwill is impaired, the entity performs a quantitative assessment, which consists of a comparison of the fair value of the reporting unit with its carrying amount.

The quantitative goodwill impairment assessment is conducted by estimating and comparing the fair value of the reporting unit to its carrying value. If the carrying amount of the reporting unit exceeds its fair value, the Company recognizes an impairment loss equal to the amount of the excess, limited to the amount of goodwill assigned to that reporting unit. Application of the impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units and the determination of the fair value of the reporting unit.

Under the income approach, we calculate the fair value of a reporting unit based on estimated future discounted cash flows which require assumptions about short and long-term revenue growth rates, operating margins for each reporting unit, discount rates, foreign currency exchange rates and estimates of capital expenditures. The assumptions we use are based on what we believe a hypothetical marketplace participant would use in estimating fair value. Under the market approach, we estimate the fair value based on market multiples of our EBITDA.

The values separately derived from each of the income and market approach valuation techniques were used to develop an overall estimate of a reporting unit's fair value. We use a consistent approach across both the reporting units when considering the weight of the income and market approaches for calculating the fair value of each of our reporting units. This approach relies equally (50%) on the calculated fair value derived from the income approach and market approach. We believe this approach is consistent with that of a market participant in valuing prospective purchase business combinations. The selection and weighting of the various fair value techniques may result in a higher or lower fair value. Judgment is applied in determining the weightings that are most representative of fair value.

The assumptions for our future cash flows begin with our historical operating performance adjusted for the impact of known economic, industry and market trends as well as the impact that we expect from planned business initiatives including new product initiatives, client service and retention standards, and cost management programs. At the end of the forecast period, the long-term growth rate we used to determine the terminal value of our reporting units was 3.0% based on management's assessment of the minimum expected terminal growth rate of the reporting unit, as well as broader economic considerations such as inflation and the maturity of the markets we serve. We projected revenue growth for our reporting units in completing our impairment testing based on expected planned business initiatives and prevailing trends exhibited by these reporting units. The anticipated revenue growth in the reporting units, however, is partially offset by assumed increases in expenses.

We utilize WACC in our impairment analysis that makes assumptions about the capital structure that we believe a market participant would make and include a risk premium based on an assessment of risks related to the projected cash flows for the reporting unit. We believe this approach yields a discount rate that is consistent with an implied rate of return that a market participant would require for an investment in a company having similar risks and business characteristics to the reporting unit being assessed. To calculate the WACC, the cost of equity and cost of debt are multiplied by the assumed capital structure of the reporting unit as compared to industry trends and relevant benchmark company structures. We believe the benchmark companies used for our Fire Safety and Specialty Products reporting units serve as an appropriate input for calculating a fair value for the reporting unit as those benchmark companies have similar risks and participate in similar markets. The cost of equity is computed using the Capital Asset Pricing Model which considers the risk-free

interest rate, beta, equity risk premium and specific company risk premium related to a particular reporting unit. The cost of debt is computed using a benchmark rate and the Company's tax rate.

The estimated fair value of the reporting unit is highly sensitive to changes in these projections and assumptions; therefore, in some instances changes in these assumptions could impact whether the fair value of a reporting unit is greater than its carrying value. For example, an increase in the discount rate, continued decline in market price of our Ordinary Shares and decline in the projected cumulative cash flow of a reporting unit could cause the fair value of certain reporting units to be below its carrying value. We perform sensitivity analyses around these assumptions in order to assess the reasonableness of the assumptions and the resulting estimated fair values. It is reasonably possible that changes to any projections, assumptions or market capitalization may require a non-cash charge for impairment in a future period, which may significantly affect the Company's results of operations in the period of such charge.

Long-lived assets include acquired property, plant, and equipment and intangible assets subject to amortization. We evaluate the recoverability of long-lived assets for possible impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Such events and changes may include significant changes in performance relative to expected operating results, significant changes in asset use, significant negative industry or economic trends, and changes in our business strategy.

The process of evaluating the potential impairment of long-lived assets under the accounting guidance on property, plant and equipment and intangible assets subject to amortization is also highly subjective and requires significant judgment. In order to estimate the fair value of long-lived assets, we typically make various assumptions about the future prospects of our business or the part of our business to which the long-lived assets relate to estimate future cash flows to be generated by the asset group, which requires significant judgment as it is based on assumptions about market demand for our products over a number of future years. Based on these assumptions and estimates, we determine the recoverability of such assets by comparing an asset's respective carrying value to estimates of the sum of the undiscounted future cash flows expected to result from its asset group. If such review indicates that the carrying amount of long-lived assets is not recoverable, the carrying amount of such assets is reduced to fair value. Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors, such as industry and economic trends, and internal factors, such as changes in our business strategy and our internal forecasts. Although we believe the assumptions and estimates we have made are reasonable and appropriate, changes in assumptions and estimates could materially impact our reported consolidated financial results.

### ***Income Taxes***

We compute income taxes using the asset-and-liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities, as well as loss and tax credit carryforwards. Changes in tax rates and laws are recognized in income in the period such changes are enacted.

On a jurisdiction-by-jurisdiction basis, we establish a valuation allowance if, based upon available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We consider all positive and negative evidence, including historical operating results, the existence of cumulative losses, estimates of future operating income, and the reversal of existing taxable temporary differences in assessing the need for a valuation allowance.

Our tax positions are subject to income tax audits by multiple tax jurisdictions throughout the world. We recognize the tax benefit of an uncertain tax position only if it is more likely than not the position will be sustainable upon examination by the taxing authority, including resolution of any related appeals or litigation processes. This evaluation is based on all available evidence and assumes that the tax authorities have full knowledge of all relevant information concerning the tax position. The tax benefit recognized is measured as the largest amount of benefit which is more likely than not (greater than 50% likely) to be realized upon ultimate settlement with the taxing authority. We record interest and penalties related to unrecognized tax benefits in income tax expense. We make adjustments to these reserves in accordance with the income tax guidance when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different from the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results.

## ***Share-Based Compensation***

We have granted equity-based awards consisting of performance-based non-qualified stock options ("PBNQSO") to key employees, officers and directors. The PBNQSO are subject to performance conditions such that the number of awards that ultimately vest depends on the calculation of annual operational performance per diluted share ("AOP") during the performance period compared to targets established at the award date. The probability assessments of achieving the AOP targets is determined using estimated EBITDA, net debt and diluted shares. Because the terms of the PBNQSO granted through December 31, 2022 ("Prior Option Grants") provide discretion to the compensation committee to make certain adjustments to the performance calculation, the service inception date of these awards precedes the grant date. Accordingly, the Company recognized compensation expense beginning on the service inception date and remeasured the fair value of the awards until a grant date was established. The fair value of the Prior Grants for which a grant date has not been established was estimated on the last date of the reporting period using the Black-Scholes option-pricing model.

On February 14, 2023 and to be effective prospectively, the compensation committee approved the elimination of "Unusual or Nonrecurring Transactions or Events" provision in the PBNQSO agreement whereby it could make certain adjustments to operational performance criteria "for unusual or nonrecurring transactions or events affecting the Company or the financial statements of the Company." This provision had precluded the establishment of a grant date on the date when PBNQSO were awarded in accordance with the technical requirements under Accounting Standards Codification ("ASC") Topic 718, "Compensation—Stock Compensation". Further, on May 8, 2023 ("Options Modification Date"), to better account for seasonal fluctuations of the business, and to better align stock option performance with shareholder return, the compensation committee approved modification of certain terms in PBNQSO agreement for all PBNQSO granted through May 8, 2023. One modification eliminated the "Unusual or Nonrecurring Transactions or Events" provision. As of May 8, 2023, it was determined that a mutual understanding of the key terms and conditions of the PBNQSO has been ascertained and the grant date was therefore established for the Prior Grants.

For stock options granted from February 14, 2023 through May 7, 2023 ("Pre Modification 2023 Option Grants"), the Company recognized compensation costs related to PBNQSO granted to employees and non-employees based on the estimated fair value of the awards on the date of grant using the Black-Scholes option-pricing model. On the Options Modification Date, the Company performed a final fair value remeasurement under the original terms of Prior Option Grants and Pre Modification Option Grants using the Hull-White model and determined there was no incremental share-based compensation expense. For Prior Grants and the stock options granted on or after May 8, 2023 ("Post Modification 2023 Option Grants") the Company recognizes compensation costs related to PBNQSO granted to employees and non-employees based on the estimated fair value of the awards on the date of grant using the Hull-White model as this model considers the future movement in Ordinary Share price and option holders' behavior with respect to option exercises.

The Black-Scholes option-pricing model requires us to make assumptions and judgments about the variables used in the calculation, including the risk-free interest rate, the blended volatility based on the Company's short trading history of its Ordinary Shares and on the trading history from the common stock of a set of comparable publicly listed companies, the expected term and expected dividend. The Hull-White model requires us to make assumptions and judgments about the variables used in the calculation, including the sub-optimal exercise factor, drift rate, the blended volatility based on the Company's short trading history of its Ordinary Shares and on the trading history from the common stock of a set of comparable publicly listed companies, risk-free interest rate, and expected dividends. Changes in assumptions made on the risk-free interest rate and expected volatility can materially impact the estimate of fair value and ultimately how much share-based compensation expense is recognized.

Service-based restricted stock units are valued using the market price of our Ordinary Shares on the grant date. The grant date fair value of the restricted stock units is expensed on a straight-line basis over the applicable vesting period.

Under the Founder Advisory Agreement, in exchange for the services provided to the Company, including strategic and capital allocation advice, the EverArc Founders Entity is entitled to receive both, a Fixed Annual Advisory Amount and a Variable Annual Advisory Amount until the years ending December 31, 2027 and 2031, respectively. At the election of the EverArc Founders Entity, at least 50% of the Advisory Amounts will be paid in Ordinary Shares and the remainder in cash. The Fixed Annual Advisory Amount will be equal to 2,357,061 Ordinary Shares (1.5% of 157,137,410 Ordinary Shares outstanding as of November 9, 2021) for each year through December 31, 2027 and valued using the period end volume weighted average closing share price for ten consecutive trading days of Ordinary Shares. The Variable Annual Advisory Amount for each year through December 31, 2031 is based on the appreciation of the market price of Ordinary Shares if such market price exceeds certain trading price minimums at the end of each reporting period and is valued using a Monte Carlo simulation model, which requires the input of highly subjective assumptions, including the blended

volatility based on the Company's short trading history of its Ordinary Shares and on the trading history from the common stock of a set of comparable publicly listed companies, risk-free interest rate, and expected dividends. Changes in assumptions made on the risk-free interest rate and expected volatility can materially impact the estimate of fair value and ultimately how much founder advisory fee expense is recognized.

### ***Business Combinations***

We account for our business combinations using the acquisition accounting method, which requires us to determine and recognize assets acquired and liabilities assumed at their acquisition date fair value, including any contingent consideration and the recognition of acquisition-related costs in the consolidated statements of operations and comprehensive income (loss) in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, Business Combinations.

Accounting for business combinations requires us to make significant estimates and assumptions at the acquisition date, including estimates of the fair value of acquired inventory, property and equipment, identifiable intangible assets, contractual obligations assumed, preacquisition contingencies, where applicable, and equity issued. Significant assumptions relevant to the determination of the fair value of the assets acquired and liabilities assumed include, but are not limited to, future expected cash flows, discount rates, royalty rates, and other assumptions. The approach to valuing an initial contingent consideration associated with the purchase price also uses similar unobservable factors such as projected revenues and expenses over the term of the contingent earn-out period, discounted for the period over which the initial contingent consideration is measured, and relevant volatility rates. Based upon these assumptions, the initial contingent consideration is then valued using a Monte Carlo simulation. These significant assumptions are based on company specific information and projections, which are not observable in the market and, therefore, are considered Level 2 and Level 3 measurements. These significant assumptions are forward-looking and could be affected by future changes in economic and market conditions.

We generally use third-party qualified consultants to assist management in determining the fair value of assets acquired and liabilities assumed. This includes, when necessary, assistance with the determination of economic useful lives and valuation of property, plant and equipment and identifiable intangibles. The purchase price allocation process also entails us to refine these estimates over a measurement period not to exceed one year to reflect new information obtained surrounding facts and circumstances existing at acquisition date. The excess of the purchase price over the fair value of the identified assets acquired and liabilities assumed is recorded as goodwill.

### ***New Accounting Standards***

For information about new accounting standards, see Note 2, "Summary of Significant Accounting Policies and Recent Accounting Pronouncements" in the notes to the consolidated financial statements included in this Annual Report.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to market risk from changes in foreign currency exchange rates, short-term interest rates and price fluctuations of certain material commodities in the ordinary course of our business. We have not engaged in hedging activities since inception and currently, do not expect to engage in any hedging activities with respect to the market risk to which we are exposed.

### **Foreign Currency Risk**

Foreign currency exchange risks are attributable to sales to foreign customers and purchases from foreign suppliers not denominated in a location's functional currency, foreign plant operations, intercompany indebtedness, intercompany investments and include exposures to the Euro, Canadian dollar, Norwegian krone and Australian dollar. We have elected to use the U.S. dollar for our Luxembourg entities. Transactions that are paid in a foreign currency are remeasured into U.S. dollars and recorded in the consolidated financial statements at prevailing currency exchange rates. A reduction in the value of the U.S. dollar against currencies of other countries could result in the use of additional cash to settle operating, administrative and tax liabilities.

## **Interest Rate Risk**

For variable rate debt, interest rate changes generally do not affect the fair market value of such debt, but do impact future earnings and cash flows, assuming other factors are held constant. We are subject to market risk exposure related to changes in interest rates on borrowings under the Revolving Credit Facility. Interest on borrowings under the Revolving Credit Facility is based on Term SOFR plus or base rate plus an applicable margin. At December 31, 2023, we had no borrowings outstanding under the Revolving Credit Facility.

In addition, on November 9, 2021, in connection with the Business Combination, 10 million 6.50% Redeemable Preferred Shares of PSSA ("Redeemable Preferred Shares"), nominal value of \$10.00 per share, valued at \$100.0 million were issued. The holders of Redeemable Preferred Shares are entitled to a preferred annual cumulative right to a dividend equal to 6.50% of its nominal value. The Redeemable Preferred Shares are mandatorily redeemable on occurrence of certain events as defined in the Business Combination Agreement, but no later than November 8, 2029. If we fail to timely redeem the Redeemable Preferred Shares, the dividend on Redeemable Preferred Shares will permanently increase to the interest rate currently being paid (whether default or not) under the Revolving Credit Facility plus 10.00%.

## **Commodity Price Risk**

Our realized margins depend on the differential of sales prices over our total supply costs. Generally, we attempt to maintain an inventory position that is substantially balanced between our purchases and sales, including our future delivery obligations. However, market, weather or other conditions beyond our control may disrupt our expected supply of product, and we may be required to obtain supply at increased prices that cannot be passed through to our customers. For example, some of our material supply contracts follow market prices, which may fluctuate through the year, while our product sales prices may be fixed on a quarterly or annual basis, and therefore, fluctuations in our material supply may not be passed through to our customers and can produce an adverse effect on our margins.

## **Effects of Inflation**

We are subject to inflationary pressures with respect to raw materials, labor and transportation. Accordingly, we continue to take actions with our customers and suppliers to mitigate the impact of these inflationary pressures in the future. Actions to mitigate inflationary pressures with customers include contractual price escalation clauses and negotiated customer recoveries. Actions to mitigate inflationary pressures with suppliers include aggregation of purchase requirements to achieve optimal volume benefits, negotiation of cost-reductions and identification of more cost competitive suppliers. While these actions are designed to offset the impact of inflationary pressures, the Company cannot provide assurance that it will be successful in fully offsetting increased costs resulting from inflationary pressure.

**Item 8. Financial Statements and Supplementary Data.****INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Consolidated Financial Statements:**

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Consolidated Financial Statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023 and 2022, for the period from November 9, 2021 through December 31, 2021 (Successor) and for the period from January 1, 2021 through November 8, 2021 (Predecessor):

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors  
Perimeter Solutions, SA  
Grand Duchy of Luxembourg

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Perimeter Solutions, SA (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive income (loss), shareholders’ equity, and cash flows for the years ended December 31, 2023 and 2022 (Successor), for the period from November 9, 2021 through December 31, 2021 (Successor), and the period from January 1, 2021 through November 8, 2021 (Predecessor), and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for the two years ended December 31, 2023 and 2022 (Successor) and for the period November 9, 2021 through December 31, 2021 (Successor), and for the period from January 1, 2021 through November 8, 2021 (Predecessor), in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated February 22, 2024 expressed an unqualified opinion thereon.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### Assessment of the Probability of Achieving the Vesting Performance Criteria of Option Awards

As described in Notes 2 and 11 to the consolidated financial statements, the Company recognizes share-based compensation expense for option awards issued based on the fair value of the number of options that are ultimately expected to vest during the period. The performance-based awards are subject to vesting based on the achievement of annual operational performance per diluted share (“AOP”) during the performance period. At each reporting period, the

Company reassesses the probability of achieving the performance conditions required to meet those vesting targets. For the year ended December 31, 2023, the Company's consolidated share-based compensation expense for these performance awards was \$1.6 million. As of December 31, 2023 there was approximately \$15.6 million of total unrecognized compensation expense related to the non-vested portion of these performance-based awards.

We identified the assessment of the probability of the performance-based awards expected to vest based on the achievement of AOP as a critical audit matter. The principal consideration for our determination is the significant judgment involved to evaluate certain assumptions used in the estimate of forecasted diluted shares and EBITDA, which are utilized by the Company in the probability assessment. Auditing these elements involved subjective auditor judgment due to the nature and extent of the audit effort required and the level of uncertainty associated with such forecasts.

The primary procedures we performed to address this critical audit matter included:

- Testing the reasonableness of certain assumptions used in forecasted EBITDA by: (i) comparing to historical operating performance, (ii) comparing the consistency with evidence obtained in other areas of the audit, and (iii) evaluating the consistency with external market data and industry data.
- Testing the reasonableness of certain assumptions used in forecasted diluted shares by comparison to external market data.

### **Goodwill Impairment Assessment**

As described in Notes 2 and 5 to the consolidated financial statements, the Company's goodwill balance was \$1.04 billion as of December 31, 2023, which is allocated to the Company's reporting units. The Company conducts a goodwill impairment test on October 1st each year, or more frequently when changes in circumstances or other conditions suggest impairment may have occurred. During the quarter ended September 30, 2023, the Company concluded that a triggering event occurred, which resulted in an interim quantitative impairment test as of September 30, 2023. An impairment exists when the carrying value of its Fire Safety or Specialty Products reporting units exceeds its fair value. The Company estimates the fair value of its reporting units using a combination of an income and a market approach. The determination of the fair value of the reporting units requires management to make significant estimates and assumptions, the most significant being revenue growth rates, operating margins, the discount rate (weighted average cost of capital), and market multiples of comparable peer companies.

We identified the goodwill impairment assessment for the Fire Safety and Specialty Products reporting units as a critical audit matter. The principal consideration for our determination is the significant judgment used to evaluate certain assumptions used to determine the fair value of the reporting units, such as the selection of the valuation approaches, the weighting of the approaches, the forecasted revenue growth rates and operating margins, the discount rate included in the income approach, and the market multiples of EBITDA included in the market approach. Auditing the estimates and assumptions required increased auditor judgment and effort including the use of valuation specialists.

The primary procedures we performed to address this critical audit matter included:

- Testing the reasonableness of the forecasted revenue growth rates by: (i) comparing to historical operating performance, (ii) comparing the consistency evidence obtained in other areas of the audit, and (iii) evaluating the consistency with external market data and industry data.
- Testing the reasonableness of the forecasted operating margins by comparing to historical operating performance.
- Utilizing personnel with specialized knowledge and experience in valuation to assist in: (i) evaluating the appropriateness of the valuation approaches used to determine the fair value of the reporting units, including the weighting of the income and market approaches, (ii) evaluating the reasonableness of the discount rate and market multiples used by comparing the inputs to external market data.

/s/ BDO USA, P.C.

We have served as the Company's auditor since 2021.

Houston, Texas  
February 22, 2024



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors  
Perimeter Solutions, SA  
Grand Duchy of Luxembourg

### Opinion on Internal Control over Financial Reporting

We have audited Perimeter Solutions, SA (the “Company’s”) internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO criteria”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive income (loss), shareholders’ equity, and cash flows for the years ended December 31, 2023 and 2022 (Successor), for the period from November 9, 2021 through December 31, 2021 (Successor), and for the period from January 1, 2021 through November 8, 2021 (Predecessor), and the related notes (collectively referred to as “the financial statements”) and our report dated February 22, 2024 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management’s Annual Report on Internal Control over Financial Reporting”. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, P.C.

Houston, Texas  
February 22, 2024

**PERIMETER SOLUTIONS, SA AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 47,276	\$ 126,750
Accounts receivable, net	39,593	26,646
Inventories	145,652	142,961
Prepaid expenses and other current assets	18,493	12,165
Total current assets	<u>251,014</u>	<u>308,522</u>
Property, plant and equipment, net	59,402	58,846
Operating lease right-of-use assets	16,339	18,582
Finance lease right-of-use assets	6,064	—
Goodwill	1,036,279	1,031,460
Customer lists, net	674,786	710,329
Technology and patents, net	180,653	232,818
Tradenames, net	89,568	94,293
Other assets, net	1,317	1,766
Total assets	<u><u>\$ 2,315,422</u></u>	<u><u>\$ 2,456,616</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 21,639	\$ 36,794
Accrued expenses and other current liabilities	30,710	32,705
Founders advisory fees payable - related party	2,702	4,655
Total current liabilities	<u>55,051</u>	<u>74,154</u>
Long-term debt, net	666,494	665,280
Operating lease liabilities, net of current portion	14,908	15,484
Finance lease liabilities, net of current portion	5,547	—
Deferred income taxes	253,454	278,270
Founders advisory fees payable - related party	56,917	170,718
Redeemable preferred shares	105,799	101,279
Redeemable preferred shares - related party	2,764	3,209
Other non-current liabilities	2,193	9,322
Total liabilities	<u>1,163,127</u>	<u>1,317,716</u>
Commitments and Contingencies (Note 9)		
Shareholders' equity:		
Ordinary shares, \$1 nominal value per share, 4,000,000,000 shares authorized; 165,066,195 and 163,234,542 shares issued; 146,451,005 and 156,797,806 shares outstanding at December 31, 2023 and 2022, respectively	165,067	163,235
Treasury shares, at cost; 18,615,190 and 6,436,736 shares at December 31, 2023 and 2022, respectively	(113,407)	(49,341)
Additional paid-in capital	1,701,163	1,698,781
Accumulated other comprehensive loss	(19,710)	(25,471)
Accumulated deficit	<u>(580,818)</u>	<u>(648,304)</u>
Total shareholders' equity	<u>1,152,295</u>	<u>1,138,900</u>
Total liabilities and shareholders' equity	<u><u>\$ 2,315,422</u></u>	<u><u>\$ 2,456,616</u></u>

*See accompanying notes to consolidated financial statements.*

**PERIMETER SOLUTIONS, SA AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(in thousands, except share and per share data)

	Successor			Predecessor
	Year Ended December 31, 2023	Year Ended December 31, 2022	November 9, 2021 Through December 31, 2021	January 1, 2021 Through November 8, 2021
Net sales	\$ 322,108	\$ 360,505	\$ 21,023	\$ 341,315
Cost of goods sold	183,253	217,853	23,710	172,136
Gross profit	138,855	142,652	(2,687)	169,179
Operating expenses:				
Selling, general and administrative expense	57,073	74,319	16,982	38,981
Amortization expense	55,065	55,105	8,004	45,424
Founders advisory fees - related party	(108,481)	(117,302)	652,990	—
Intangible impairment	40,738	—	—	—
Other operating expense	10	465	92	4,153
Total operating expenses	44,405	12,587	678,068	88,558
Operating income (loss)	94,450	130,065	(680,755)	80,621
Other expense (income):				
Interest expense, net	41,378	42,585	6,352	39,087
(Gain) loss on contingent earn-out	(7,273)	(12,706)	198	2,965
Unrealized foreign currency (gain) loss	(1,655)	3,462	1,006	4,026
Other expense (income), net	417	(503)	(2)	(222)
Total other expense, net	32,867	32,838	7,554	45,856
Income (loss) before income taxes	61,583	97,227	(688,309)	34,765
Income tax benefit (expense)	5,903	(5,469)	6,160	(14,136)
Net income (loss)	67,486	91,758	(682,149)	20,629
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	5,761	(18,336)	(7,135)	236
Total comprehensive income (loss)	\$ 73,247	\$ 73,422	\$ (689,284)	\$ 20,865
Earnings (loss) per share:				
Basic	\$ 0.44	\$ 0.57	\$ (4.34)	\$ 0.39
Diluted	\$ 0.41	\$ 0.52	\$ (4.34)	\$ 0.39
Weighted average number of ordinary shares outstanding:				
Basic	154,666,717	160,937,575	157,158,579	53,045,510
Diluted	166,452,022	175,079,941	157,158,579	53,045,510

*See accompanying notes to consolidated financial statements.*

**PERIMETER SOLUTIONS, SA AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands, except share data)

<b>Successor</b>	<b>Ordinary Shares</b>		<b>Treasury Shares</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Accumulated Deficit</b>	<b>Total Shareholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>				
Balance, November 9, 2021	156,937,410	\$ 156,937	—	\$ —	\$ 1,376,312	\$ —	\$ (56,368)	\$ 1,476,881
Sale of ordinary shares issued to Director Subscribers	200,000	200	—	—	1,800	—	—	2,000
Share-based compensation	—	—	—	—	290,846	—	—	290,846
Ordinary shares issued related to share-based compensation	100,000	100	—	—	1,075	—	—	1,175
Warrants exercised	25	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	(682,149)	(682,149)
Other comprehensive loss	—	—	—	—	—	(7,135)	—	(7,135)
Balance, December 31, 2021	157,237,435	157,237	—	—	1,670,033	(7,135)	(738,517)	1,081,618
Share-based compensation	—	—	—	—	14,649	—	—	14,649
Ordinary shares issued related to founders advisory fees - related party	5,952,992	5,954	—	—	(5,954)	—	—	—
Liability portion of founders advisory fees - related party reclassified to additional paid in capital	—	—	—	—	19,568	—	—	19,568
Warrants exercised	44,115	44	—	—	485	—	—	529
Ordinary shares repurchased	—	—	6,436,736	(49,341)	—	—	—	(49,341)
Cumulative effect of accounting change on adoption of ASU 2016-13	—	—	—	—	—	—	(1,545)	(1,545)
Net income	—	—	—	—	—	—	91,758	91,758
Other comprehensive loss	—	—	—	—	—	(18,336)	—	(18,336)
Balance, December 31, 2022	163,234,542	\$ 163,235	6,436,736	\$ (49,341)	\$ 1,698,781	\$ (25,471)	\$ (648,304)	\$ 1,138,900
Share-based compensation	—	—	—	—	1,596	—	—	1,596
Ordinary shares issued related to founders advisory fees - related party	1,831,653	1,832	—	—	(1,832)	—	—	—
Liability portion of founders advisory fees - related party reclassified to additional paid in capital	—	—	—	—	2,618	—	—	2,618
Ordinary shares repurchased	—	—	12,178,454	(64,066)	—	—	—	(64,066)
Net income	—	—	—	—	—	—	67,486	67,486
Other comprehensive income	—	—	—	—	—	5,761	—	5,761
Balance, December 31, 2023	<u>165,066,195</u>	<u>\$ 165,067</u>	<u>18,615,190</u>	<u>\$ (113,407)</u>	<u>\$ 1,701,163</u>	<u>\$ (19,710)</u>	<u>\$ (580,818)</u>	<u>\$ 1,152,295</u>

*See accompanying notes to consolidated financial statements.*

**PERIMETER SOLUTIONS, SA AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Continued)**  
(in thousands, except share data)

	Common Stock		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
<b>Predecessor</b>								
Balance, December 31, 2020	53,045,510	53,046	—	—	289,344	(3,174)	(47,794)	291,422
Shareholders' capital distributions	—	—	—	—	(60,000)	—	—	(60,000)
Share-based compensation	—	—	—	—	156	—	—	156
Net income	—	—	—	—	—	—	20,629	20,629
Other comprehensive income	—	—	—	—	—	236	—	236
Balance, November 8, 2021	<u>53,045,510</u>	<u>\$ 53,046</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 229,500</u>	<u>\$ (2,938)</u>	<u>\$ (27,165)</u>	<u>\$ 252,443</u>

**PERIMETER SOLUTIONS, SA AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Successor			Predecessor
	Year Ended December 31, 2023	Year Ended December 31, 2022	November 9, 2021 Through December 31, 2021	January 1, 2021 Through November 8, 2021
<b>Cash flows from operating activities:</b>				
Net income (loss)	\$ 67,486	\$ 91,758	\$ (682,149)	\$ 20,629
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Founders advisory fees - related party (change in accounting fair value)	(108,481)	(117,302)	—	—
Depreciation and amortization expense	64,855	65,795	9,379	52,000
Interest and payment-in-kind on preferred shares	6,792	6,537	944	—
Share-based compensation	1,596	14,649	4,821	156
Non-cash lease expense	5,248	5,390	—	—
Share-based compensation - Founders advisory fees - related party (equity settled)	—	—	287,200	—
Deferred income taxes	(25,816)	(17,000)	(2,155)	(11,244)
Intangible impairment	40,738	—	—	—
Amortization of deferred financing costs	1,664	1,602	224	14,592
Amortization of acquisition related inventory step-up	—	24,796	6,125	—
(Gain) loss on contingent earn-out	(7,273)	(12,706)	198	2,965
Unrealized (gain) loss on foreign currency	(1,655)	3,462	1,006	4,026
Loss on disposal of assets	139	9	—	—
Changes in operating assets and liabilities, net of acquisitions:				
Accounts receivable	(14,435)	(6,190)	27,977	(28,872)
Inventories	(2,044)	(61,934)	(13,259)	(10,201)
Prepaid expenses and other current assets	1,014	1,922	(5,230)	(9,426)
Other assets	—	—	54	884
Accounts payable	(15,335)	9,696	8,194	10,108
Deferred revenue	—	(383)	332	(149)
Income taxes payable, net	(3,498)	8,920	(8,985)	18,835
Accrued expenses and other current liabilities	(1,758)	(647)	436	146
Founders advisory fees - related party (cash settled)	(4,655)	(53,547)	365,789	—
Operating lease liabilities	(4,182)	(5,072)	—	—
Finance lease liabilities	(282)	—	—	—
Other liabilities	75	73	3,458	3,542
Net cash provided by (used in) operating activities	193	(40,172)	4,359	67,991
<b>Cash flows from investing activities:</b>				
Acquisition of SK Invictus, net of cash acquired	—	—	(1,209,155)	—
Purchase of property and equipment	(9,435)	(8,613)	(1,468)	(8,282)
Change in short-term investments	(5,459)	—	—	—
Purchase price adjustment under Business Combination Agreement	—	(1,638)	—	—
Purchase of businesses, net of cash acquired	—	—	—	(7,464)
Net cash used in investing activities	(14,894)	(10,251)	(1,210,623)	(15,746)

*See accompanying notes to consolidated financial statements.*

**PERIMETER SOLUTIONS, SA AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
(in thousands)

	Successor			Predecessor
	Year Ended December 31, 2023	Year Ended December 31, 2022	November 9, 2021 Through December 31, 2021	January 1, 2021 Through November 8, 2021
<b>Cash flows from financing activities:</b>				
Ordinary shares repurchased	(64,066)	(49,341)	—	—
Proceeds from exercise of warrants	—	529	—	—
Principal payments on finance lease obligations	(387)	—	—	—
Sale of Ordinary Shares issued to Director Subscribers	—	—	2,000	—
Shareholders' capital distributions	—	—	—	(60,000)
Proceeds from revolving credit facility	—	—	40,000	19,500
Repayments of revolving credit facility	—	—	(40,000)	(19,500)
Repayments of long-term debt	—	—	(696,971)	(4,210)
Payment of debt issue costs	—	—	(2,250)	—
Net cash used in financing activities	(64,453)	(48,812)	(697,221)	(64,210)
Effect of foreign currency on cash and cash equivalents	(320)	431	(738)	435
Net change in cash and cash equivalents	(79,474)	(98,804)	(1,904,223)	(11,530)
Cash and cash equivalents, beginning of period	126,750	225,554	2,129,777	22,478
Cash and cash equivalents, end of period	<u>\$ 47,276</u>	<u>\$ 126,750</u>	<u>\$ 225,554</u>	<u>\$ 10,948</u>
<b>Supplemental disclosures of cash flow information:</b>				
Cash paid for interest	\$ 37,005	\$ 35,488	\$ 174	\$ 24,559
Cash paid for income taxes	\$ 25,960	\$ 13,488	\$ 4,517	\$ 7,092
<b>Non-cash investing and financing activities:</b>				
Liability portion of founders advisory fees - related party reclassified to additional paid in capital	\$ 2,618	\$ 19,568	\$ —	\$ —
Redeemable preferred shares issued as consideration for business combination	\$ —	\$ —	\$ 100,000	\$ —
Management Subscribers rollover contribution	\$ —	\$ —	\$ 11,048	\$ —

*See accompanying notes to consolidated financial statements.*

**PERIMETER SOLUTIONS, SA AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

**1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION**

***Organization and General***

Perimeter Solutions, SA, ("PSSA"), a public company limited by shares (*société anonyme*), was incorporated on June 21, 2021 under the laws of the Grand Duchy of Luxembourg. PSSA is headquartered in the Grand Duchy of Luxembourg with business operations across the globe.

On November 9, 2021 (the "Closing Date"), PSSA consummated the transactions contemplated by the business combination (the "Business Combination") with EverArc Holdings Limited, a company limited by shares incorporated with limited liability in the British Virgin Islands and the former parent company of PSSA ("EverArc"), SK Invictus Holdings, S.à r.l., ("SK Holdings"), SK Invictus Intermediate S.à r.l., ("SK Intermediate"), doing business under the name Perimeter Solutions ("Perimeter" or "Perimeter Solutions") and EverArc (BVI) Merger Sub Limited, a company limited by shares incorporated with limited liability in the British Virgin Islands and a wholly-owned subsidiary of PSSA ("Merger Sub") pursuant to a business combination agreement (the "Business Combination Agreement") dated June 15, 2021. The term the "Company" refers to PSSA and its consolidated subsidiaries, all of which are wholly owned, including SK Intermediate, Perimeter or Perimeter Solutions, after the closing of the Business Combination (the "Closing").

PSSA's ordinary shares, nominal value, \$1.00 per share (the "Ordinary Shares"), are listed on the New York Stock Exchange ("NYSE") and trade under the symbol "PRM" and the warrants associated with the Ordinary Shares (the "Warrants") are listed on the OTC Market Groups Inc. and trade under the symbol "PRMFF."

***Business Operations***

The Company is a global solutions provider for the fire safety and specialty products industries. Approximately 65% of the Company's annual revenues is derived in the United States, approximately 15% in Europe and approximately 14% in Canada with the remaining approximately 6% spread across various other countries. The Company's business is organized and managed in two reporting segments: Fire Safety and Specialty Products.

The Fire Safety business is a formulator and manufacturer of fire management products that help the Company's customers combat various types of fires, including wildland, structural, flammable liquids and other types of fires. The Company's Fire Safety business also offers specialized equipment and services, typically in conjunction with its fire management products to support firefighting operations. The Company's specialized equipment includes air base retardant storage, mixing, and delivery equipment; mobile retardant bases; retardant ground application units; mobile foam equipment; and equipment that it custom designs and manufactures to meet specific customer needs. Significant end markets include primarily government-related entities and are dependent on approvals, qualifications, and permits granted by the respective governments and commercial customers around the world.

The Specialty Products segment produces and sells Phosphorus Pentasulfide ("P<sub>2</sub>S<sub>5</sub>") used in several end markets and applications, including lubricant additives, various agricultural applications, various mining applications, and emerging electric battery technologies. Within the lubricant additive end market, currently the Company's largest end market application, P<sub>2</sub>S<sub>5</sub> is primarily used in the production of a family of compounds called Zinc Dialkyldithiophosphates ("ZDDP"), which is considered an essential component in the formulation of lubricating oils with its main function to provide anti-wear protection to engine components. P<sub>2</sub>S<sub>5</sub> is also used in pesticide and mining chemicals applications.

***Global Economic Environment***

In recent years, the global economy and labor markets have experienced significant inflationary pressures attributable to ongoing economic recovery and supply chain issues, in part due to the impacts of the COVID-19 pandemic and the conflicts in Ukraine and the Middle East. While the Company has limited exposure in regions with active conflict, it continues to monitor and take actions with its customers and suppliers to mitigate the impact of these inflationary pressures in the future. Actions to mitigate inflationary pressures with suppliers include aggregation of purchase requirements to achieve optimal volume benefits, negotiation of cost-reductions and identification of more cost competitive suppliers. While these actions are designed to offset the impact of inflationary pressures, the Company cannot provide assurance that they will be successful in fully offsetting increased costs resulting from inflationary pressure. In addition, interest payments



for borrowings under the Company's revolving credit facility are based on variable rates, and any continued increase in interest rates may reduce the Company's cash flow available for other corporate purposes.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS**

### **Summary of Significant Accounting Policies**

#### ***Basis of Presentation***

In connection with the Business Combination, the Merger (as defined below) was accounted for as a common control transaction, where substantially all of the net assets of PSSA were those previously held by EverArc and were recognized by PSSA at EverArc's carrying value. Upon the acquisition of SK Intermediate, PSSA was determined to be the legal and accounting acquirer (the "Successor") and SK Intermediate was deemed to be the accounting predecessor (the "Predecessor"). The business combination with SK Intermediate was accounted for using the acquisition method of accounting and the Successor financial statements reflect a new basis of accounting based on the fair value of the net assets acquired. As a result of the application of the acquisition method of accounting, the Company's consolidated financial statements and certain presentations are separated into two distinct periods to indicate the different ownership and accounting basis between the periods presented, the period before the consummation of the Business Combination, which includes the period from January 1, 2021 to November 8, 2021 (the "2021 Predecessor Period") and the period on and after the consummation of the Business Combination, from the Closing Date to December 31, 2021 (the "2021 Successor Period").

The accompanying consolidated statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). The consolidated financial statements for the prior periods include certain reclassifications that were made to conform to the current period presentation. Such reclassifications have no impact on previously reported consolidated financial position, results of operations or cash flows.

#### ***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned, after elimination of intercompany transactions and balances.

#### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates made by management in connection with the preparation of the accompanying consolidated financial statements include the fair value of purchase consideration and assets acquired and liabilities assumed in a business combination, the useful lives of long-lived assets, inventory valuations, the allocation of transaction price among various performance obligations, the allowance for doubtful accounts, the fair value of financial assets and liabilities, valuation of goodwill, indefinite life intangible assets, stock options, founder advisory fees, contingent earn-out liability and realizability of deferred tax assets. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash in banks. For purposes of reporting cash and cash equivalents, the Company considers all deposits with an original maturity of three months or less to be cash equivalents.

#### ***Short-term Investments***

Short-term investments represent investments in certificate of deposits with remaining maturities of one year or less, but greater than three months, at the time of acquisition and are stated at carrying value, which approximates estimated fair value. Interest on short-term investments is recorded and is presented as a component of interest expense in the accompanying consolidated statements of operations and comprehensive income (loss).

### ***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are stated at the amounts due from customers for products or services provided. The Company evaluates the collectability of its accounts receivable based on management's estimate for expected credit losses for outstanding accounts receivables. The Company determines expected credit losses based upon a number of factors, including historical experience, the likelihood of payment from its customers, and any other known specific factors associated with its customers. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable and reassess the adequacy of the allowance each reporting period. Account balances are charged-off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company had an allowance for doubtful accounts of \$1.0 million and \$0.9 million as of December 31, 2023 and 2022, respectively.

### ***Inventories***

Inventories are stated at the lower of cost or net realizable value using the weighted-average cost method. The Company evaluates inventories periodically during each reporting period for obsolete, excess, or slow-moving products and will record any adjustment, if necessary, to report these items at an estimated net realizable value. As of December 31, 2023 and 2022, the reserve for inventory obsolescence was insignificant.

### ***Property, Plant and Equipment, Net***

Property, plant and equipment acquired in business combinations are recorded at fair value at the date of acquisition. All other property, plant and equipment are stated at cost less accumulated depreciation. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the consolidated balance sheets and the resulting gain or loss is reflected in the consolidated statements of operations and comprehensive income (loss) in the period realized. Costs of maintenance and repairs are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<b>Years</b>
Buildings	30–40 years
Furniture and fixtures	1–8 Years
Machinery and equipment	1–26 Years
Vehicles	1–8 Years
Leasehold improvements	Shorter of remaining lease term or estimated useful life

### ***Business Combinations***

The Company accounts for its business combinations using the acquisition accounting method, which requires it to determine the fair value of identifiable assets acquired and liabilities assumed, including any contingent consideration, to properly allocate the purchase price to the individual assets acquired and liabilities assumed and record any residual purchase price as goodwill in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 805, Business Combinations. The Company records assets acquired and liabilities assumed at their respective fair value at the date of acquisition. Management uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date. Such estimates are inherently uncertain and may be subject to refinement. If the initial accounting for the business combination has not been completed by the end of the reporting period in which the business combination occurs, provisional amounts are reported to present information about facts and circumstances that existed as of the acquisition date. During the measurement period of up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill, to the extent such information was not available to the Company at the acquisition date to determine such amounts.

Accounting for business combinations requires the Company to make significant estimates and assumptions at the acquisition date, including estimates of the fair value of acquired inventory, property and equipment, identifiable intangible assets, contractual obligations assumed, preacquisition contingencies, where applicable, and equity issued. Significant assumptions relevant to the determination of the fair value of the assets acquired and liabilities assumed include, but are not limited to, future expected cash flows, discount rates, royalty rates, and other assumptions. The approach to valuing an

initial contingent consideration associated with the purchase price also uses similar unobservable factors such as projected revenues and expenses over the term of the contingent earn-out period, discounted for the period over which the initial contingent consideration is measured, and relevant volatility rates. Based upon these assumptions, the initial contingent consideration is then valued using a Monte Carlo simulation.

All acquisition-related costs, other than the costs to issue debt or equity securities, are accounted for as expenses in the period in which they are incurred. Changes in the fair value of contingent consideration arrangements that are not measurement period adjustments are recognized in earnings.

### ***Goodwill***

Goodwill is deemed to have an indefinite life and is subject to at least annual impairment assessments at the reporting unit level or more frequently when events or circumstances occur that indicate that it is more likely than not that an impairment has occurred. The Company conducts an annual impairment test on October 1st each year.

Depending on the facts and circumstances, the impairment test for goodwill can be performed using either a qualitative or quantitative approach. The qualitative approach consists of a weighting of several qualitative factors, including, but not limited to, macroeconomic conditions (including changes in interest rates and discount rates), industry and market considerations, the recent and projected financial performance of the reporting unit, changes in the Company's enterprise market value and other relevant factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. This assessment can require significant judgments, including the estimation of future cash flows and an assessment of market and industry dependent risks. If the assessment of all relevant qualitative factors indicates that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, a quantitative goodwill impairment test is not necessary. If the assessment of all relevant qualitative factors indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company will perform a quantitative goodwill impairment test. The Company has the unconditional option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing a quantitative goodwill impairment assessment.

The quantitative goodwill impairment assessment is conducted by estimating and comparing the fair value of the reporting unit to its carrying value. If the carrying amount of the reporting unit exceeds its fair value, the Company recognizes an impairment loss equal to the amount of the excess, limited to the amount of goodwill assigned to that reporting unit. Application of the impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units and the determination of the fair value of the reporting unit.

The Company's reporting units are either its operating business segments or one level below its operating business segments for which discrete financial information is available and for which operating results are regularly reviewed by the business management. The Company estimates the fair value based on combination of the income and market present value techniques involving future cash flows. Future cash flows for all reporting units include assumptions about revenue growth rates, adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") margins, discount rate as well as other economic or industry-related factors. Significant management judgment is involved in estimating these variables and they include inherent uncertainties since they are forecasting future events. The Company performs a sensitivity analysis by using a range of inputs to confirm the reasonableness of these estimates being used in the goodwill impairment analysis. The Company uses a Weighted Average Cost of Capital ("WACC") approach to determine its discount rate for goodwill recoverability testing. WACC calculation incorporates industry-weighted average returns on debt and equity from a market perspective. The factors in this calculation are largely external to the Company and, therefore, are beyond its control.

During the three months ended September 30, 2023, the Company concluded that a triggering event occurred primarily due to (i) a sustained decrease in the market value of the Company's Ordinary Shares, and (ii) a downward revision in the revenue forecast of the contingent earn-out eligible fire retardant product. As a result, the Company performed an interim quantitative goodwill impairment test as of September 30, 2023 to compare the fair value of the Fire Safety reporting unit and Specialty Products reporting unit to their respective carrying amounts, including the goodwill.

Based on the interim quantitative goodwill impairment test as of September 30, 2023, the fair value of the Company's Fire Safety reporting unit exceeded its carrying value by 5.9% and the fair value of its Specialty Products reporting unit exceeded its carrying value by 15.3%. The Company also reconciled its market capitalization to the aggregated estimated fair value of all reporting units, including consideration of a control premium representing the estimated amount a market

participant would pay to obtain a controlling interest in the Company. The implied control premium resulting from the difference between (i) the Company's market capitalization (based on the average trading price of the Company's Ordinary Shares for the thirty-day period ended September 30, 2023) and (ii) the estimated fair value of all reporting units was within the range of average and mean premiums observed for recent comparable transactions. As a result, no goodwill impairment was recorded.

The Company concluded that the estimated fair value of its Fire Safety and Specialty Products reporting units on October 1, 2023, the date of its annual impairment assessment, was consistent with estimated fair value of its Fire Safety and Specialty Products reporting units as calculated on September 30, 2023, as a result, there was no indication of goodwill impairment on October 1, 2023.

There was no impairment of goodwill during the years ended December 31, 2023 and 2022, 2021 Successor Period and 2021 Predecessor Period.

### ***Intangible Assets***

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives, which vary depending on the type of intangible assets. Costs to maintain and extend intangible assets are expensed as incurred. In determining the estimated useful lives of definite-lived intangibles, the Company considers the nature, competitive position, life cycle position and historical and expected future operating cash flows of each acquired assets, as well as its commitment to support these assets through continued investment and legal infringement protection.

### ***Impairment of Long-Lived Assets***

Long-lived assets include acquired property, plant, and equipment and intangible assets subject to amortization. The Company evaluates the recoverability of long-lived assets for possible impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Such events and changes may include significant changes in performance relative to expected operating results, significant changes in asset use, significant negative industry or economic trends, and changes in the Company's business strategy. The Company determines the recoverability of such assets by comparing an asset's respective carrying value to estimates of the sum of the undiscounted future cash flows expected to result from its asset group. If such review indicates that the carrying amount of long-lived assets is not recoverable, the carrying amount of such assets is reduced to fair value. During the year ended December 31, 2023, the Company determined there was an impairment in a long-lived technology asset. See Note 5, Goodwill and Other Intangible Assets for additional information related to the impairment of long-lived assets. There were no impairments of long-lived assets during the year ended December 31, 2022, 2021 Successor Period or 2021 Predecessor Period.

### ***Revenue Recognition***

The Company follows the guidance in ASC Topic 606, *Revenue from Contracts with Customers*, which requires a company to recognize revenue when the company transfers control of promised goods and services to the customer. Revenue is recognized in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. A company also is required to disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company derives its revenue from contracts with customers, which comprise of following principal activities as described:

- Full-service air base fire retardant includes sales from the supply and service of fire retardant to designated air tanker bases. The Company provides fire retardant product, the related equipment, and service personnel who operate the related equipment at the designated air tanker bases for the period specified in the contract with respect to each designated air tanker base. Product revenues are recognized at the point in time when product is shipped and control is transferred to the customer, typically when the product is consumed by the customer. The component of service revenue is recognized ratably over time as the customer simultaneously receives and consumes the services. The Company has entered into full-service contracts with the U.S. Forest Service ("USFS") and the state of California. These contracts are between Perimeter Solutions and the USFS and/or the state of California for supply and service of long-term fire retardant to the designated air tanker bases of certain Government agencies. The revenue derived from these contracts is comprised of three performance

obligations, namely product sales, providing operations and maintenance personnel services and leasing of specified equipment. The performance obligation for product sales is satisfied at a point in time, while for services and leases it is a “stand-ready obligation” and the revenue is recognized straight-line over the service period. Control of a product is deemed to be transferred to the customer upon shipment or delivery.

- Fire retardant, suppressant, and related equipment includes domestic and international sales of fire retardant and fire suppressant products. Product revenues are recognized at the point in time when control of the product is transferred to the customer which is upon shipment or delivery of the product to the customer, depending on the underlying contract terms.
- Specialty products includes domestic and international sales of oil additive products by the Company entities in the U.S. and Germany. Product revenues are recognized at the point in time when control of the product is transferred to the customer which is upon shipment or delivery of the product to the customer, depending on the underlying contract terms.

The Company uses the policy election to account for the shipping and handling activities as activities to fulfill the Company’s promise to transfer goods to the customer, rather than as a performance obligation. Accordingly, the costs of the shipping and handling activities are accrued for at the time of shipment.

The transaction price of a contract, or the amount the Company expects to receive upon satisfaction of all performance obligations, is determined by reference to the contract’s terms and includes adjustments, if applicable, for any variable consideration, such as sales incentives, wherever these adjustments are material. For full service contracts the transaction price is variable and is based upon gallons of product consumed by the customer during the service period i.e., mobilization period, which typically lasts during May through September. The Company includes the estimated amount of variable consideration in transaction price that it expects to receive to the extent it is probable that a significant revenue reversal will not occur.

Sales and other taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, which are collected by the Company from a customer, are excluded from revenue.

Payment terms vary by contract and sales to customers are deemed collectible at the time of sale based on customer history, prior credit checks, and controls around customer credit limits. The Company does provide for the right to return; however, most of the product is used at the point of purchase and returns are minimal. Therefore, there is no estimated obligation for returns. Standard terms of delivery are generally included in the Company's contracts of sale, order confirmation documents and invoices.

### ***Cost to Obtain Contract***

Incremental costs of obtaining a contract include only those costs that are directly related to the acquisition of contracts, including sales commissions, and that would not have been incurred if the contract had not been obtained. The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it is expected that the economic benefit and amortization period will be longer than one year. Costs to obtain contracts were not material in the periods presented.

### ***Deferred Revenue***

Deferred revenue represents billings under noncancelable contracts before the related product or service is transferred to the customer. The portion of deferred revenue that is anticipated to be recognized as revenue during the succeeding twelve-month period is recorded as deferred revenue and the remaining portion is recorded as deferred revenue, non-current.

The contracts entered by the Company have duration of one year or more. Any billings made to the customer during the financial year for which the related product or service is yet to be delivered on the cutoff date, i.e., December 31, is recognized as deferred revenue. There was no deferred revenue as of December 31, 2023 and 2022.

For full-service fire-retardant contracts, the Company identifies the fire-retardant product and the services as separate units of account. Substantially all performance obligations are satisfied by the end of the annual financial reporting period and the allocation of transaction price to each performance obligation does not have an impact on the recognition and

measurement of revenues for the annual reporting period. There were no contract assets, contract obligations, or material rights as of December 31, 2023 and 2022.

### ***Deferred Financing Fees***

#### ***Successor***

As of December 31, 2023 and 2022, unamortized debt issue costs of \$8.5 million and \$9.7 million, respectively, for the Company's senior notes were carried as a contra liability and are amortized over the term of the related debt using the effective interest method. As of December 31, 2023 and 2022, unamortized deferred financing costs of \$1.3 million and \$1.7 million, respectively, for the Company's five-year revolving credit facility (the "Revolving Credit Facility") were carried as a long-term asset and were amortized on a straight-line basis into interest expense over the term of the Revolving Credit Facility. Amortization of deferred financing fees was \$1.2 million, \$1.2 million and \$0.2 million for senior notes and \$0.5 million, \$0.5 million and \$0.1 million for the Revolving Credit Facility during the years ended December 31, 2023 and 2022, and 2021 Successor Period, respectively, and is presented as a component of interest expense in the consolidated statements of operations and comprehensive income (loss).

#### ***Predecessor***

In connection with the Business Combination, on the Closing Date, the unamortized original issue discount and debt issuance costs of \$11.0 million on term loans and unamortized deferred financing costs of \$0.8 million on revolving line of credit were written off to interest expense upon extinguishment of the related debt. Amortization of deferred financing fees for the 2021 Predecessor Period for the term loans and revolving line of credit was \$14.6 million, and is presented as a component of interest expense in the consolidated statements of operations and comprehensive income (loss).

### ***Income Taxes***

Income taxes are accounted for under the asset-and-liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities, as well as loss and tax credit carryforwards and their respective tax bases measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is established if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company considers all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income in assessing the need for a valuation allowance.

Deferred tax assets and deferred tax liabilities are presented as non-current in a classified balance sheet.

The Company's tax positions are subject to income tax audits by multiple tax jurisdictions throughout the world. The Company recognizes the tax benefit of an uncertain tax position only if it is more likely than not the position will be sustainable upon examination by the taxing authority, including resolution of any related appeals or litigation processes. This evaluation is based on all available evidence and assumes that the tax authorities have full knowledge of all relevant information concerning the tax position. The tax benefit recognized is measured as the largest amount of benefit which is more likely than not (greater than 50% likely) to be realized upon ultimate settlement with the taxing authority. The Company recognizes interest accrued and penalties related to unrecognized tax benefits in income tax expense (benefit). The Company makes adjustments to these reserves in accordance with the income tax guidance when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different from the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on the Company's financial condition and operating results.

### ***Leases***

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), which requires lessees to recognize a right of use ("ROU") asset and a lease liability on their balance sheet for all leases, including

operating leases, with a term of greater than 12 months. The Company adopted this standard as of January 1, 2022 at December 31, 2022, which resulted in an increase of \$18.7 million in ROU assets and \$18.4 million in lease liabilities as of January 1, 2022, for certain commitments primarily related to manufacturing facilities, real estate, vehicles, and field equipment. Prior reporting periods are presented in accordance with historical accounting treatment under ASC Topic 840, Leases (“ASC 840”).

In adopting Topic 842, the Company has elected to adopt the optional “Comparatives Under ASC 840” approach which requires an adoption date of January 1, 2022 and does not require dual period reporting. The Company elected the ‘package of practical expedients’, which permit it not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Company also elected to apply the short-term lease exception for lease arrangements with a lease term of 12 months or less at commencement. The Company has lease agreements with lease and non-lease components, which are generally accounted for as a single lease component. Lease terms used to compute the present value of lease payments do not include any option to extend, renew, or terminate the lease that the Company is not reasonably certain to exercise upon the lease inception. Accordingly, lease ROU assets and liabilities do not include leases with an initial lease term of 12 months or less.

The Company leases certain manufacturing facilities, real estate, vehicles, and field equipment. Such leases, some of which are noncancellable and, in many cases, include renewals, expire at various dates. Such options to renew are included in the lease term when it is reasonably certain that the option will be exercised. The Company’s lease agreements typically do not contain any significant residual value guarantees or restrictive covenants, and payments within certain lease agreements are adjusted periodically for changes in an index or rate. The Company does not currently sublease any of its ROU assets.

The Company determines if an arrangement is an operating lease or a finance lease at inception. For both types of leases ROU assets and lease liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Operating lease expenses are recognized on a straight-line basis over the lease term. Variable lease payments, which cannot be determined at the lease commencement date, are not included in ROU assets or lease liabilities and are expensed as incurred. Finance lease ROU assets are amortized over the estimated useful life of the underlying asset with expenses presented in cost of goods sold in the accompanying consolidated statements of operations and comprehensive income (loss). Finance lease liabilities are subsequently remeasured by increasing the liability to reflect interest accrued during the period and decreasing the liability to reflect payments made during the period. Interest expense incurred on finance leases is included in interest expense in the accompanying consolidated statements of operations and comprehensive income (loss).

Cash paid for operating leases and interest paid for finance leases are included in the consolidated statement of cash flows as operating activities and cash paid for finance lease principal is included in the financing activities section of the consolidated statements of cash flows.

As most leases do not have readily determinable implicit rates, the Company estimated the incremental borrowing rates for its future lease payments based on prevailing financial market conditions at the later of date of adoption or lease commencement, credit analysis of comparable companies and management judgments to determine the present values of its lease payments. The Company also applied the portfolio approach to account for leases with similar terms.

### ***Contingencies***

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. When a single amount cannot be reasonably estimated but the cost can be estimated within a range, the Company accrues the minimum amount. Legal costs incurred in connection with loss contingencies are expensed as incurred.

### ***Foreign Currencies***

The functional and reporting currencies for all Luxembourg entities are in U.S. dollars. The functional currency for the Company’s remaining non-U.S. subsidiaries is the local currency. The assets and liabilities of foreign subsidiaries are

translated into U.S. dollars using the exchange rate in effect as of the balance sheet date except for non-monetary assets and liabilities, which are measured at historical exchange rates and revenues and expenses are translated at the average exchange rates for each respective reporting period. Adjustments resulting from translating local currency financial statements into U.S. dollars are reflected in accumulated other comprehensive loss in shareholders' equity. The Company does not recognize deferred taxes on translation adjustments from its investments in foreign subsidiaries that are essentially permanent in duration.

Transactions denominated in currencies other than the functional currency are remeasured based on the exchange rates at the time of the transaction. Foreign currency gains and losses arising primarily from changes in exchange rates on foreign currency denominated intercompany loans and other intercompany transactions and balances between foreign locations are recorded in the consolidated statements of operations and comprehensive income (loss). Realized and unrealized gains (losses) resulting from transactions conducted in foreign currencies for the years ended December 31, 2023 and 2022, 2021 Successor Period and 2021 Predecessor Period were \$1.4 million, \$(4.0) million, \$(1.0) million and \$(4.1) million, respectively.

## ***Share-Based Compensation***

### ***Performance stock options - Successor***

The performance-based non-qualified stock options ("PBNQSO") granted to employees and non-employees are subject to performance conditions such that the number of awards that ultimately vest depends on the calculation of annual operational performance per diluted share ("AOP") during the performance period compared to targets established at the award date. Because the terms of the PBNQSO granted through December 31, 2022 ("Prior Option Grants") provided discretion to the compensation committee to make certain adjustments to the performance calculation, the service inception date of these awards preceded the grant date. Accordingly, the Company recognized compensation expense beginning on the service inception date and remeasured the fair value of the awards until a grant date was established. The estimate of the awards' fair values will be fixed in the period in which the grant date occurs, and cumulative compensation expense will be adjusted based on the fair values calculated using the Black-Scholes option-pricing model at the grant date. The fair value for PBNQSO for which a grant date has not been established was estimated on the last date of the reporting period using the Black-Scholes option-pricing model.

On February 14, 2023 and to be effective prospectively, the compensation committee approved the elimination of "Unusual or Nonrecurring Transactions or Events" provision in the PBNQSO agreement whereby it could make certain adjustments to operational performance criteria "for unusual or nonrecurring transactions or events affecting the Company or the financial statements of the Company." This provision had precluded the establishment of a grant date on the date when PBNQSO were awarded in accordance with the technical requirements under ASC Topic 718, "Compensation—Stock Compensation". Further, on May 8, 2023 ("Options Modification Date"), to better account for seasonal fluctuations of the business, and to better align stock option performance with shareholder return, the compensation committee approved modification of certain terms in PBNQSO agreement for all PBNQSO granted through May 8, 2023. One modification eliminated the "Unusual or Nonrecurring Transactions or Events" provision. As of May 8, 2023, it was determined that a mutual understanding of the key terms and conditions of the PBNQSO has been ascertained and the grant date was therefore established for the Prior Option Grants.

For stock options granted from February 14, 2023 through May 7, 2023 ("Pre Modification 2023 Option Grants"), the Company recognized compensation costs related to PBNQSO granted to employees and non-employees based on the estimated fair value of the awards on the date of grant using the Black-Scholes option-pricing model. On the Options Modification Date, the Company performed a final fair value remeasurement under the original terms of Prior Option Grants and Pre Modification Option Grants using the Hull-White model and determined there was no incremental share-based compensation expense. For Prior Option Grants and the stock options granted on or after May 8, 2023 ("Post Modification 2023 Option Grants") the Company recognizes compensation costs related to PBNQSO granted to employees and non-employees based on the estimated fair value of the awards on the date of grant using the Hull-White model as this model considers the future movement in Ordinary Share price and option holders' behavior with respect to option exercises.

The assumptions used in the Black-Scholes option-pricing model are as follows:

- *Exercise price.* The Company's ordinary share's fair market value on the date of grant.



- *Fair Market Value of Ordinary Shares.* Subsequent to the Business Combination, the period end fair market value is the quoted market price of the Company's Ordinary Shares. For Pre Modification 2023 Option Grants, the fair market value is the quoted market price of the Company's Ordinary Shares on the date of grant.
- *Expected term.* The expected term of stock options represents the period that the stock options are expected to remain outstanding and is based on vesting terms, exercise term and contractual lives of the options. The expected term is based on the simplified method and is estimated as the average of the weighted average vesting term and the time to expiration as of the period end date. The simplified method was used due to the lack of historical exercise information.
- *Expected volatility.* As the Company does not have sufficient historical stock price information to meet the expected life of the stock option grants, it uses a blended volatility, based on Company's short trading history and on the trading history from the common stock of a set of comparable publicly listed companies.
- *Risk-free interest rate.* The risk-free interest rate is based on the U.S. Treasury yield with a maturity equal to the expected term of the stock options in effect at the time of grant.
- *Dividend yield.* The expected dividend is assumed to be zero as the Company has never paid dividends and has no current plan to pay any dividends on its Ordinary Shares.

The Hull-White model requires the Company to make assumptions and judgments about the variables used in the calculation, including the sub-optimal exercise factor, drift rate, the blended volatility based on the Company's short trading history of its Ordinary Shares and on the trading history from the common stock of a set of comparable publicly listed companies, risk-free interest rate, and expected dividends. Changes in assumptions made on the risk-free interest rate and expected volatility can materially impact the estimate of fair value and ultimately how much share-based compensation expense is recognized.

The Company records forfeitures as they are incurred. The fair value of PBNQSO is expensed proportionately for each tranche over the applicable service period in which the performance conditions are deemed probable of achievement.

#### ***Restricted stock units - Successor***

Restricted stock units are valued using the market price of the Company's Ordinary Shares on the grant date. The grant date fair value of the restricted stock units is expensed on a straight-line basis over the applicable vesting period.

#### ***Founder Advisory Fees - Successor***

An advisory agreement was entered into on December 12, 2019 by EverArc ("Founder Advisory Agreement") with EverArc Founders, LLC, a Delaware limited liability company ("EverArc Founder Entity"). Upon consummation of the Business Combination, the Company assumed the Founder Advisory Agreement. The EverArc Founder Entity, for the services provided to the Company, including strategic and capital allocation advice, will be entitled to receive both a fixed amount (the "Fixed Annual Advisory Amount") and a variable amount (the "Variable Annual Advisory Amount," each an "Advisory Amount" and collectively, the "Advisory Amounts") until the years ending December 31, 2027 and 2031, respectively. Under the Founder Advisory Agreement, at the election of the EverArc Founder Entity, at least 50% of the Advisory Amounts will be paid in Ordinary Shares and remainder in cash. The Advisory Amounts to be paid in Ordinary Shares is recorded within shareholders' equity at grant date fair value and the Advisory Amounts to be paid in cash is recorded as a liability in the accompanying consolidated balance sheets. For the Advisory Amounts classified as liabilities, the Company will remeasure the fair value at each reporting date. The Fixed Annual Advisory Amount will be equal to 2,357,061 Ordinary Shares (1.5% of 157,137,410 Ordinary Shares outstanding as of November 9, 2021) for each year through December 31, 2027 and valued using the period end volume weighted average closing share price for ten consecutive trading days of Ordinary Shares. The Variable Annual Advisory Amount for each year through December 31, 2031 is based on the appreciation of the market price of Ordinary Shares if such market price exceeds certain trading price minimums at the end of each reporting period and is valued using a Monte Carlo simulation model.

#### ***Incentive Units - Predecessor***

The fair value of each incentive unit was estimated at the grant date using the Black-Scholes option-pricing model with the following assumptions. Volatility was based on average historical volatilities for public companies in similar industries over the expected term of the incentive unit. The expected term of incentive units represents the period of time that

incentive units granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the incentive unit was based on the U.S. Treasury yield curve in effect at the time of grant. The valuation methodology included estimates and assumptions that required SK Intermediate's judgment. Significant inputs used to determine estimated fair value of the incentive units include the equity value of SK Intermediate and expected timing of a liquidity event or other outcomes.

### ***Fair Value Measurements***

The Company determines the fair value of financial and non-financial assets and liabilities using the fair value hierarchy, which establishes three levels of inputs that may be used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

### ***Concentration of Credit Risk and Significant Customers***

Financial instruments that potentially subject the Company to credit risk primarily consist of cash and cash equivalents, and accounts receivable.

At December 31, 2023, the Company had \$47.3 million of cash and cash equivalents. The Company's cash and cash equivalents are maintained with various financial institutions and the deposits with these institutions may exceed the amount of insurance provided on such deposits. However, the Company regularly monitors the financial stability of its financial institutions and believes that the Company is not exposed to any significant default risk.

For accounts receivable, the Company is exposed to credit risk in the event of nonpayment by customers to the extent of the amounts recorded on the consolidated balance sheets. Two of the Company's customers represent 13% and 12%, respectively, of the total accounts receivable balance as of December 31, 2023 and three customers represent 18%, 16%, and 10%, respectively, of the total accounts receivable balance as of December 31, 2022.

The Company's has one customer in the Fire Safety segment that accounted for 22% of total net sales during the year ended December 31, 2023. The Company's two largest customers, one in the Fire Safety Segment and one in the Specialty Products segment, accounted for 27% and 12%, respectively, of total net sales during the year ended December 31, 2022. No other customer accounted for 10% or greater of total net sales during the years ended December 31, 2023 and 2022.

### ***Earnings (Loss) Per Share of Ordinary Shares***

The Company's basic earnings per share ("EPS") is computed based on the weighted average number of Ordinary Shares outstanding for the period. Diluted EPS includes the effect of the Company's outstanding performance-based stock options, warrants and founders advisory fees for Ordinary Shares if the inclusion of these items is dilutive. The treasury stock method is used in determining the number of Ordinary Shares assumed to be issued from the exercise of ordinary share equivalents.

### ***Recently Issued and Adopted Accounting Standards***

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires public entities, on an annual basis, to disclose disaggregated information about a reporting entity's effective tax rate reconciliation, using both percentages and reporting currency amounts for specific standardized categories, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently assessing the potential effects of this standard.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This ASU requires disclosure of incremental segment information, primarily through enhanced disclosures about significant segment expenses categories and amounts for each reportable segment on an annual and interim basis. This guidance is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The Company is currently assessing the potential effects of the standard.

In October 2023, the FASB issued ASU 2023-06, "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative," to amend certain disclosure and presentation requirements

for a variety of topics within the ASC. These amendments align the requirements in the ASC to the removal of certain disclosure requirements set out in Regulation S-X and Regulation S-K, announced by the SEC. The effective date for each amended topic in the ASC is either the date on which the SEC's removal of the related disclosure requirement from Regulation S-X or Regulation S-K becomes effective, or on June 30, 2027, if the SEC has not removed the requirements by that date. Early adoption is prohibited. The Company does not expect that the application of this standard will have an impact on its consolidated financial statements and disclosures.

In July 2023, the FASB issued ASU No. 2023-03 to amend various SEC paragraphs in the ASC to primarily reflect the issuance of SEC Staff Accounting Bulletin No. 120. ASU No. 2023-03, "Presentation of Financial Statements (Topic 205), Income Statement - Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation - Stock Compensation (Topic 718): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120 ("SAB 120"), SEC Staff Announcement at the March 24, 2022 Emerging Issues Task Force Meeting ("EITF") Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280 - General Revision of Regulation S-X: Income or Loss Applicable to Common Stock." ASU 2023-03 amends the ASC for SEC updates pursuant to SEC Staff Accounting Bulletin No. 120; SEC Staff Announcement at the March 24, 2022 EITF Meeting; and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280 - General Revision of Regulation S-X: Income or Loss Applicable to Common Stock. SAB 120 provides guidance on the measurement and disclosure of share-based awards shortly before announcing material nonpublic information. These updates were immediately effective and did not have any impact on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, and in January 2021 issued ASU No. 2021-01, Reference Rate Reform (Topic 848): Scope. These ASUs provided temporary optional expedients and exceptions to existing guidance on contract modifications and hedge accounting to facilitate the market transition from existing reference rates, such as London Interbank Offered Rate ("LIBOR") which is being phased out, to alternate reference rates, such as Secured Overnight Financing Rate ("SOFR"). These standards are elective and are effective upon issuance for all entities through December 31, 2022. In December 2022, the FASB issued ASU No. 2022-06, which deferred the sunset date of reference rate reform relief to December 31, 2024. The switch in the reference rates from LIBOR to SOFR, under the Company's Revolving Credit Facility (defined below), occurred as of June 30, 2023. The Company did not have any outstanding borrowings under the Revolving Credit Facility, accordingly, the switch in the reference rates from LIBOR to SOFR did not have a material impact on the Company's consolidated financial statements.

### 3. BUSINESS ACQUISITIONS

#### Successor

##### *Business Combination – Perimeter Solutions*

Pursuant to the Business Combination Agreement, each of the following transactions occurred, in the following order:

- On November 8, 2021:
  - the Merger Sub merged with and into EverArc, with EverArc surviving such merger as a direct wholly-owned subsidiary of PSSA (the "Merger"). 40,832,600 EverArc Ordinary Shares (the "EverArc Ordinary Shares") outstanding immediately prior to the Merger were exchanged for an equal number of Ordinary Shares
  - pursuant to separate subscription agreements entered into among EverArc, SK Holdings, PSSA and other investors, including investors affiliated with SK Holdings purchased an aggregate of 115,000,000 EverArc Ordinary Shares at \$10.00 per share (collectively, the "PIPE Subscribers") that were converted into Ordinary Shares pursuant to the Merger; and
  - 34,020,000 outstanding EverArc Warrants (the "EverArc Warrants") were converted into the right to purchase Ordinary Shares with each whole EverArc Warrant entitling the holder thereof to purchase Warrants valued at one-fourth of one Ordinary Share at an exercise price of \$12.00 per whole Ordinary Share; and

- On November 9, 2021:
  - SK Holdings (i) along with officers and certain key employees of SK Intermediate contributed a portion of their ordinary shares in SK Intermediate to PSSA in exchange for 10 million Redeemable Preferred Shares of PSSA ("Redeemable Preferred Shares"), nominal value of \$10.00 per share, valued at \$100.0 million and (ii) sold its remaining ordinary shares in SK Intermediate for approximately \$1,900.0 million in cash subject to certain customary adjustments for working capital, transaction expenses, cash and indebtedness;
  - Ordinary Shares, nominal value, \$1.00 per share, listed and began trading on the NYSE under the symbol "PRM"; and
  - members of management of SK Intermediate (collectively, the "Management Subscribers") were granted an aggregate of 1,104,810 Ordinary Shares at \$10.00 per share as consideration and two of the Company's directors (the "Director Subscribers") purchased an aggregate of 200,000 Ordinary Shares at \$10.00 per share.
  - \$675.0 million principal amount of 5.00% senior secured notes due October 30, 2029 ("Senior Notes") issued by EverArc Escrow S.à r.l. ("Escrow Issuer") was assumed by SK Invictus Intermediate II S.à r.l., a wholly-owned subsidiary of PSSA ("SK Intermediate II.")

The cash consideration for the Business Combination was funded through cash on hand, proceeds from the sale of the Ordinary Shares, proceeds from the issuance of Senior Notes and borrowing under the revolving credit facility. The cash balance on the Closing Date consisted of the following (in thousands):

	<u>Amount</u>
Capital contribution from EverArc	\$ 315,807
Proceeds from PIPE Subscribers	1,150,000
Senior Notes, net of issue costs	<u>663,970</u>
Total	<u><u>\$ 2,129,777</u></u>

The Merger between PSSA and EverArc was accounted for as a common control transaction, whereby all of the net assets of PSSA were those previously held by EverArc at historical cost, with no goodwill or other intangible assets recorded. The acquisition of SK Intermediate was accounted for under the acquisition method. The acquisition method of accounting is based on Topic 805, and uses the fair value concepts defined in FASB ASC 820, Fair Value Measurements. Topic 805 requires, among other things, that the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date including an amount for goodwill calculated as the difference between the acquisition consideration and the fair value of the identifiable net assets. The purchase price was allocated to tangible and identifiable intangible assets acquired and liabilities assumed.

The total purchase price consideration and its final allocation for SK Intermediate was as follows (in thousands):

	<u>At November 9, 2021</u>
<b>Purchase Consideration:</b>	
Cash consideration	\$ 1,220,103
Management Subscribers rollover contribution	11,048
Redeemable Preferred Shares	100,000
Fair value of total consideration transferred	<u>\$ 1,331,151</u>
<b>Estimated Fair Value of Identifiable Assets Acquired and Liabilities Assumed:</b>	
Property, plant and equipment	\$ 62,689
Inventory	100,246
Tradenames	101,000
Customer lists	761,000
Existing technology and patents	250,000
Working capital	27,379
Other assets (liabilities), net	(832)
LaderaTech contingent earn-out	(19,781)
Long-term debt	(696,971)
Deferred tax liabilities	(299,474)
Total fair value of net assets acquired	<u>285,256</u>
Goodwill <sup>(1)</sup>	<u>1,045,895</u>
Total	<u>\$ 1,331,151</u>

- (1) Of the total goodwill amount herein, \$871.4 million has been allocated to Fire Safety segment and \$174.5 million has been allocated to Specialty Products segment.

In accordance with the acquisition method of accounting, the purchase price for the SK Intermediate acquisition has been allocated to the assets acquired and liabilities assumed based on their estimated fair values on the acquisition date. The fair value estimates were based on, but not limited to quoted market prices, where available; expected future cash flows based on estimated growth in sales for the Company's products; estimated costs to develop, procure, produce and deliver its products; current replacement cost for similar capacity for certain fixed assets; market rate assumptions for contractual obligations and appropriate discount rates and growth rates. The excess of the total consideration over the estimated fair value of the amounts initially assigned to the identifiable assets acquired and liabilities assumed has been recorded as goodwill. The goodwill is primarily related to extensive industry expertise and continuing innovation at SK Intermediate, resulting in sales growth from future products and service offerings as well as new customers, together with certain intangible assets that do not qualify for separate recognition. Goodwill recorded in connection with the acquisition is not deductible for income tax purposes.

Pursuant to the Business Combination Agreement, EverArc entered into an escrow agreement with SK Holdings and Wilmington Trust, N.A., a national banking association, as escrow agent, which provided that approximately \$7.6 million of the cash consideration payable pursuant to the Business Combination Agreement be held in escrow pending a determination of the post-closing purchase price adjustments under the Business Combination Agreement.

During 2022, the post-closing purchase price adjustments under the Business Combination Agreement were finalized. Approximately \$7.6 million held in escrow was released and an additional \$2.4 million related to the difference in estimated and actual working capital as of the Closing Date was recognized with \$1.6 million paid to SK Holdings and \$0.8 million of uncollectable accounts and notes receivable were written-off.

Transaction costs associated with the Business Combination were \$59.5 million. Of this amount, \$56.4 million was incurred by EverArc through the Closing Date and is included in accumulated deficit as of November 9, 2021 in the accompanying consolidated statement of shareholders' equity and the remaining \$3.1 million was reflected in the 2021 Predecessor Period in other operating expense in the accompanying consolidated statements of operations and comprehensive income (loss). The Company also incurred a total of \$13.3 million of debt issuance costs in connection with

the consummation of the Business Combination related to the establishment of the Revolving Credit Facility and the issuance of the Senior Notes.

## **Predecessor**

### ***Magnum Asset Acquisition***

On July 1, 2021, the Company used cash provided by operations to purchase all of the assets of Magnum Fire & Safety Systems ("Magnum"). The asset purchase agreement provided for approximately \$1.2 million in cash to be paid at closing. The Magnum acquisition expands the Company's access to new markets and is expected to result in additional revenue in firefighting foam equipment and systems within the Fire Safety segment. The Company has performed a purchase price allocation, where the Company allocated \$1.2 million to goodwill in the predecessor entity. Individual assets and liabilities included within the balance sheet were not material.

### ***PC Australasia Asset Acquisition***

On April 1, 2021, the Company used the cash provided by operations to purchase all of the wildfire retardant and foam assets of PC Australasia Pty Ltd ("PC Australasia"). The asset purchase agreement provided for approximately \$2.7 million in cash to be paid at closing. The PC Australasia acquisition provides the Company direct access to existing markets within the Fire Safety segment. The Company has performed a purchase price allocation, where the Company allocated \$1.0 million to goodwill in the predecessor entity. Other amounts allocated to the individual assets and liabilities included within the balance sheet were not material.

### ***Budenheim Asset Acquisition***

On March 2, 2021, the Company used the cash provided by operations to purchase all of the wildfire retardant and foam assets of Budenheim Iberica, S.L.U. ("Budenheim"). The asset purchase agreement provided for approximately \$3.6 million in cash to be paid at closing. The Budenheim acquisition expanded the Company's access to new markets and is expected to result in additional revenue within the Fire Safety segment. The Company has performed a purchase price allocation, where the Company allocated \$3.2 million to goodwill in the predecessor entity. Other amounts allocated to the individual assets and liabilities included within the balance sheet were not material.

For segment reporting purposes, the results of operations and assets from the above acquisitions have been included in the Company's Fire Safety segment since the respective acquisition dates. For the 2021 Successor Period and 2021 Predecessor Period, sales, earnings related to the operations consisting of the assets and liabilities and direct costs related to Magnum, PC Australasia and Budenheim were not material. Pro forma financial information has not been presented for these acquisitions as the net effects were neither significant nor material to the Company's results of operations or financial position.

#### 4. BALANCE SHEET COMPONENTS

Details of certain balance sheet items are presented below (in thousands):

	December 31, 2023	December 31, 2022
<b>Inventory:</b>		
Raw materials and manufacturing supplies	\$ 77,657	\$ 65,968
Work in process	224	248
Finished goods	67,771	76,745
Total inventory	<u>\$ 145,652</u>	<u>\$ 142,961</u>
<b>Prepaid Expenses and Other Current Assets:</b>		
Advance to vendors	\$ 3,197	\$ 2,047
Prepaid insurance	5,567	5,870
Prepaid value-added taxes	897	2,872
Short-term investments	5,519	—
Income tax receivable	1,714	214
Other	1,599	1,162
Total prepaid expenses and other current assets	<u>\$ 18,493</u>	<u>\$ 12,165</u>
<b>Property, Plant and Equipment:</b>		
Buildings	\$ 3,986	\$ 3,948
Leasehold improvements	2,743	2,333
Furniture and fixtures	516	344
Machinery and equipment	63,202	58,314
Vehicles	4,114	4,106
Construction in progress	4,695	1,953
Total property, plant and equipment, gross	79,256	70,998
Less: Accumulated depreciation	(19,854)	(12,152)
Total property, plant and equipment, net	<u>\$ 59,402</u>	<u>\$ 58,846</u>
<b>Accrued Expenses and Other Current Liabilities:</b>		
Accrued bonus	\$ 3,483	\$ 3,278
Accrued salaries	2,336	2,332
Accrued employee benefits	1,185	846
Accrued interest	8,342	8,235
Accrued purchases	2,072	1,790
Accrued taxes	7,100	11,000
Operating lease liabilities	2,146	3,541
Finance lease liabilities	600	—
Other	3,446	1,683
Total accrued expenses and other current liabilities	<u>\$ 30,710</u>	<u>\$ 32,705</u>
<b>Other Non-Current Liabilities:</b>		
LaderaTech contingent earn-out	\$ —	\$ 7,273
Other	2,193	2,049
Total other non-current liabilities	<u>\$ 2,193</u>	<u>\$ 9,322</u>

Depreciation expense related to property, plant and equipment for the years ended December 31, 2023 and 2022, 2021 Successor Period and 2021 Predecessor Period was \$9.8 million, \$10.7 million, \$1.4 million, and \$6.6 million,

respectively, substantially all of which was presented in cost of goods sold in the accompanying consolidated statements of operations and comprehensive income (loss).

## 5. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill by reportable segment are as follows (in thousands):

	Fire Safety	Specialty Products	Total
Balance, December 31, 2021	\$ 867,807	\$ 173,518	\$ 1,041,325
Purchase price adjustment under Business Combination Agreement	2,356	—	2,356
Foreign currency translation	(9,844)	(2,377)	(12,221)
Balance, December 31, 2022	\$ 860,319	\$ 171,141	\$ 1,031,460
Foreign currency translation	3,570	1,249	4,819
Balance, December 31, 2023	<u>\$ 863,889</u>	<u>\$ 172,390</u>	<u>\$ 1,036,279</u>

Intangible assets and related accumulated amortization as of December 31, 2023 and 2022 are as follows (in thousands):

	December 31, 2023					
	Estimated Useful Life (in years)	Gross Value	Impairment	Foreign Currency Translation	Accumulated Amortization	Net Book Value
<b>Definite Lived Intangible Assets:</b>						
Customer lists	20	\$ 761,000	\$ —	\$ (5,294)	\$ (80,920)	\$ 674,786
Technology and patents	20	250,000	(40,738)	(2,096)	(26,513)	180,653
Tradenames	20	101,000	—	(691)	(10,741)	89,568
Balance, December 31, 2023		\$ 1,112,000	\$ (40,738)	\$ (8,081)	\$ (118,174)	\$ 945,007

During the year ended December 31, 2023, due to a downward revision in the revenue forecast related to a contingent earn-out eligible fire retardant product acquired by the Company in May 2020 during the purchase of LaderaTech, Inc. (“LaderaTech”), the Company determined that the \$40.7 million in carrying value of the technology underlying the contingent earn-out eligible fire retardant product is no longer recoverable. As a result, during the year ended December 31, 2023 the Company recorded an impairment of \$40.7 million in the accompanying condensed consolidated statements of operations and comprehensive income (loss).

December 31, 2022					
	Estimated Useful Life (in years)	Gross Value	Foreign Currency Translation	Accumulated Amortization	Net Book Value
<b>Definite Lived Intangible Assets:</b>					
Customer lists	20	\$ 761,000	\$ (7,451)	\$ (43,220)	\$ 710,329
Technology and patents	20	250,000	(3,029)	(14,153)	232,818
Tradenames	20	101,000	(970)	(5,737)	94,293
Balance, December 31, 2022		<u>\$ 1,112,000</u>	<u>\$ (11,450)</u>	<u>\$ (63,110)</u>	<u>\$ 1,037,440</u>

Amortization expense for definite-lived intangible assets for the years ended December 31, 2023 and 2022, 2021 Successor Period and 2021 Predecessor Period was \$55.1 million, \$55.1 million, \$8.0 million and \$45.4 million, respectively.



Estimated annual amortization expense of intangible assets for the five years subsequent to December 31, 2023 and thereafter is as follows (in thousands):

<b>Years Ending December 31:</b>	<b>Amount</b>
2024	\$ 53,350
2025	53,350
2026	53,350
2027	53,350
2028	53,350
Thereafter	678,257
Total	<u>\$ 945,007</u>

## 6. LEASES

The following table presents assets and liabilities for leases as of December 31, 2023 and 2022 (in thousands):

	<b>2023</b>	<b>2022</b>
<b><u>Assets</u></b>		
Operating lease right-of-use assets	\$ 16,339	\$ 18,582
Finance lease right-of-use assets	6,064	—
Total lease assets	<u>\$ 22,403</u>	<u>\$ 18,582</u>
<b><u>Liabilities</u></b>		
Operating lease liabilities:		
Current (included in accrued expenses and other current liabilities)	\$ 2,146	\$ 3,541
Non-current	14,908	15,484
Total operating lease liabilities	<u>17,054</u>	<u>19,025</u>
Finance lease liabilities:		
Current (included in accrued expenses and other current liabilities)	600	—
Non-current	5,547	—
Total finance lease liabilities	<u>6,147</u>	<u>—</u>
Total lease liabilities	<u>\$ 23,201</u>	<u>\$ 19,025</u>

Lease cost for the years ended December 31, 2023 and 2022 are as follows (in thousands):

	2023	2022
Operating lease cost <sup>(1)</sup>	\$ 4,396	\$ 5,390
Finance lease cost:		
Amortization of right-of-use assets	562	—
Interest on lease liabilities	290	—
Total lease cost	<u>\$ 5,248</u>	<u>\$ 5,390</u>
Reported in:		
Cost of goods sold	\$ 4,777	\$ 4,897
Selling, general and administrative expense	471	493
Total lease cost	<u>\$ 5,248</u>	<u>\$ 5,390</u>

(1) Operating lease cost does not include short-term leases or variable costs, all of which are immaterial.

As of December 31, 2023 the weighted-average remaining lease term of operating and finance leases were approximately 8.3 years and 7.6 years, respectively, and the weighted-average discount rates applied were 6.7% and 7.8%, respectively.

Rent expense for operating leases for the 2021 Successor Period and 2021 Predecessor Period was \$0.5 million and \$2.9 million, respectively, of which \$0.5 million and \$2.5 million, respectively, was presented in cost of goods sold and \$0.0 million and \$0.4 million, respectively, was presented in selling, general, and administrative in the consolidated statements of operations and comprehensive income (loss).

Supplemental cash flow information related to leases for the years ended December 31, 2023 and 2022 are as follows (in thousands):

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 4,182	\$ 5,072
Operating cash flows for finance leases	282	—
Financing cash flows for finance leases	387	—
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ 4,492	\$ 4,380
Finance leases	6,381	—
Net change in operating right-of-use assets due to lease modifications resulting in reclassification of leases from operating to finance	\$ (1,514)	\$ —

As of December 31, 2023, the estimated future minimum payment obligations for non-cancelable operating leases and finance leases are as follows (in thousands):

Years Ending December 31,	Operating Leases	Finance Leases
2024	\$ 3,202	\$ 1,063
2025	3,132	979
2026	2,773	831
2027	2,592	794
2028	1,920	1,536
Thereafter	9,042	3,663
Total lease payments	<u>22,661</u>	<u>8,866</u>
Less: imputed interest	<u>(5,607)</u>	<u>(2,719)</u>
Present value of lease liabilities	<u>\$ 17,054</u>	<u>\$ 6,147</u>

## 7. LONG-TERM DEBT AND REDEEMABLE PREFERRED SHARES

Long-term debt consists of the following (in thousands):

	December 31, 2023	December 31, 2022
Senior Notes	\$ 675,000	\$ 675,000
Less: unamortized debt issuance costs	(8,506)	(9,720)
Long-term debt, net	<u>\$ 666,494</u>	<u>\$ 665,280</u>

Maturities of long-term debt as of December 31, 2023 are as follows (in thousands):

Years Ending December 31,	Amount
2024	\$ —
2025	—
2026	—
2027	—
2028	—
Thereafter	675,000
Total	<u>\$ 675,000</u>

### Successor

#### *Revolving Credit Facility*

In connection with the consummation of the Business Combination, SK Intermediate II, as borrower, entered into a five-year Revolving Credit Facility, which provides for a senior secured revolving credit facility in an aggregate principal amount of up to \$100.0 million.

The Revolving Credit Facility matures on November 9, 2026. The Revolving Credit Facility includes a \$20.0 million swingline sub-facility and a \$25.0 million letter of credit sub-facility. All borrowings under the Revolving Credit Facility are subject to the satisfaction of customary conditions, including the absence of a default and the accuracy of representations and warranties, subject to customary exceptions.

The ICE Benchmark Administration, the administrator for London Interbank Offered Rate (“LIBOR”) ceased publishing one-week and two-month U.S. dollar LIBOR after June 30, 2023 (the “Rate Switch Event”). Pursuant to the Rate Switch Event, borrowing under the Company’s Revolving Credit Facility is subject to the Secured Overnight Financing Rate for the applicable corresponding tenor (“Term SOFR”) as published by CME Group Benchmark Administration (“Term SOFR Administrator”). The Company did not have any outstanding borrowings under the Revolving Credit Facility, accordingly, the switch in the benchmark rates from LIBOR to Term SOFR did not have any impact on the accompanying consolidated financial statements.

Borrowings under the Revolving Credit Facility bear interest at a rate equal to (i) an applicable margin, plus (ii) at SK Intermediate II’s option, either (x) Term SOFR as published by the Term SOFR Administrator, adjusted for certain additional costs or (y) a base rate determined by reference to the highest of (a) the prime commercial lending rate published by the Wall Street Journal, (b) the federal funds rate plus 0.50%, (c) the one-month Term SOFR rate plus 1.00% and (d) a minimum floor of 1.00%. The applicable margin is 3.25% in the case of Term SOFR-based loans and 2.25% in the case of base rate-based loans, with two step downs of 0.25% each based upon the achievement of certain leverage ratios.

In addition, on a quarterly basis, SK Intermediate II will be required to pay each lender under the Revolving Credit Facility a commitment fee of 0.50% in respect of the unused portion of the commitments under the Revolving Credit Facility, which fee will be subject to two step downs of 0.125% based upon the achievement of certain leverage ratios. SK Intermediate II will be required to pay customary agency fees as well as letter of credit participation fees computed at a rate per annum equal to the applicable margin for Term SOFR borrowings on the dollar equivalent of the face amount of each undrawn letter of credit, plus such letter of credit issuer’s customary administration and issuance fees and charges and a fronting fee in an amount equal to 0.125% per annum of the face amount of each letter of credit.

Solely to the extent that on the last day of the applicable fiscal quarter, the utilization of the Revolving Credit Facility (excluding cash collateralized letters of credit and up to \$10.0 million of undrawn letters of credit) exceeds 40% of the aggregate commitments, the Revolving Credit Facility requires compliance on a quarterly basis with a maximum secured net leverage ratio of 7.50:1.00. In addition, for purposes of determining compliance with such financial maintenance covenant for any fiscal quarter, SK Intermediate II will be able to exercise an equity cure by SK Intermediate II issuing certain permitted securities for cash or otherwise receiving cash contributions to the capital of SK Intermediate II that will, upon the receipt by SK Intermediate II of such cash, be included in the calculation of consolidated EBITDA solely for the purpose of such financial maintenance covenant. SK Intermediate II will not be able to exercise the equity cure right in more than two fiscal quarters during any period of four consecutive fiscal quarters or more than five fiscal quarters during the term of the Revolving Credit Facility. Under the Revolving Credit Facility, SK Intermediate II may also be required to meet specified leverage ratios in order to take certain actions, such as incurring certain debt or making certain acquisitions. In addition, the Revolving Credit Facility includes a customary holding company covenant that restricts the activities of SK Intermediate II and other negative covenants, subject to customary exceptions, restricting or limiting SK Intermediate II's ability and the ability of its restricted subsidiaries to, among other things: (i) make non-ordinary course dispositions of assets; (ii) participate in certain mergers and acquisitions; (iii) pay dividends or make distributions and share repurchases and optional redemptions (and optional prepayments) of certain subordinated, junior lien or unsecured debt; (iv) incur, assume or guarantee indebtedness; (v) make certain loans and investments; (vi) grant, assume or incur liens; (vii) transact with affiliates; (viii) change its business and the business of its restricted subsidiaries; or (ix) enter into negative pledges or restrictions on its ability or the ability of restricted subsidiaries to pay dividends, make distributions, repay or guarantee indebtedness, or make intercompany investments or transfers.

The Revolving Credit Facility is fully and unconditionally guaranteed by the Company and each of SK Intermediate II's existing and future wholly-owned material restricted subsidiaries, subject to customary exceptions, and is secured by a first priority lien, subject to certain permitted liens, on substantially all of SK Intermediate II's and each of the guarantors' existing and future property and assets, subject to customary exceptions.

Deferred financing costs incurred in connection with securing the Revolving Credit Facility were \$2.3 million, which is carried as a long-term asset and is amortized on a straight-line over the term of the Revolving Credit Facility and included in interest expense in the accompanying consolidated statements of operations and comprehensive income (loss).

The Company borrowed \$40.0 million under the Revolving Credit Facility to finance a portion of the costs and expenses in connection with the consummation of the Business Combination. On December 9, 2021, the Company repaid the full drawdown of \$40.0 million.

As of December 31, 2023 and 2022, the Company did not have any outstanding borrowings under the Revolving Credit Facility and was in compliance with all covenants, including the financial covenants.

### ***Bridge Facility***

In connection with entering into the Business Combination Agreement, EverArc entered into a commitment letter, dated June 15, 2021, with Morgan Stanley Senior Funding, Inc., Barclays Bank PLC and Goldman Sachs Bank USA (collectively, the "Commitment Parties") pursuant to which the Commitment Parties had, with respect to bridge financing, committed to provide up to \$600.0 million in bridge loans (the "Bridge Loan Commitment") to ensure financing for the Business Combination. Effective November 9, 2021, the Bridge Loan Commitment was fully terminated as a result of the \$675.0 million in committed amounts available under the Senior Notes, as described below. The Company did not make any borrowings under the Bridge Loan Commitment and incurred a commitment fee of \$7.5 million which was recorded as part of the November 9, 2021 accumulated deficit balance in the accompanying consolidated statements of shareholders' equity.

### ***Senior Notes***

In order to finance a portion of the cash consideration payable in the Business Combination and the costs and expenses incurred in connection therewith, on October 5, 2021, Escrow Issuer launched a private offering of \$600.0 million, which was subsequently updated to \$675.0 million, principal amount of 5.00% Senior Notes due October 30, 2029 pursuant to that certain indenture dated as of October 22, 2021 ("Indenture") between SK Intermediate II and U.S. Bank National Association, as Trustee and Collateral Agent (the "Trustee"). Upon the consummation of the Business Combination, SK Intermediate II assumed the Escrow Issuer's obligations under the Senior Notes.

The Senior Notes bear interest at an annual rate of 5.00%. Interest on the Senior Notes is payable in cash semi-annually in arrears on April 30 and October 30 of each year.

The Senior Notes are general, secured, senior obligations of SK Intermediate II; rank equally in right of payment with all existing and future senior indebtedness of SK Intermediate II (including, without limitation, the Revolving Credit Facility); and together with the Revolving Credit Facility, are effectively senior to all existing and future indebtedness of SK Intermediate II that is not secured by the collateral. The Senior Notes are effectively subordinated to all existing and future indebtedness of SK Intermediate II that is secured by assets other than the collateral, to the extent of the collateral securing such indebtedness, are structurally subordinated to all existing and future indebtedness, claims of holders of any preferred shares that may be issued by, and other liabilities of, subsidiaries of SK Intermediate II that do not guarantee the Senior Notes. The Senior Notes are senior in right of payment to any future subordinated indebtedness of SK Intermediate II and are initially guaranteed on a senior secured basis by the guarantors discussed below and will also be guaranteed in the future by each subsidiary, if any, that guarantees indebtedness under the Revolving Credit Facility.

On or after October 30, 2024, SK Intermediate II may on any one or more occasions redeem all or a portion of the Senior Notes at the redemption prices, expressed as percentages of principal amount set forth the Indenture, plus accrued and unpaid interest, if any, on the Senior Notes redeemed. In addition, prior to October 30, 2024, SK Intermediate II may, at its option, redeem up to 40% of the aggregate principal amount of the Senior Notes with funds in an aggregate amount not exceeding the net cash proceeds from certain equity offerings at a redemption price equal to 105.00% of the principal amount of the Senior Notes to be redeemed, plus accrued and unpaid interest, if any.

The Senior Notes are fully and unconditionally guaranteed on a senior secured basis, jointly and severally, by all of SK Intermediate II's existing or future restricted subsidiaries (other than certain excluded subsidiaries) that guarantee the Revolving Credit Facility. The Senior Notes contain certain covenants limiting SK Intermediate II's ability and the ability of the restricted subsidiaries (as defined in the indenture governing the Senior Notes) to, under certain circumstances, prepay subordinated indebtedness, pay distributions, redeem stock or make certain restricted investments; incur indebtedness; create liens on the SK Intermediate II's assets to secure debt; restrict dividends, distributions or other payments; enter into transactions with affiliates; designate subsidiaries as unrestricted subsidiaries; sell or otherwise transfer or dispose of assets, including equity interests of restricted subsidiaries; effect a consolidation or merger; and change the Company's line of business. As of December 31, 2023 and 2022, the Company was in compliance with all covenants, including the financial covenants.

Deferred financing costs incurred in connection with securing the Senior Notes were \$11.0 million, which were capitalized and will be amortized using the effective interest method over the term of the Senior Notes and included in interest expense in the accompanying consolidated statements of operations and comprehensive income (loss). The unamortized portion of the deferred financing costs is included as a reduction to the carrying value of the Senior Notes which have been recorded as long-term debt, net on the consolidated balance sheets as of December 31, 2023 and 2022.

### ***Redeemable Preferred Shares***

In connection with the Business Combination, SK Holdings along with officers and certain key employees of SK Intermediate contributed a portion of their investment in ordinary shares of SK Intermediate to the Company in exchange for 10 million Redeemable Preferred Shares, nominal value \$10 per share, valued at \$100.0 million. The Redeemable Preferred Shares are entitled to a preferred annual cumulative right to a dividend equal to 6.50% of its nominal value. The preferred dividend will generally be paid 40.00% in cash and 60.00% in kind each year within three business days following the Company's annual general meeting. At December 31, 2023 and 2022, \$8.6 million and \$4.5 million, respectively, of preferred dividends were in arrears.

The Company, under its articles of association (the "Articles"), is mandatorily required to redeem the Redeemable Preferred Shares at any time prior to the earliest of (i) six months following the latest maturity date of the above-mentioned Senior Notes, (ii) nine years after the date of issuance of the Redeemable Preferred Shares or (iii) upon the occurrence of a change of control, as defined in the Company's Articles. The redemption price per share would be equal to the nominal value of the Redeemable Preferred Shares plus any accrued and unpaid preferential dividend, if any. If the Company fails to redeem the Redeemable Preferred Shares at the times noted above, the preferred dividend rate will permanently increase to the interest rate currently being paid (whether in default or not) under the Senior Credit Agreement plus 10.00%.

Due to the fact that the Redeemable Preferred Shares are mandatorily redeemable, the Redeemable Preferred Shares are classified as a liability on the accompanying consolidated balance sheets, and \$6.8 million, \$6.5 million and \$0.9

million of dividends on these Redeemable Preferred Shares for the years ended December 31, 2023, 2022 and 2021 Successor Period, respectively, are classified as interest expense in the accompanying consolidated statements of operations and comprehensive income (loss).

Holders of the Redeemable Preferred Shares generally have no voting rights. However, without the prior consent of the holders of a majority of the outstanding Redeemable Preferred Shares, the Company is prohibited from (i) issuing any shares ranking pari passu or senior to the Redeemable Preferred Shares, (ii) enter into a credit agreement or amend the terms of the Senior Notes in a manner that would adversely affect the redemption of Redeemable Preferred Shares by extending the maturity date under such credit facility or increase the restrictions on the Company's ability to pay the cash portion of the preferred dividend, (iii) amending the Company's charter or entering into, amending or altering any other agreement in any manner that would adversely affect Redeemable Preferred Shares or (iv) pay a cash dividend on Ordinary Shares until such time the Company has paid the cash portion of the preferred dividend in arrears.

The Redeemable Preferred Shares have an aggregate liquidation preference of \$100.0 million, plus any accrued and unpaid dividends thereon and are senior to the Company's Ordinary Shares with respect to dividends and with respect to dissolution, liquidation or winding up of the Company. At December 31, 2023 and 2022, the redemption price was \$108.6 million and \$104.5 million, respectively.

### ***Predecessor***

In connection with the consummation of the Business Combination, on the Closing Date, \$696.5 million of outstanding debt was repaid and the related unamortized debt issue costs of \$11.0 million was charged to interest expense in the 2021 Predecessor Period in the accompanying consolidated statement of operations and comprehensive income (loss).

## **8. INCOME TAXES**

### ***Income Tax Expense***

The Company's income tax benefit (expense) consisted of the following components (in thousands):

	<b>Successor</b>			<b>Predecessor</b>
	<b>Year Ended December 31, 2023</b>	<b>Year Ended December 31, 2022</b>	<b>November 9, 2021 Through December 31, 2021</b>	<b>January 1, 2021 Through November 8, 2021</b>
<b>Current:</b>				
Luxembourg	\$ —	\$ —	\$ (1)	\$ (11)
U.S. Federal	(7,178)	(13,561)	1,295	(15,123)
U.S. state and local	(1,485)	(5,453)	519	(6,201)
Other foreign jurisdictions	(11,250)	(3,455)	2,192	(4,045)
Total current	(19,913)	(22,469)	4,005	(25,380)
<b>Deferred:</b>				
U.S. Federal	20,584	11,029	2,060	7,062
U.S. state and local	4,886	5,397	390	1,922
Other foreign jurisdictions	346	574	(295)	2,260
Total deferred	25,816	17,000	2,155	11,244
Total income tax benefit (expense)	<u>\$ 5,903</u>	<u>\$ (5,469)</u>	<u>\$ 6,160</u>	<u>\$ (14,136)</u>

The Company's income (loss) before income taxes consists of the following components (in thousands):

	Successor			Predecessor
	Year Ended December 31, 2023	Year Ended December 31, 2022	November 9, 2021 Through December 31, 2021	January 1, 2021 Through November 8, 2021
Luxembourg	\$ 85,705	\$ 81,308	\$ (657,511)	\$ (15,309)
U.S.	(61,995)	9,063	(25,102)	49,186
Other foreign jurisdictions	37,873	6,856	(5,696)	888
Total income (loss) before taxes	<u>\$ 61,583</u>	<u>\$ 97,227</u>	<u>\$ (688,309)</u>	<u>\$ 34,765</u>

The Company's income tax expense differs from the amount computed by applying the Luxembourg statutory rate of 24.94% for the reasons set forth in the following table:

	Successor			Predecessor
	Year Ended December 31, 2023	Year Ended December 31, 2022	November 9, 2021 Through December 31, 2021	January 1, 2021 Through November 8, 2021
Luxembourg statutory tax rate	24.94 %	24.94 %	24.94 %	24.94 %
Increase/(reduction) in income tax rate:				
U.S. state and local income taxes, net	(6.35)	(0.14)	0.14	7.61
Effect of rates different from statutory	4.50	0.36	(0.10)	(5.84)
Nondeductible officer compensation	0.04	1.59	—	—
Tax on unremitted earnings	3.55	3.73	—	—
Section 250 deduction	(0.59)	(0.71)	(0.05)	(2.20)
Transaction costs	—	—	(0.11)	0.02
Nontaxable gain/loss on earn-out liability	(2.48)	(2.71)	—	—
Founders advisory fees	(48.09)	(30.09)	(23.67)	—
Tax rate changes	(0.15)	(0.94)	—	1.38
Changes in prior year estimates	3.38	(1.95)	—	—
Change in valuation allowance	11.58	10.90	(0.07)	12.47
Other, net	0.08	0.64	(0.19)	2.28
Effective tax rate	<u>(9.59)%</u>	<u>5.62 %</u>	<u>0.89 %</u>	<u>40.66 %</u>

## Deferred Tax Assets and Liabilities

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting. Significant portions of the Company's deferred tax assets and deferred tax liabilities are as follows (in thousands):

	December 31, 2023	December 31, 2022
<b>Deferred Tax Assets:</b>		
Net operating loss carryforwards	\$ 22,185	\$ 16,394
Inventory	487	610
Interest	7,263	2,502
Accrued liabilities	3,490	2,925
Goodwill and other intangibles	—	5
Lease liability	4,368	5,051
Other	4,538	3,450
Valuation allowance	(23,315)	(16,142)
Total deferred tax assets	<u>19,016</u>	<u>14,795</u>
<b>Deferred Tax Liabilities:</b>		
Property, plant and equipment	(10,560)	(9,857)
Goodwill and other intangibles	(245,359)	(268,418)
Unremitted earnings	(11,824)	(9,622)
Right-of-use asset	(4,211)	(4,934)
Other	(516)	(234)
Total deferred tax liabilities	<u>(272,470)</u>	<u>(293,065)</u>
Net deferred tax liability	<u>\$ (253,454)</u>	<u>\$ (278,270)</u>

At December 31, 2023, the Company had net operating loss carryforwards in Luxembourg of \$83.0 million, which will expire, if unused, starting in 2034 and \$0.3 million, which can be carried forward indefinitely. The Company has other foreign net operating loss carryforwards of \$5.5 million, of which, the majority can be carried forward indefinitely.

On August 15, 2022, President Biden signed the Inflation Reduction Act into law. Management has reviewed the tax provisions of this legislation and has determined that there are no provisions that would have a material impact on the Company.

In assessing the realizability of deferred tax assets, the Company considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. While the Company expects to realize the remaining net deferred tax assets, changes in future taxable income or in tax laws may alter this expectation and result in future increases to the valuation allowance.

The valuation allowance for deferred tax assets as of December 31, 2023 and 2022 primarily relates to net operating loss and interest deduction limitation carryforwards that, in the judgment of the Company, are not more-likely-than-not to be realized. The change in valuation allowance for deferred tax assets for the year ending December 31, 2023 was a net increase of \$7.2 million.

As of December 31, 2023, the Company has provided deferred taxes of \$11.8 million associated with withholding taxes on accumulated undistributed earnings generated by foreign subsidiaries. Earnings of countries within the European Union would be subject to zero withholding tax on future distributions of unremitted earnings. The Company continues to assert permanent reinvestment of the remaining undistributed earnings for which deferred taxes have not been provided for as of December 31, 2023. The computation of the potential deferred tax liability associated with these undistributed earnings is not practicable. If there are policy changes, the Company would record the applicable taxes in the period of change.



## ***Uncertain Tax Benefits***

The Company evaluates its tax positions and recognizes only tax benefits that, more likely than not, will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax position is measured at the largest amount of benefit that has a greater than 50.0% likelihood of being realized upon settlement. As of December 31, 2023 and 2022 the Company had \$23.2 million and \$36.3 million, respectively, of uncertain tax positions that, if recognized, would not affect the effective tax rate. As of December 31, 2023 and 2022, the Company had no accrued interest or penalties related to uncertain tax positions and no amounts had been recognized in the consolidated statement of operations and comprehensive income (loss).

The following table summarizes the activity related to the Company's unrecognized tax benefits (in thousands):

	2023	2022
Balance at beginning of year	\$ 36,257	\$ —
Increase in prior years' tax positions	20,572	36,257
Decrease in prior years' tax positions	(33,584)	—
Balance at end of year	<u>\$ 23,245</u>	<u>\$ 36,257</u>

The Company files income tax returns in Luxembourg, U.S. federal and state jurisdictions, and other foreign jurisdictions. As of December 31, 2023, tax years 2020 through 2022 are subject to examination by the tax authorities in the U.S.

## **9. COMMITMENTS AND CONTINGENCIES**

### ***Legal Proceedings***

The Company is involved in various claims, actions, and legal proceedings arising in the ordinary course of business, including a number of matters related to the aqueous film forming foam litigation consolidated in the District of South Carolina multi-district litigation and other similar matters pending in other jurisdictions in the United States. The Company's exposure to losses, if any, is not considered probable or reasonably estimable at this time.

### ***Commitments***

The Company has an agreement to purchase various types of capital equipment up to \$5.0 million through October 2027. As of December 31, 2023, the Company paid \$3.2 million to the supplier and the remaining \$1.8 million will be paid through October 2027.

## **10. EQUITY**

### **Successor**

#### ***Ordinary Shares***

The Company's authorized share capital is \$4,100.0 million, consisting of 4,000.0 million Ordinary Shares, with a nominal value of \$1.00 per share and 10.0 million Redeemable Preferred Shares with a nominal value of \$10.00 per share. Each ordinary share entitles the holder thereof to one vote.

Due to the fact that the Redeemable Preferred Shares are mandatorily redeemable, the Redeemable Preferred Shares are classified as a liability on the accompanying consolidated balance sheets. Refer to Note 7, "Long-Term Debt and Redeemable Preferred Shares" for additional information about the Redeemable Preferred Shares.

The Company's board of directors (the "Board") is authorized, up to the maximum amount of the authorized capital, to (i) increase the issued share capital in one or several tranches by way of issuance of ordinary or preferred shares with such rights as freely determined by the Board at its discretion, with or without share premium, against payment in cash or in kind, by conversion of claims on the Company or in any other manner (ii) issue subscription and/or conversion rights in relation to new shares or instruments within the limits of the authorized capital under the terms and conditions of warrants (which may be separate or linked to Shares), bonds, notes or similar instruments issued by the Company, (iii) determine the place and date of the issue or successive issues, the issue price, the terms and conditions of the subscription of and paying

up on the new shares and instruments and (iv) remove or limit the statutory preferential subscription right of the shareholders and of the holders of instruments issued by the Company that entitle them to a preferential subscription right.

As of December 31, 2023, there were 165,066,195 and 146,451,005 Ordinary Shares issued and outstanding, respectively.

On December 7, 2021, subject to the approval of the shareholders of the Company, the Board authorized a share repurchase plan (the “Share Repurchase Plan”). Under the Share Repurchase Plan, the Company is authorized to repurchase up to \$100.0 million of its issued and outstanding Ordinary Shares at any time during the next 24 months or, if different, such other timeframe as approved by the shareholders of the Company. Until such time as the Share Repurchase Plan was approved by the shareholders of the Company, the Board authorized any subsidiary of the Company to take such actions necessary to purchase Ordinary Shares of the Company. Repurchases under the Share Repurchase Plan may be made, from time to time, in such quantities, in such manner and on such terms and conditions and at prices the Company deems appropriate. The Share Repurchase Plan does not obligate the Company to acquire any particular amount of Ordinary Shares and may be modified or suspended at any time and could be terminated prior to completion. The repurchase program will be funded with cash on hand or borrowings under the Company's revolving credit facility.

On July 21, 2022, subject to certain limits, the shareholders of the Company approved a proposal authorizing the Board to repurchase up to 25% of the Company's Ordinary Shares outstanding as of the date of the shareholders' approval, being 40,659,257 Ordinary Shares, at any time during the next five years. On November 3, 2022, the Board re-established the limit for Ordinary Share repurchases at \$100.0 million, which is within the repurchase limit approved by Company's shareholders on July 21, 2022. On February 21, 2024, the Board re-established the limit for Ordinary Share repurchases at \$100.0 million, which is within the repurchase limit approved by Company's shareholders' on July 21, 2022.

During the years ended December 31, 2023 and 2022, the Company repurchased 12,178,454 and 6,436,736 Ordinary Shares, respectively, under its Share Repurchase Plan. The repurchased Ordinary Shares are recorded at cost and are being held in treasury.

During the period from January 1, 2024 to February 16, 2024, the Company repurchased 2,475,780 of its Ordinary Shares at an average price per share of approximately \$4.52.

In accordance with the Luxembourg company law, from the annual net profits of the Company, at least 5% shall each year be allocated to a reserve (the “Legal Reserve”). That allocation to the Legal Reserve will cease to be required as soon and as long as the Legal Reserve amounts to 10% of the amount of the share capital of the Company. The general meeting of shareholders, upon the recommendation of the Company's Board, shall resolve how the remainder of the annual net profits, after allocation to the Legal Reserve, will be disposed of by allocating the whole or part of the remainder to a reserve, by carrying it forward to the following financial year or by distributing it, together with carried forward profits, to the shareholders. As of December 31, 2023, the Company has not made any allocation to the Legal Reserve.

## **Predecessor**

SK Intermediate made a \$60.0 million capital distribution to SK Holdings in the 2021 Predecessor Period.

## ***Warrants***

In connection with the Merger, 34,020,000 EverArc Warrants issued and outstanding on the Closing Date were converted into the right to purchase Ordinary Shares, entitling the holder thereof to purchase one-fourth of one Ordinary Share at an exercise price of \$12.00 per whole Ordinary Share. The Warrant subscription period ends on the earlier of the third anniversary of the Closing Date or such earlier date as determined by the Warrant instrument.

The Company's Warrants are subject to mandatory redemption at \$0.01 per Warrant if at any time the average price per Ordinary Share equals or exceeds \$18.00 for a period of ten consecutive trading days subject to any prior adjustment in accordance with the terms of the Warrant instrument. Management considers this feature to be an early exercise contingency.

The Warrants are classified within equity as they are indexed to the Company's own equity and meet the criteria for equity classification, including the fact that there are no provisions that would require cash settlement of the Warrants. During the year ended December 31, 2022, the Company received \$0.5 million for 176,460 Warrant exercises and issued

44,115 Ordinary Shares. During the 2021 Successor Period, 100 Warrants were exercised and 25 Ordinary Shares issued. As of December 31, 2023 and 2022, there were 33,843,440 Warrants issued and outstanding.

## **11. SHARE-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS**

### **Successor**

#### ***2021 Equity Plan***

In connection with the Business Combination, the Company's Board adopted, and its shareholders approved, the 2021 Equity Incentive Plan (the "2021 Equity Plan"). A total of 31,900,000 Ordinary Shares are authorized and reserved for issuance under the 2021 Equity Plan which provides for the grant of stock options (either incentive or non-qualified), stock appreciation rights ("SARs"), restricted stock, restricted stock units ("RSUs"), performance shares, performance share units and other share-based awards with respect to the Ordinary Shares. Shares associated with underlying awards that are expired, forfeited, or otherwise terminated without the delivery of shares, or are settled in cash, and any shares tendered to or withheld by the Company for the payment of an exercise price or for tax withholding will again be available for issuance under the 2021 Equity Plan.

The Company has granted PBNQSO to its executive officers, non-employee directors and other members of senior management under the 2021 Equity Plan. The exercise prices of these PBNQSO ranged from \$2.94 to \$14.00 per Ordinary Share and consist of two types of vesting criteria. Of the aggregate number of PBNQSO granted, 245,004 PBNQSO were eligible to vest based on the achievement of certain performance goals for fiscal year 2021 (the "Bridge Option"), and the remaining 10,999,167 PBNQSO outstanding are eligible to vest based on the achievement of AOP during the 5 year vesting period from the grant date. For PBNQSO grants through December 31, 2023, the 5 year vesting period ranges from fiscal year 2022 through fiscal year 2027. The PBNQSO expire ten years from the grant date.

The Bridge Options vest and became exercisable upon (i) the Company achieving an Adjusted EBITDA target of \$136.0 million for fiscal year 2021; and (ii) the recipient remaining in continuous service through the first anniversary of the grant date. As of December 31, 2023, all the Bridge Options are vested and available to exercise.

On February 14, 2023 and to be effective prospectively, the compensation committee approved the elimination of "Unusual or Nonrecurring Transactions or Events" provision in the PBNQSO agreement whereby it could make certain adjustments to operational performance criteria "for unusual or nonrecurring transactions or events affecting the Company or the financial statements of the Company." This provision had precluded the establishment of a grant date on the date when PBNQSO were awarded in accordance with the technical requirements under Topic 718.

On March 8, 2023, in connection changes in the Company's leadership structure, it amended the performance terms and conditions of the outstanding 5-Year Options previously granted to its former chief executive officer (the "Executive") where by 50% of such outstanding options eligible to vest in each of fiscal years from 2023 through 2026 will remain subject to the existing performance terms and conditions. The remaining 50% of such outstanding options will be eligible to vest in such fiscal years subject to the performance terms and conditions related to the Executive's position and duties as Vice Chairman. For the remaining 50% of outstanding options, the Company's compensation committee will establish performance goals and communicate them to the Executive and assess achievement annually. For accounting purposes, the Company will recognize compensation expense related to the remaining 50% of outstanding options when the specified performance goal for future periods have been established and communicated to the Executive.

In March 2023, based on the Company's performance for 2022, its compensation committee verified and determined the AOP for the 2022 tranche of the 5-Year Option to be \$8.39. As a result, it was determined that a mutual understanding of the key terms and conditions for the 2022 tranche had been ascertained and the grant date was therefore established. The cumulative compensation expense for the 2022 tranche was adjusted based on the fair value calculated using the Black-Scholes option-pricing model at the grant date. As the AOP for the 2022 tranche was below the minimum vesting AOP target of \$11.35 employees separated from the Company through the date of determination of the 2022 AOP relinquished 240,000 options retained by them relating the 2022 tranche and such options were cancelled by the Company.

On the Options Modification Date, the Company modified certain terms in the PBNQSO agreements as noted below:

- eliminated a term that provided discretion to the compensation committee to make certain adjustments on how AOP against the performance target will be measured with respect to the Prior Grants;
- eliminated the two-year look-back and two-year look-forward for excess AOP;

- adjusted the minimum and maximum AOP growth targets from 13.5% and 23.5% to 10% and 20%, respectively;
- added of cumulative vesting term, under which if the maximum AOP target was achieved in an option performance year, (including in any one of the two years immediately following the fifth and final year of the option term), any number of unvested options that were eligible to vest in all prior performance years, will be eligible to vest based on AOP calculated in such option performance year;
- added an alternative vesting provision if the market price of the Company's Ordinary Shares is more than twice the exercise price for a sustained period of time commencing in the third fiscal year after option grant; and
- made certain clarifying and other changes.

The above modifications affected all of the outstanding Prior Option Grants and Pre Modification 2023 Option Grants and there was no incremental share-based compensation expense as a result of modifications.

The Company had 2,175,000 Pre Modification 2023 Option Grants and 405,000 Post Modification 2023 Option Grants that vest based on the achievement of certain performance goals for fiscal years 2023-2027 to employees and non-employees. For the Pre Modification 2023 Option Grants, the Company estimated the grant date fair value, and the resulting share-based compensation expense, using the Black-Scholes option-pricing model. For the Post Modification 2023 Option Grants, the Company estimated the grant date fair value, and the resulting share-based compensation expense, using the Hull-White model. The Company recognized compensation costs related to the PBNQSO granted in 2023 based on the estimated fair value of the awards on the date of grant. The Company records forfeitures as they are incurred. The grant date fair value of the PBNQSO is expensed proportionately for each tranche over the applicable service period. The fair value of performance-based stock options is recognized as compensation expense beginning at the time in which the performance conditions are deemed probable of achievement, over the remaining applicable service period.

The Company's chief executive officer, ("CEO") and business director, North America Retardant and Services, are required to hold a minimum level of personal investment of \$2.2 million and \$1.5 million, respectively, in Ordinary Shares pursuant to stock retention guidelines attached to their respective PBNQSO agreement. The aggregate value may include the fair market value of shares associated with underlying options over the exercise price, but half of the value must be attributable to Ordinary Shares held by each officer. Each officer will have five years after grant date to comply with these requirements.

The table below summarizes the PBNQSO activity:

	<b>Number of Options</b>	<b>Weighted-Average Exercise/Conversion Price</b>	<b>Weighted-Average Remaining Contractual Life (years)</b>	<b>Aggregate Intrinsic Value (in thousands)</b>
Outstanding at December 31, 2022	10,339,171	\$ 9.75		
Granted	2,580,000	\$ 7.76		
Exercised	—	\$ —		
Forfeited	(1,675,000)	\$ 9.71		
Outstanding at December 31, 2023	<u>11,244,171</u>	\$ 9.75	8.24	\$ 154
Options vested and exercisable	<u>245,004</u>	\$ 10.00	6.14	\$ —

The weighted-average assumptions used to fair value the PBNQSO for Post Modification 2023 Option Grants, Prior Option Grants on the modification date and Pre Modification 2023 Option Grants were as follows:

	Post Modification 2023 Option Grants	Prior Option Grants	Pre Modification 2023 Option Grants
Dividend yield	—%	—%	—%
Risk-free interest rate	4.01% to 4.40%	3.48%	3.93% to 4.18%
Expected volatility	45.00% to 48.00%	44.00%	45.00%
Expected life (years)	10.00	8.50 to 9.25	6.50
Suboptimal exercise multiple	2.50	2.50	—
Drift rate	4.01% to 4.40%	3.51% to 3.52%	—%
Weighted average exercise price of options granted	\$ 4.82	\$ 9.78	\$ 8.31
Weighted average fair value of options granted	\$ 2.48	\$ 3.15	\$ 4.24

Non-cash share-based compensation expense recognized by the Company during the years ended December 31, 2023 and 2022 and 2021 Successor Period was \$1.6 million, \$14.6 million and \$3.6 million, respectively. The total tax benefit recognized during the years ended December 31, 2023 and 2022 and 2021 Successor Period related to non-cash share-based compensation expense was \$0.8 million, \$1.5 million and \$0.3 million, respectively. Compensation expense is recognized based upon probability assessments of achieving the AOP targets determined using estimated EBITDA, net debt and diluted shares for PBNQSO that are expected to vest in future periods. Such probability assessments are subject to revision and, therefore, unrecognized compensation expense is subject to future changes in estimate. As of December 31, 2023, there was approximately \$15.6 million of total unrecognized compensation expense related to non-vested PBNQSO expected to vest, which is expected to be recognized over a weighted-average period of 2.1 years.

On December 7, 2021, the Company granted 100,000 Ordinary Shares to a consultant for his services to the Company in connection with the transactions contemplated by the Business Combination Agreement. The fair value per share on the grant date was \$11.75. The shares vested upon grant. The grant date fair value of \$1.2 million was recorded by the Company as an expense related to Business Combination and is reported in selling general and administrative expense in the 2021 Successor Period of the accompanying consolidated statements of operations and comprehensive income (loss).

### ***Founder Advisory Amounts***

As discussed in Note 13, Related Parties, following the Business Combination, the Company assumed, and agreed to pay, perform, satisfy and discharge in full, all of EverArc's liabilities and obligations under the key terms and conditions of the Founder Advisory Agreement previously executed between EverArc and EverArc Founder Entity.

The fair value of the Fixed Annual Advisory Amount as of November 9, 2021 was calculated to be \$197.4 million based on the closing share price of Ordinary Shares on November 9, 2021 of \$12.00. The fair value of the Variable Annual Advisory Amount is determined using a Monte Carlo simulation because of the market condition (i.e., achievement of a specified share price) associated with this award and was determined to be \$376.4 million. For Advisory Amounts classified within equity, the Company does not subsequently remeasure the fair value. For the Advisory Amounts classified as a liability, the Company remeasures the fair value at each reporting date. The key inputs into the Monte Carlo simulation model for the Variable Annual Advisory Amounts were as follows at December 31, 2023, 2022 and 2021 and at the initial measurement date:

	December 31, 2023	December 31, 2022	December 31, 2021	November 9, 2021
Dividend yield	—%	—%	—%	—%
Risk-free interest rate	3.84%	3.87%	1.52%	1.47%
Expected volatility	48.10%	43.10%	37.50%	35.00%
Expected life (years)	8.00	9.00	10.00	10.15
10-day volume weighted average share price	\$ 4.51	\$ 8.86	\$ 13.63	\$ 12.00

All of the Founder Advisory Amounts vested on the date of the Business Combination because, the Company believes that, as a result of the consummation of the Business Combination, it has incurred an obligation equal to the present value of the Advisory Amounts. Share-based compensation expense related to the Advisory Amounts recognized by the

Company during the 2021 Successor Period was \$653.0 million. This consists of \$574.4 million that was recognized on the Business Combination date and \$78.6 million recognized on December 31, 2021 based on the change in fair value for liability-classified Advisory Amounts since the Closing Date. Compensation expense recorded by the Company in the future will depend upon changes in the fair value of the liability-classified Advisory Amounts. See Note 13, Related Parties, for additional information related to the Founders Advisory Amounts.

### **Predecessor**

Prior to the Business Combination, SK Invictus Holdings, LP, a Cayman limited partnership and the former ultimate parent of the Company (the “Parent”), established an Incentive Unit Grant agreement under which the Parent granted incentive units to individuals employed by the Company. The incentive units vest as follows: (i) 50% vest on the date on which the Company’s investors achieve a rate of return of at least 2.0x, (ii) an additional 25% vest on the date on which the Company’s investors achieve a rate of return of at least 2.5x, and (iii) the remaining 25% vest on the date on which the Company’s investors achieve a rate of return of at least 3.0x. The Business Combination resulted in the Company’s investors achieving a rate of return greater than 3.0x, which resulted in 100% of the incentive units vesting on the date of the Business Combination. On the Closing Date there were 103,820 incentive units outstanding. Since the incentive units are equity classified instruments, the Company measured the units at their grant date fair value. The Company measured the fair value of the incentive units using a Black-Scholes model.

The grant date fair value of the incentive units that was recognized on the date of the Business Combination was \$2.7 million. This amount was recognized on the “black-line” financial statements between the Predecessor and Successor periods because this amount is not directly attributable to either the Predecessor or Successor period but was instead contingent on the Business Combination.

### **Savings and Investment Plans**

The Company sponsors a savings and investment plan under which a portion of employee contributions are matched. For the years ended December 31, 2023 and 2022, 2021 Successor Period and 2021 Predecessor Period the Company made matching contributions of \$1.3 million, \$1.3 million, \$0.3 million and \$0.9 million, respectively.

## **12. FAIR VALUE MEASUREMENTS**

### ***Fair Value Measurement***

The carrying value of cash and cash equivalents, short-term investments, accounts receivable, accounts payable, accrued expenses and other current liabilities approximates fair value due to the short-term nature of their maturities. Borrowings under the Company’s Revolving Credit Facility accrues interest at a floating rate tied to a standard short-term borrowing index, selected at the Company’s option, plus an applicable margin. The carrying amount of this floating rate debt approximates fair value based upon the respective interest rates adjusting with market rate adjustments. The carrying amount of the Company’s Redeemable Preferred Shares equals the redemption price, which approximates fair value. At December 31, 2023 and 2022, the estimated fair value of the Company’s Senior Notes, calculated using Level 2 inputs, based on bid prices obtained from a broker was approximately \$587.9 million and \$556.9 million, respectively.

The Company uses valuation approaches that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 inputs: Other than quoted prices in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

## *Liabilities by Hierarchy Level*

The following tables set forth the Company's liabilities that were measured at fair value on a recurring basis during the period, by level, within the fair value hierarchy for the periods ended December 31, 2023 and 2022 (in thousands):

	Fair Value Measurements Using:			
	Level 1	Level 2	Level 3	Total
<b>December 31, 2023</b>				
Liabilities:				
Founders advisory fees payable - related party	\$ 23,972	\$ —	\$ 35,647	\$ 59,619
<b>December 31, 2022</b>				
Liabilities:				
Founders advisory fees payable - related party	\$ 56,883	\$ —	\$ 118,490	\$ 175,373
LaderaTech contingent earn-out included in other liabilities, non-current	—	—	7,273	7,273
Total liabilities	<u>\$ 56,883</u>	<u>\$ —</u>	<u>\$ 125,763</u>	<u>\$ 182,646</u>

The fair value of the founders advisory fees payable is based on the market price of Ordinary Shares if such market price exceeds certain trading price minimums at the end of each reporting period and is valued using a Monte Carlo simulation model, which requires the input of highly subjective assumptions, including the fair value of the underlying Ordinary Shares, the risk-free interest rate, the expected equity volatility, and the expected term of the Founder Advisory Agreement. See Note 11, "Share-Based Compensation" for discussion of the fair value estimation on the founders advisory fees payable.

The fair value of the contingent earn-out related to LaderaTech is measure on a recurring basis using Level 3 fair value inputs. The earn-out is based on 20% of gross profits upon achieving a revenue threshold exceeding \$5.0 million through December 31, 2026 and is valued using a Monte Carlo simulation model. Significant changes in the projected revenue, projected gross margin, or discount rate would have a material impact on the fair value of the contingent consideration. During the year ended December 31, 2023, due to a downward revision in the revenue forecast of the contingent earn-out eligible fire retardant product, the Company determined that (i) \$40.7 million in carrying value of the technology underlying the contingent earn-out eligible fire retardant product is no longer recoverable, and (ii) \$7.7 million in contingent earn-out is no longer payable. Accordingly, the Company recorded an impairment of \$40.7 million and a gain of \$7.7 million in the accompanying condensed consolidated statements of operations and comprehensive income (loss).

### ***Changes in Level 3 Liabilities***

A roll forward of Level 3 liabilities measured at fair value on a recurring basis is as follows (in thousands):

	<b>Founders Advisory Fees Payable - Related Party</b>	<b>LaderaTech Contingent Earn-out</b>
<b><u>Predecessor</u></b>		
Balance, December 31, 2020	\$ —	\$ 19,816
Settlements	—	(3,000)
Loss on contingent earn-out, change in fair value	—	2,965
Balance, November 8, 2021	<u>\$ —</u>	<u>\$ 19,781</u>
<b><u>Successor</u></b>		
Balance, November 9, 2021	\$ 188,204	\$ 19,781
Founders advisory fees - related party, change in fair value	63,309	—
Loss on contingent earn-out, change in fair value	—	198
Balance, December 31, 2021	<u>251,513</u>	<u>19,979</u>
Settlements	(40,776)	—
Reclassification from liability to equity	(10,495)	—
Founders advisory fees - related party, change in fair value	(81,752)	—
Gain on contingent earn-out, change in fair value	—	(12,706)
Balance, December 31, 2022	\$ 118,490	\$ 7,273
Founders advisory fees - related party, change in fair value	(82,843)	—
Gain on contingent earn-out, change in fair value	—	(7,273)
Balance, December 31, 2023	<u>\$ 35,647</u>	<u>\$ —</u>

### ***Intangible Assets Acquired (Successor)***

The estimated fair value assigned to identifiable intangible assets acquired are determined primarily by using an income approach using a discounted cash flow methodology, which is based on assumptions and estimates made by the management. The estimated fair value of the customer relationship intangible assets was estimated using the multi-period excess earnings method. Management applied significant judgement related to this fair value method, which included the selection of an expected consolidated earnings before interest, taxes, depreciation and amortization (“EBITDA”) margin assumption for the forecast period, contributory asset charges, customer attrition rate and market-participant discount rate assumptions. The estimated fair value of the technology and trademarks intangible assets were estimated using the relief-from-royalty method. Management applied significant judgement related to this fair value method, which included the selection of a royalty rate over the expected economic life of the technology or trademark and market-participant discount rate assumptions. These significant assumptions are based on company specific information and projections, which are not observable in the market (except for the discount rate assumption) and, therefore, are considered Level 2 and Level 3 measurements. These significant assumptions are forward-looking and could be affected by future changes in economic and market conditions.



The following table presents the estimated fair value assigned to identifiable intangible assets on the Closing Date (in thousands):

	Estimated Fair Value	Estimated Useful Life (in years) <sup>(1)</sup>
<b>Identifiable Intangible Assets:</b>		
Customer lists	\$ 761,000	20
Technology and patents	250,000	20
Tradenames	101,000	20
Total estimated fair value of intangible assets acquired	<u>\$ 1,112,000</u>	

(1) Amortization of identifiable intangible assets is performed on a straight-line basis over the applicable useful life.

### 13. RELATED PARTIES

#### *Successor*

On November 9, 2021, in connection with the consummation of the Business Combination, the Company, EverArc and the EverArc Founder Entity entered into an Assignment and Assumption Agreement (the “Founder Assignment Agreement”) pursuant to which the Company assumed, and agreed to pay, perform, satisfy and discharge in full, all of EverArc’s liabilities and obligations under the Founder Advisory Agreement.

In exchange for the services provided to the Company, including strategic and capital allocation advice, the EverArc Founder Entity is entitled to receive both the Fixed Annual Advisory Amount and the Variable Annual Advisory Amount from the Company, each as described below:

- *Fixed Annual Advisory Amount.* Effective upon the consummation of the Business Combination through December 31, 2027, the Fixed Annual Advisory Amount will be equal to 2,357,061 Ordinary Shares (1.5% of the 157,137,410 Ordinary Shares, the Founder Advisory Agreement Calculation Number).
- *Variable Annual Advisory Amount.* Effective upon the consummation of the Business Combination through December 31, 2031, and once the average price per Ordinary Share is at least \$10.00, the Variable Annual Advisory Amount will be equal in value to:
  - in the first year in which the Variable Annual Advisory Amount is payable, (x) 18% of the increase in the market value of one ordinary share of the Company over \$10.00 (such increase in market value, the “Payment Price”) multiplied by (y) 157,137,410 Ordinary Shares, the Founder Advisory Agreement Calculation Number; and
  - in the following years in which the Variable Annual Advisory Amount may be payable (if at all), (x) 18% of the increase in Payment Price over the previous year Payment Price multiplied by (y) 157,137,410 Ordinary Shares, the Founder Advisory Agreement Calculation Number.

The Founder Advisory Agreement can be terminated at any time (i) by the EverArc Founder Entity if the Company ceases to be traded on the NYSE; or (ii) by the EverArc Founder Entity or the Company if there is (A) a Sale of the Company (as defined in the Founder Advisory Agreement) or (B) a liquidation of the Company.

The Company calculates the fair value of the Fixed Annual Advisory Amount using the average price of Ordinary Shares and used a Monte Carlo simulation model to calculate the fair value of the Variable Annual Advisory Amount. The Advisory Amounts may be settled by paying up to 50% in cash, recorded as a liability, with the remaining percentage settled in Ordinary Shares. While the entire instrument is subject to the fair value calculation described above, the amount classified and recorded as equity remains consistent while the amount classified and recorded as a liability is updated each period. For the years ended December 31, 2023 and 2022, the Company recognized a reduction in the compensation expense related to the founders advisory fees payable - related party due to a decrease in fair value for liability-classified Advisory Amounts of \$108.5 million and \$117.3 million, respectively, primarily due to the decrease in Ordinary Share price.

As of December 31, 2023 and 2022, the fair value of the Fixed Annual Advisory Amount was calculated to be \$42.5 million and \$104.5 million, respectively, based on the period end volume weighted average closing share price for ten consecutive trading days of Ordinary Shares of \$4.51 and \$8.86, respectively. As of December 31, 2023 and 2022, the fair value of the Variable Annual Advisory Amount, determined using a Monte Carlo simulation model, was \$71.3 million and \$237.0 million, respectively.

For 2023, the average price was \$4.51 per Ordinary Share. The EverArc Founder Entity is entitled to receive the Fixed Annual Advisory Amount of 2,357,061 Ordinary Shares or a value of \$10.6 million, based on average price of \$4.51 per Ordinary Share (the “2023 Fixed Amount”). The EverArc Founder Entity did not qualify to receive Variable Annual Advisory Amount for 2023 as the average price of \$4.51 per Ordinary Share for 2023 was lower than the average price of \$13.63 per Ordinary Share established for 2021. Per the Founder Advisory Agreement, the EverArc Founder Entity elected to receive approximately 74.6% of the 2023 Fixed Amount in Ordinary Shares (1,758,464 Ordinary Shares) and approximately 25.4% 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 2023 Fixed Amount.

For 2022, the average price was \$8.86 per Ordinary Share. The EverArc Founder Entity is entitled to receive the Fixed Annual Advisory Amount of 2,357,061 Ordinary Shares or a value of \$20.9 million, based on average price of \$8.86 per Ordinary Share (the “2022 Fixed Amount”). The EverArc Founder Entity did not qualify to receive Variable Annual Advisory Amount for 2022 as the average price of \$8.86 per Ordinary Share for 2022 was lower than the average price of \$13.63 per Ordinary Share established for 2021. Per the Founder Advisory Agreement, the EverArc Founder Entity elected to receive approximately 77.7% of the 2022 Fixed Amount in Ordinary Shares (1,831,653 Ordinary Shares) and approximately 22.3% of the 2022 Fixed Amount in cash (\$4.7 million). On February 15, 2023, the Company issued 1,831,653 Ordinary Shares and paid \$4.7 million in cash in satisfaction of 2022 Fixed Amount.

Subject to certain limited exceptions, the EverArc Founder Entity’s liability for losses in connection with the services provided is excluded and the Company will have agreed to indemnify the EverArc Founder Entity and its affiliates in relation to certain liabilities incurred in connection with acts or omissions by or on behalf of the Company or the EverArc Founder Entity. If the Founder Advisory Agreement is terminated under (i) or (ii)(A), the Company will pay the EverArc Founder Entity an amount in cash equal to: (a) the Fixed Annual Advisory Amount for the year in which termination occurs and for each remaining year of the term of the agreement, in each case at the Payment Price; and (b) the Variable Annual Advisory Amount that would have been payable for the year of termination and for each remaining year of the term of the agreement. In each case the Payment Price in the year of termination will be calculated on the basis of the Payment Year ending on the trading day immediately prior to the date of termination, save that in the event of a Sale of the Company, the Payment Price will be calculated on the basis of the amount paid by the relevant third party (or cash equivalent if such amount is not paid in cash). For each remaining year of the term of the agreement the Payment Price in each case will increase by 15% each year. No account will be taken of any Payment Price in any year preceding the termination when calculating amounts due on termination. Payment will be immediately due and payable on the date of termination of the Founder Advisory Agreement.

Notwithstanding that the Fixed and Variable Advisory Amounts will be paid out over four years and eight years, respectively, the Company has accrued the full amount of the payments because, the Company believes that, as a result of the consummation of the Business Combination, it has incurred an obligation equal to the present value of the entire amount of both the Fixed and Variable Annual Advisory Amounts.

In the 2021 Successor Period, the Management Subscribers were granted an aggregate of 1,104,810 Ordinary Shares at \$10.00 per share as consideration and the Director Subscribers purchased an aggregate of 200,000 Ordinary Shares at \$10.00 per share in connection with the closing of the Business Combination. Certain officers of the Company entered into non-compete agreements that placed restrictive employment covenants on them for a period of three years following the Closing Date.

The Company paid \$0.4 million, \$0.4 million and \$0.1 million to lease real property from the sellers of First Response Fire Rescue, LLC, River City Fabrication, LLC, and H&S Transport, LLC (collectively, “Ironman”) during the years ended

December 31, 2023 and 2022, and 2021 Successor Period, respectively. Shannon Horn, who serves as the Company's Business Director, North America Retardant and Services, was one of the sellers of Ironman.

### ***Predecessor***

In the 2021 Predecessor Period \$0.9 million was purchased pursuant to a purchase and sales agreement with the former owners of the original Invictus business (the "Sellers") for specific raw materials in the ordinary course of business. Additionally, in the 2021 Predecessor Period the Company sold raw materials at cost of \$11.7 million to the Sellers. Sales of raw materials are recorded net as "the agent" since the Company does not have the following: a) primary responsibility for fulfilling the promise to provide the specified good, b) inventory risk before the specified good is transferred to the customer, or c) discretion in establishing the prices for the specified good. This related party transaction is not at arm's length.

SK Capital Partners IV-A, L.P. and SK Capital Partners IV-A, L.P. (collectively, the "Sponsor") provided board oversight, operational and strategic support, and assistance with business development in return for a quarterly management fee. Total management consulting fees and expenses were \$1.1 million for the 2021 Predecessor Period and are presented in other operating expenses in the consolidated statements of operations and comprehensive income (loss).

The Company entered into multiple lease arrangements for real property with the sellers of Ironman in 2019 that the Company continues to occupy post-acquisition. The Company paid \$0.3 million in rent and related expenses during the 2021 Predecessor Period.

## **14. REVENUE RECOGNITION**

### ***Disaggregation of revenues***

Amounts recognized at a point in time primarily relate to products sold whereas amounts recognized over time primarily relate to services associated with the full-service retardant contracts. Revenues for the years ended December 31, 2023 and 2022, 2021 Successor Period and 2021 Predecessor Period are as follows (in thousands):

	Successor			Predecessor
	Year Ended December 31, 2023	Year Ended December 31, 2022	November 9, 2021 Through December 31, 2021	January 1, 2021 Through November 8, 2021
Revenues from products	\$ 290,720	\$ 330,672	\$ 20,242	\$ 310,679
Revenues from services	30,158	26,630	692	27,220
Other revenues	1,230	3,203	89	3,416
Total net sales	<u>\$ 322,108</u>	<u>\$ 360,505</u>	<u>\$ 21,023</u>	<u>\$ 341,315</u>

## **15. EARNINGS PER SHARE**

Basic earnings per share represents income available to ordinary shareholders divided by the weighted average number of Ordinary Shares outstanding during the reported period. Diluted earnings per share is based upon the weighted-average number of Ordinary Shares outstanding during the period plus additional weighted-average potentially dilutive Ordinary Share equivalents during the period when the effect is dilutive.

Basic and diluted weighted average shares outstanding and earnings per share were as follows (in thousands, except share and per share data):

	Successor			Predecessor
	Year Ended December 31, 2023	Year Ended December 31, 2022	November 9, 2021 Through December 31, 2021	January 1, 2021 Through November 8, 2021
Net income (loss)	\$ 67,486	\$ 91,758	\$ (682,149)	\$ 20,629
<b>Weighted-average shares outstanding:</b>				
Weighted average shares used in computing earnings per share, basic	154,666,717	160,937,575	157,158,579	53,045,510
Founders advisory fees	11,785,305	14,142,366	—	—
Weighted average shares used in computing earnings per share, diluted	<u>166,452,022</u>	<u>175,079,941</u>	<u>157,158,579</u>	<u>53,045,510</u>
<b>Basic earnings per share</b>	\$ 0.44	\$ 0.57	\$ (4.34)	\$ 0.39
<b>Diluted earnings per share</b>	\$ 0.41	\$ 0.52	\$ (4.34)	\$ 0.39

As of December 31, 2023, 11.2 million PBNQSO and 15.8 million Ordinary Shares issuable under the Founder Advisory Agreement were excluded from the diluted earnings per share calculation as the contingencies related to such instruments had not been met. In addition, 8.5 million Ordinary Shares equivalent Warrants were excluded from the diluted earnings per share calculation as their effect would have been anti-dilutive. As of December 31, 2022, 10.3 million PBNQSO and 22.4 million Ordinary Shares issuable under the Founder Advisory Agreement were excluded from the diluted earnings per share calculation as the contingencies related to such instruments had not been met. In addition, 8.5 million Ordinary Shares equivalent Warrants were excluded from the diluted earnings per share calculation as their effect would have been anti-dilutive. As of December 31, 2021, 8.8 million PBNQSO were excluded from the diluted earnings per share calculation as the contingencies related to such instruments had not been met. In addition, 8.5 million Ordinary Shares equivalent Warrants were excluded from the diluted earnings per share calculation as their effect would have been anti-dilutive.

## 16. SEGMENT INFORMATION

The Company's products and operations are managed and reported in two operating segments: Fire Safety and Specialty Products.

The Fire Safety segment provides fire retardants and firefighting foams, as well as specialized equipment and services typically offered in conjunction with the Company's retardant and foam products.

The Specialty Products segment produces and sells P<sub>2</sub>S<sub>5</sub> used in several end markets and applications, including lubricant additives, various agricultural applications, various mining applications, and emerging electric battery technologies. Within the lubricant additives end market, currently the Company's largest end market application, P<sub>2</sub>S<sub>5</sub> is primarily used in the production of a family of compounds called ZDDP, which is considered an essential component in the formulation of lubricating oils with its main function to provide anti-wear protection to engine components. P<sub>2</sub>S<sub>5</sub> is also used in pesticide and mining chemicals applications.

Interest income, interest expense, other income (expense) and certain corporate operating expenses are neither allocated to the segments nor included in the measures of segment performance reviewed by the chief operating decision-maker ("CODM"). The corporate category is not considered to be a segment. The CODM is the Company's CEO.

The Company's CODM uses the segment net sales and segment Adjusted EBITDA to assess the ongoing performance of the Company's business segments and to allocate resources. The Company defines Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, as adjusted on a consistent basis for certain non-recurring or unusual items in a balanced manner and on a segment basis. These non-recurring or unusual items may include acquisition and integration related costs, management fees and other non-recurring items.

Information related to net sales, Adjusted EBITDA, depreciation and amortization capital expenditures and assets and of the Company's operations are summarized below (in thousands):

	Successor			Predecessor
	Year Ended December 31, 2023	Year Ended December 31, 2022	November 9, 2021 Through December 31, 2021	January 1, 2021 Through November 8, 2021
<b>Net sales:</b>				
Fire safety	\$ 225,554	\$ 226,583	\$ 7,913	\$ 253,267
Specialty products	96,554	133,922	13,110	88,048
Total	<u>\$ 322,108</u>	<u>\$ 360,505</u>	<u>\$ 21,023</u>	<u>\$ 341,315</u>
<b>Adjusted EBITDA:</b>				
Fire safety	\$ 76,214	\$ 77,365	\$ (3,696)	\$ 121,589
Specialty products	20,573	48,026	1,838	21,703
Total segment Adjusted EBITDA	96,787	125,391	(1,858)	143,292
Less:				
Depreciation and amortization	64,855	65,795	9,379	52,000
Interest and financing expense	41,378	42,585	6,352	39,087
Founders advisory fees - related party	(108,481)	(117,302)	652,990	—
Intangible impairment	40,738	—	—	—
Non-recurring expenses	4,046	6,885	5,580	4,845
Share-based compensation expense	1,596	14,649	4,821	156
Non-cash purchase accounting impact	—	24,796	6,125	—
(Gain) loss on contingent earn-out	(7,273)	(12,706)	198	2,965
Management fees	—	—	—	1,073
Contingent future payments	—	—	—	4,375
Unrealized foreign currency (gain) loss	(1,655)	3,462	1,006	4,026
Income (loss) before income taxes	<u>\$ 61,583</u>	<u>\$ 97,227</u>	<u>\$ (688,309)</u>	<u>\$ 34,765</u>
<b>Depreciation and amortization:</b>				
Fire safety	\$ 51,178	\$ 51,299	\$ 7,418	\$ 36,994
Specialty products	13,677	14,496	1,961	15,006
Total	<u>\$ 64,855</u>	<u>\$ 65,795</u>	<u>\$ 9,379</u>	<u>\$ 52,000</u>
			<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Assets:</b>				
Fire safety			\$ 1,837,146	\$ 1,958,633
Specialty products			478,276	497,983
Total			<u>\$ 2,315,422</u>	<u>\$ 2,456,616</u>

Net sales by geographical area is as follows (in thousands):

	Successor			Predecessor
	Year Ended December 31, 2023	Year Ended December 31, 2022	November 9, 2021 Through December 31, 2021	January 1, 2021 Through November 8, 2021
United States	65%	74%	52%	75%
Canada	14	5	1	7
Other international sales <sup>(1)</sup>	21	21	47	18
Total net sales	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) In the 2021 Successor Period, Spain represented 11% of sales due to the shortened reporting period. Except for Canada, the Company had no other operations in any individual international country that represented more than 10% of sales in the years ended December 31, 2023 and 2022, 2021 Successor Period and 2021 Predecessor Period.

Property, plant and equipment, net by geographical area consisted of the following (in thousands):

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
United States	\$ 38,709	\$ 37,390
Canada	2,303	2,594
Germany	14,376	14,802
Other foreign jurisdictions	<u>4,014</u>	<u>4,060</u>
Total property, plant and equipment, net	<u>\$ 59,402</u>	<u>\$ 58,846</u>

## 17. PARENT COMPANY INFORMATION

### PERIMETER SOLUTIONS, SA PARENT COMPANY INFORMATION CONDENSED BALANCE SHEETS (in thousands)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,731	\$ 59,157
Intercompany receivable	19,667	17,549
Prepaid expenses and other current assets	2,801	3,699
Total current assets	<u>26,199</u>	<u>80,405</u>
Other assets:		
Investment in subsidiaries	1,382,092	1,410,004
Other assets, net	266	124
Total assets	<u><u>\$ 1,408,557</u></u>	<u><u>\$ 1,490,533</u></u>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 753	\$ 3,545
Intercompany payable	82,711	64,555
Founders advisory fees payable - related party	2,702	4,655
Accrued expenses and other current liabilities	4,616	3,672
Total current liabilities	<u>90,782</u>	<u>76,427</u>
Founders advisory fees payable - related party	56,917	170,718
Redeemable preferred shares	105,799	101,279
Redeemable preferred shares - related party	2,764	3,209
Total liabilities	<u>256,262</u>	<u>351,633</u>
Shareholders' equity:		
Total shareholders' equity	<u>1,152,295</u>	<u>1,138,900</u>
Total liabilities and shareholders' equity	<u><u>\$ 1,408,557</u></u>	<u><u>\$ 1,490,533</u></u>

*See accompanying notes to condensed financial statements.*

**PERIMETER SOLUTIONS, SA**  
**PARENT COMPANY INFORMATION**  
**CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**(in thousands)**

	Year Ended December 31, 2023	Year Ended December 31, 2022	November 9, 2021 through December 31, 2021
Operating expenses:			
Selling, general and administrative expense	\$ 13,886	\$ 18,471	\$ 2,254
Founders advisory fees - related party	(108,481)	(117,302)	652,990
Total operating (income) expense	<u>(94,595)</u>	<u>(98,831)</u>	<u>655,244</u>
Operating income (loss)	94,595	98,831	(655,244)
Other expenses	<u>6,201</u>	<u>5,267</u>	<u>934</u>
Income (loss) before undistributed earnings of subsidiaries	88,394	93,564	(656,178)
Undistributed earnings of subsidiaries	<u>(20,908)</u>	<u>(1,806)</u>	<u>(24,279)</u>
Net income (loss)	<u>67,486</u>	<u>91,758</u>	<u>(680,457)</u>
Total comprehensive income (loss)	<u><u>\$ 67,486</u></u>	<u><u>\$ 91,758</u></u>	<u><u>\$ (680,457)</u></u>

*See accompanying notes to condensed financial statements.*



**PERIMETER SOLUTIONS, SA**  
**PARENT COMPANY INFORMATION**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**(in thousands)**

	Year Ended December 31, 2023	Year Ended December 31, 2022	November 9, 2021 through December 31, 2021
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ 67,486	\$ 91,758	\$ (680,457)
Adjustments to reconcile net income (loss) to net cash used in operating activities			
Founders advisory fees - related party (change in accounting fair value)	(108,481)	(117,302)	—
Equity in earnings of subsidiaries	20,908	1,806	24,279
Interest and payment-in-kind on preferred shares	4,754	5,229	944
Share-based compensation	361	285	1,182
Share-based compensation - Founders advisory fees - related party (equity settled)	—	—	287,200
Changes in operating assets and liabilities, net of acquisitions:			
Intercompany receivable	16,038	766	(14,325)
Prepaid expenses and current other assets	898	4,496	(8,195)
Accounts payable	(2,792)	3,090	455
Accrued expenses and other current liabilities	265	1,729	889
Founders advisory fees - related party (cash settled)	(4,655)	(53,547)	365,789
Net cash used in operating activities	<u>(5,218)</u>	<u>(61,690)</u>	<u>(22,239)</u>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(142)	(124)	—
Investment in subsidiaries	14,000	(71,638)	(1,209,155)
Intercompany note receivable	—	20,000	(20,000)
Net cash provided by (used in) investing activities	<u>13,858</u>	<u>(51,762)</u>	<u>(1,229,155)</u>
<b>Cash flows from financing activities:</b>			
Ordinary shares repurchased	(64,066)	(44,333)	—
Proceeds from exercise of warrants	—	529	—
Sale of Ordinary Shares issued to Director Subscribers	—	—	2,000
Net cash (used in) provided by financing activities	<u>(64,066)</u>	<u>(43,804)</u>	<u>2,000</u>
Net change in cash and cash equivalents	(55,426)	(157,256)	(1,249,394)
Cash and cash equivalents, beginning of period	59,157	216,413	1,465,807
Cash and cash equivalents, end of period	<u>\$ 3,731</u>	<u>\$ 59,157</u>	<u>\$ 216,413</u>
<b>Non-cash investing and financing activities:</b>			
Liability portion of founders advisory fees - related party reclassified to additional paid in capital	\$ 2,618	\$ 19,568	\$ —
Redeemable preferred shares issued as consideration for business combination	\$ —	\$ —	\$ 100,000
Management Subscribers rollover contribution	\$ —	\$ —	\$ 11,048

*See accompanying notes to condensed financial statements.*

**PERIMETER SOLUTIONS, SA**  
**PARENT COMPANY INFORMATION**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**Basis of Presentation**

The condensed parent-only financial statements have been prepared in accordance with Rule 12-04, Schedule I of Regulation S-X, as the restricted net assets of the subsidiaries of the Company exceed 25% of the consolidated net assets of the Company.

Perimeter Solutions, SA, (the “Parent Company”), has no material assets or standalone operations other than its ownership in its consolidated subsidiaries, the redeemable preferred shares described in Notes 7 and 10, the cash from the proceeds of sale of Ordinary Shares described in Note 3, the cash paid on repurchase of Ordinary Shares described in Note 10 and the Founder Advisory Fees described in Notes 11 and 13. Under the terms of the Revolving Credit Facility entered into by the SK Intermediate II, a wholly owned subsidiary of SK Intermediate, which itself is a wholly owned subsidiary of Perimeter Solutions, SA, SK Intermediate II is restricted from making dividends, distributions, or other payments to Perimeter Solutions, SA. As of December 31, 2023, substantially all of the consolidated net assets of SK Intermediate II are considered restricted net assets as defined in Rule 4-08(e)(3) of Regulation S-X.

The accompanying condensed financial statements include the accounts of the Parent Company and, on an equity basis, its direct and indirect subsidiaries and affiliates. Accordingly, these condensed financial statements have been presented on a “parent-only” basis. Under a parent-only presentation, the Parent Company’s investments in subsidiaries are presented under the equity method of accounting. These condensed parent company financial statements have been prepared using the same accounting principles and policies described in the notes to the consolidated financial statements, with the only exception being that the parent company accounts for its subsidiaries using the equity method. These condensed parent-only financial statements should be read in conjunction with the consolidated financial statements and related notes thereto.

## **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

### **Item 9A. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

As required by Rule 13a-15(b) under the Exchange Act, PSSA has evaluated, under the supervision and with the participation of the Company's management, including PSSA's principal executive officer and principal financial officer, the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the fiscal year covered by this Annual Report. Based on such evaluation, PSSA's principal executive officer and principal financial officer have concluded that the design and operation of our disclosure controls and procedures were effective as of December 31, 2023.

#### **Management's Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision of our principal executive officer and principal financial officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2023, based on the guidelines established in Internal Control — Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2023.

BDO USA, P.C. the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K, has provided an attestation report on PSSA's internal control over financial reporting which is included in Part II, Item 8. "Financial Statements and Supplementary Data" in this Annual Report.

#### **Remediation of Previously Reported Material Weaknesses**

In connection with the evaluation of the Company's internal control over financial reporting as described above, management disclosed the following material weakness in our control environment as of December 31, 2022:

- Failure to design and implement review controls at a sufficient level of precision over the consideration of key terms and conditions affecting grant date in accordance with ASC 718, *Compensation — Stock Compensation*, when accounting for performance-based stock.
- Failure to design and implement review controls at a sufficient level of precision around complex accounting areas and related disclosures, including business combinations and goodwill impairment assessment, specifically related to the determination of carrying value and review of valuation assumptions.
- Failure to design and implement controls over the business combination and its effects on the presentation of the statement of cash flows, equity issuance costs, and transaction costs and the judgments made in the determination of purchase consideration.

In response to the material weaknesses, and as previously disclosed in Item 9A of our annual report on Form 10-K for the year ended December 31, 2022, we implemented a remediation plan which included, but was not limited to, enhancing the precision of certain review controls as well as maintaining continuous oversight and driving accountability related to the execution of internal controls over financial reporting. The enhancements made to our control environment were in place as of December 31, 2023, and based on the evaluation of relevant internal controls, management has concluded that the material weaknesses previously identified have been remediated as of December 31, 2023.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting other than as described above.

**Item 9B. Other Information.***(c) Trading Plans*

On June 9, 2023, Haitham Khouri, Chief Executive Officer and Director of the Company, entered into a 10b5-1 sales plan (the “Khouri 10b-5-1 Sales Plan”) intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. The Khouri 10b5-1 Sales Plan provides for the sale of up to 600,000 Ordinary Shares and will remain in effect until the earlier of (1) March 24, 2024 and (2) the date on which an aggregate 600,000 Ordinary Shares have been sold under the Khouri 10b5-1 Sales Plan.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not Applicable.

### **PART III**

#### **Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by this item will be set forth in the Company's definitive proxy statement to be filed with the SEC no later than 120 days subsequent to December 31, 2023 with respect to its 2024 annual meeting of shareholders and is incorporated herein by reference.

#### **Item 11. Executive Compensation.**

The information required by this item will be set forth in the Company's definitive proxy statement to be filed with the SEC no later than 120 days subsequent to December 31, 2023 with respect to its 2024 annual meeting of shareholders and is incorporated herein by reference.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required by this item will be set forth in the Company's definitive proxy statement to be filed with the SEC no later than 120 days subsequent to December 31, 2023 with respect to its 2024 annual meeting of shareholders and is incorporated herein by reference.

#### **Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this item will be set forth in the Company's definitive proxy statement to be filed with the SEC no later than 120 days subsequent to December 31, 2023 with respect to its 2024 annual meeting of shareholders and is incorporated herein by reference.

#### **Item 14. Principal Accounting Fees and Services.**

The information required by this item will be set forth in the Company's definitive proxy statement to be filed with the SEC no later than 120 days subsequent to December 31, 2023 with respect to its 2024 annual meeting of shareholders and is incorporated herein by reference.

## **PART IV**

### **Item 15. Exhibits, Financial Statement Schedules.**

(a) The following documents are filed as a part of this report:

- (1) Financial Statements: The consolidated financial statements and related notes, together with the report of BDO USA, P.C., Independent Registered Public Accounting Firm, appear in Part II, Item 8, Financial Statements and Supplementary Data, of this Annual Report.
- (2) Financial Statement Schedules: Financial statement schedules have been omitted because they either are not required, not applicable, or the information required to be presented is included in the Company's consolidated financial statements and related notes.
- (3) Exhibits:

See Index to Exhibits on page 115.

### **Item 16. Form 10-K Summary**

None.

## INDEX TO EXHIBITS

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
2.1	Business Combination Agreement, dated as of June 15, 2021, among EverArc Holdings Limited, SK Invictus Intermediate S.à r.l., Perimeter Solutions, SA, EverArc (BVI) Merger Sub Limited and SK Invictus Holdings, S.à r.l.	S-4	2.1	September 1, 2021
3.1	Articles of Association of Perimeter Solutions, SA.	S-1/A	3.2	November 10, 2021
4.1	Description of Securities.	10-K	4.1	March 1, 2023
4.2	Perimeter Solutions, SA Warrant Instrument.	S-1/A	4.4	November 10, 2021
4.3	Indenture, dated as of October 22, 2021 between EverArc Escrow S.à r.l. and U.S. Bank National Association.	S-4/A	4.5	October 25, 2021
10.1†	Advisory Services Agreement, dated as of December 12, 2019 by and between EverArc Holdings Limited and EverArc Founders LLC.	S-4/A	10.3	October 8, 2021
10.2†	Assignment and Assumption Agreement, dated as of November 9, 2021 by and between Perimeter Solutions, SA, EverArc Holdings Limited and EverArc Founders LLC.	S-1/A	10.16	November 10, 2021
10.3†	Employment Agreement, dated as of October 1, 2021 by and between Perimeter Solutions, SA and Edward Goldberg.	S-4/A	10.6	October 8, 2021
10.4†	Employment Agreement, dated as of October 1, 2021 by and between Perimeter Solutions, SA and Shannon Horn.	S-4/A	10.7	October 8, 2021
10.5	Letter Agreement, dated as of June 15, 2021 between EverArc Holdings Limited, Perimeter Solutions, SA and Edward Goldberg.	S-4/A	10.12	October 8, 2021
10.6	Letter Agreement, dated as of June 15, 2021 between EverArc Holdings Limited, Perimeter Solutions, SA and Shannon Horn.	S-4/A	10.8	October 8, 2021
10.7†	Perimeter Solutions, SA 2021 Equity Incentive Plan.	S-1/A	10.13	November 10, 2021
10.8	Credit Agreement, dated as of November 9, 2021, by and among SK Invictus Intermediate S.à r.l., as guarantor; SK Invictus Intermediate II S.à r.l., as borrower; the other guarantors party thereto; the lenders, L/C issuers and swing line lender parties thereto; Morgan Stanley Senior Funding, Inc., as administrative agent; and Morgan Stanley Senior Funding, Inc., Barclays Bank PLC and Goldman Sachs Bank USA, as joint lead arrangers and bookrunning managers.	S-1/A	10.15	November 10, 2021
10.9†	Employment Agreement, dated as of May 6, 2022 by and between Perimeter Solutions, SA and Charles Kropp.	10-Q	10.2	May 10, 2022
10.10†	Employment Agreement, dated as of May 6, 2022 by and between Perimeter Solutions, SA and Jeffrey Emery.	10-K	10.15	March 1, 2023
10.11†	Employment Agreement, dated as of March 8, 2023 by and between Perimeter Solutions, SA and Haitham Khouri.	10-Q	10.1	May 10, 2023
10.12†	Amendment to the Employment Agreement, dated as of March 8, 2023 by and between Perimeter Solutions, SA and Edward Goldberg.	10-Q	10.2	May 10, 2023
10.13†	Employment Agreement, dated as of October 1, 2021 by and between Perimeter Solutions, SA and Noriko Yokozuka.	10-Q	10.3	May 10, 2023
10.14†	Form of 2021 Option Award Agreement (As Amended).	8-K	10.1	May 12, 2023
10.15†	Form of 2022 Option Award Agreement (As Amended).	8-K	10.2	May 12, 2023
10.16†	Form of 2023 Option Award Agreement.	8-K	10.3	May 12, 2023
10.17†*	Separation and Release Agreement, dated as of November 16, 2023 by and between Perimeter Solutions, SA and Charles Kropp.			
10.18†*	Employment Agreement, dated as of November 16, 2023 by and between Perimeter Solutions, SA and Kyle Sable.			
21.1_	Subsidiaries of Perimeter Solutions, SA			
23.1_	Consent of BDO USA, P.C.			

- 31.1\* Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2\* Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1\*\* Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 97.1\* Perimeter Solutions, SA Executive Officer Clawback Policy.
- 101.INS\* Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
- 101.SCH\* XBRL Taxonomy Extension Schema Document
- 101.CAL\* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF\* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB\* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document
- 104\* Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

\* Filed herewith.

\*\* Furnished herewith.

† Management contract or compensatory plan or arrangement.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Perimeter Solutions, SA

Date: February 22, 2024

By: /s/ Haitham Khouri

Haitham Khouri  
Chief Executive Officer and Director  
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Name	Title	Date
<u>/s/ Haitham Khouri</u> Haitham Khouri	Chief Executive Officer and Director (Principal Executive Officer)	February 22, 2024
<u>/s/ Kyle Sable</u> Kyle Sable	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 22, 2024
<u>/s/ W. Nicholas Howley</u> W. Nicholas Howley	Co-Chairman of the Board	February 22, 2024
<u>/s/ William N. Thorndike, Jr.</u> William N. Thorndike, Jr.	Co-Chairman of the Board	February 22, 2024
<u>/s/ Edward Goldberg</u> Edward Goldberg	Vice-Chairman and Director	February 22, 2024
<u>/s/ Vivek Raj</u> Vivek Raj	Director	February 22, 2024
<u>/s/ Tracy Britt Cool</u> Tracy Britt Cool	Director	February 22, 2024
<u>/s/ Bernt Iversen II</u> Bernt Iversen II	Director	February 22, 2024
<u>/s/ Sean Hennessy</u> Sean Hennessy	Director	February 22, 2024
<u>/s/ Robert S. Henderson</u> Robert S. Henderson	Director	February 22, 2024