FEDERAL SIGNAL

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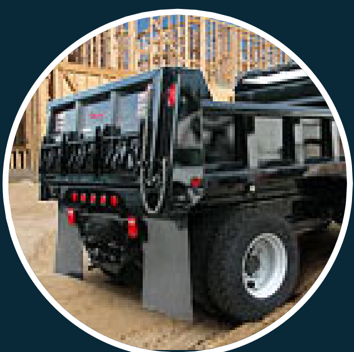
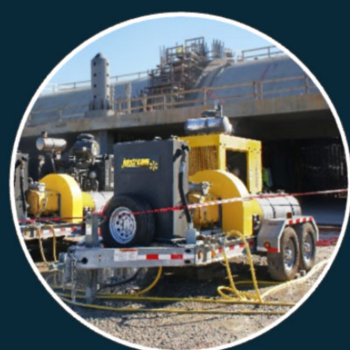
Federal Signal Q3 2022 Earnings Call

November 3, 2022





Jennifer Sherman, President & Chief Executive Officer
Ian Hudson, SVP, Chief Financial Officer

Safe Harbor

This presentation contains unaudited financial information and various forward-looking statements as of the date hereof and we undertake no obligation to update these forward-looking statements regardless of new developments or otherwise. Statements in this presentation that are not historical are forward-looking statements. Such statements are subject to various risks and uncertainties that could cause actual results to vary materially from those stated. Such risks and uncertainties include but are not limited to: direct and indirect impacts of the coronavirus pandemic and the associated government response, risks and adverse economic effects associated with emerging geopolitical conflicts, product and price competition, supply chain disruptions, work stoppages, availability and pricing of raw materials, cybersecurity risks, risks associated with acquisitions such as integration of operations and achieving anticipated revenue and cost benefits, foreign currency exchange rate changes, interest rate changes, increased legal expenses and litigation results, legal and regulatory developments and other risks and uncertainties described in filings with the Securities and Exchange Commission (SEC).

This presentation also contains references to certain non-GAAP financial information. Such items are reconciled herein, in our earnings news release provided as of the date of this presentation or in other investor materials filed with the SEC.

Q3 Highlights *

- Net sales of $346 M, up $48 M, or 16%
  - *Organic growth of $27 M, or 9%*
- Operating income of $39.5 M, up $5.2 M, or 15%
- Adjusted EBITDA of $53.5 M, up $6.1 M, or 13%
  - *Adjusted EBITDA margin of 15.4%, compared to 15.9%*
- GAAP EPS of $0.52, up $0.05, or 11%
- Adjusted EPS of $0.53, up $0.05, or 10%
- Orders of $382 M, up $32 M, or 9%
- Record backlog of $824 M, up $337 M, or 69%

** Comparisons versus Q3 of 2021*

Group and Corporate Results

$ millions, except %		Q3 2022	Q3 2021	% Change
ESG	**Orders**	**321.4**	**292.1**	**10%**
	Sales	**284.8**	**249.1**	**14%**
	Operating income	**33.9**	**30.8**	**10%**
	Operating margin	*11.9%*	*12.4%*	
	Adjusted EBITDA	**46.5**	**42.7**	**9%**
	Adjusted EBITDA margin	*16.3%*	*17.1%*	
SSG	**Orders**	**60.7**	**58.3**	**4%**
	Sales	**61.6**	**49.2**	**25%**
	Operating income	**10.5**	**7.6**	**38%**
	Operating margin	*17.0%*	*15.4%*	
	Adjusted EBITDA	**11.5**	**8.5**	**35%**
	Adjusted EBITDA margin	*18.7%*	*17.3%*	
Corporate expenses		**4.9**	**4.1**	**20%**
Consolidated	**Orders**	**382.1**	**350.4**	**9%**
	Sales	**346.4**	**298.3**	**16%**
	Operating income	**39.5**	**34.3**	**15%**
	Operating margin	*11.4%*	*11.5%*	
	Adjusted EBITDA	**53.5**	**47.4**	**13%**
	Adjusted EBITDA margin	*15.4%*	*15.9%*	

Consolidated Statement of Operations

$ millions, except % and per share	Q3 2022	Q3 2021	$ Change	% Change
Net sales	$ 346.4	$ 298.3	$ 48.1	16%
Gross profit	82.8	70.9	11.9	17%
SEG&A expenses	39.8	33.4	6.4	19%
Amortization expense	3.1	2.8	0.3	11%
Acquisition and integration related expenses	0.4	0.4	-	0%
Operating income	39.5	34.3	5.2	15%
Interest expense	2.7	1.1	1.6	145%
Other expense (income), net	0.1	(0.3)	0.4	-133%
Income tax expense	4.9	4.3	0.6	14%
Net income	31.8	29.2	2.6	9%
Diluted EPS	$ 0.52	$ 0.47	$ 0.05	11%
Diluted adjusted EPS	$ 0.53	$ 0.48	$ 0.05	10%
Gross Margin	23.9%	23.8%		
SEG&A expenses as a % of net sales	11.5%	11.2%		
Effective tax rate	13.4%	12.8%		

Adjusted Earnings per Share

($ in millions)	Three Months Ended September 30, 2022	2021	Nine Months Ended September 30, 2022	2021
Net income, as reported	$ 31.8	$ 29.2	$ 85.8	$ 81.1
Add:				
Income tax expense	4.9	4.3	23.1	17.3
Income before income taxes	36.7	33.5	108.9	98.4
Add:				
Acquisition and integration-related expenses (benefits)	0.4	0.4	(1.0)	0.9
Pension-related charges	-	-	-	0.3
Coronavirus-related expenses (1)	-	-	-	1.2
Purchase accounting effects	-	0.1	-	0.5
Adjusted income before income taxes	37.1	34.0	107.9	101.3
Adjusted income tax expense (2)	(4.9)	(4.3)	(22.8)	(17.8)
Adjusted net income	**$ 32.2**	**$ 29.7**	**$ 85.1**	**$ 83.5**
Diluted EPS, as reported	$ 0.52	$ 0.47	$ 1.40	$ 1.31
Adjusted diluted EPS	**$ 0.53**	**$ 0.48**	**$ 1.39**	**$ 1.35**

(1) Coronavirus-related expenses in the nine months ended September 30, 2021 include direct expenses incurred as a result of the coronavirus pandemic, that are incremental to, and separable from, normal operations. These expenses primarily related to the Company's employee w ellness initiatives, including incremental paid time off and reimbursement for certain coronavirus-related expenses.

(2) Adjusted income tax expense for the three and nine months ended September 30, 2022 and 2021 w as recomputed after excluding the impact of acquisition and integration-related expenses (benefits), pension-related charges, coronavirus-related expenses and purchase accounting effects, w here applicable.

FEDERAL SIGNAL

Financial Strength and Flexibility *

Strong capital structure

- Cash and cash equivalents of ~$36 M
- Net debt of ~$296 M **
- In October 2022, executed a five-year, $800 M revolving credit facility, with opportunity to increase further by the greater of (i) $400 M or (ii) 100% of TTM consolidated EBITDA, subject to lenders approval
- Net debt leverage remains low
- Compliant with all covenants with significant headroom

Healthy cash flow and access to cash facilitate organic growth investment, M&A and cash returns to stockholders

- Generated ~$10 M of cash from operations in Q3 this year, bringing year-to-date operating cash generation to ~$32 M
- ~$160 M of availability under previous revolving credit facility
- Purchased University Park manufacturing facility for ~$28 M in Q1 2022
- Anticipating other cap ex of $20 M - $25 M in 2022, including investments in our plants to add capacity and gain efficiencies through automation
- Completed acquisition of TowHaul Corporation on October 3, 2022 for initial purchase price of $43 M
- Paid $5.5 M for dividends, reflecting dividend of $0.09 per share; recently declared similar dividend for Q4 2022
- YTD share repurchases of $16 M through Q3 2022; ~$59 M of authorization remaining under current program (~3% of market cap)

** Dollar amounts as of, or for the quarter ending 9/30/2022*
*** Net debt is a non-GAAP measure and is computed as total debt of $331.5 M, less total cash and cash equivalents of $35.5 M*

CEO Remarks – Q3 Performance

- Double-digit improvement in net sales and earnings, with adjusted EBITDA margin towards the high end of target range
- Record Q3 aftermarket revenues up 10% YoY; representing ~30% of ESG's revenues
- Sporadic supply chain disruptions impacted production and shipments at ESG early in the quarter
  - Sequential monthly improvements led to September being the highest production month this year at two of our largest facilities, with build rates up 35% since January
- Hurricane Ian led to some customer pick-up delays; ESG equipment playing a critical role in the relief effort
- Record Q3 performance at SSG, including 25% organic revenue growth, with an adjusted EBITDA margin above target range

CEO Remarks – Market Conditions

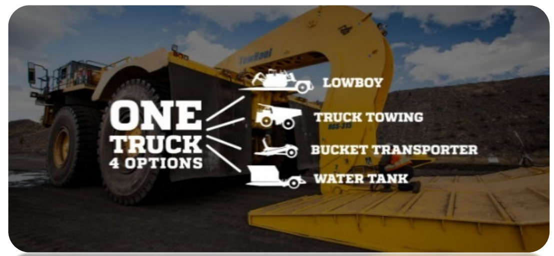
- Outstanding Q3 orders of $382 M, up $32 M, or 9% vs. last year; contributing to **another** record backlog
- U.S. municipal orders up 20% in **both** Q3 and YTD 2022; positively impacted by American Rescue Act stimulus funds
  - *YTD street sweeper orders up $40 M, or 40% vs. last year*
  - *YTD sewer cleaner orders up $25 M, or 22% vs. last year*
- Strong domestic municipal demand within SSG, with 9% order improvement YTD resulting from higher demand for public safety equipment
- U.S. industrial orders also up 15% YTD vs. last year
  - *YTD orders for safe digging trucks and industrial vacuum loaders collectively up $41 M, or 66%, vs. last year*

Acquisition of TowHaul Corporation

Product portfolio includes a comprehensive range of specialty trailers and vehicles that support the extraction of metals, with robust aftermarket business

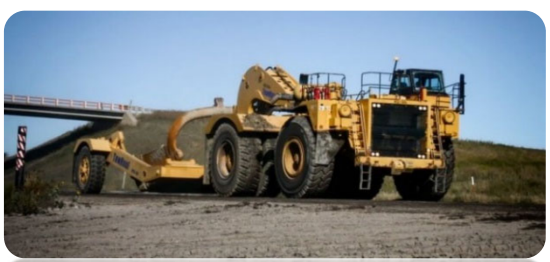
Lowboy Trailer

Multi-Purpose Gooseneck



Water Tank Carrier

Dragline Bucket Transporter



Road Conditioning Truck

Parts

Raising Mid-Point of 2022 Outlook

Raising mid-point of Adjusted EPS* and Sales Outlook

- ***New adjusted EPS* outlook range of $1.91 to $2.00, updated from $1.85 to $2.00***
- ***New sales outlook range of $1.41 B to $1.44 B, updated from $1.38 B to $1.45 B***

Key Assumptions

- Double-digit improvement in pre-tax earnings
- Depreciation and amortization expense: ~$56 M to $58 M
- Capital expenditures of $25 M to $30 M, excluding University Park building purchase
- Interest expense of ~$11 M; representing a headwind of up to $0.02 from previous outlook due to rising interest rates and increased borrowings for M&A
- Effective tax rate of ~22%
- Weighted average shares o/s: 61-62 M
- No significant deterioration in current supply chain environment; assumes steady flow of customer-provided chassis
- No significant increase in current input costs
- No significant COVID/flu-related absences

*Adjusted earnings per share (“EPS”) is a non-GAAP measure, which includes certain adjustments to reported GAAP income from continuing operations and diluted EPS. In 2021, we made adjustments to exclude the impact of acquisition and integration-related expenses (benefits), pension-related charges, coronavirus-related expenses and purchase accounting effects, where applicable. Should any similar items occur in 2022, we would expect to exclude them from the determination of adjusted EPS. However, because of the underlying uncertainty in quantifying amounts which may not yet be known, a reconciliation of our Adjusted EPS outlook to the most applicable GAAP measure is excluded based on the unreasonable efforts exception in Item 10(e)(1)(i)(B).

Looking Ahead

- Economic stimulus and infrastructure legislation expected to be catalysts for multi-year growth, benefiting most of our product offerings; well-positioned to respond with recent capacity expansions
- Continued order strength and record backlog provide good visibility into 2023; pricing actions generally accepted with no meaningful order cancellations
- Diversification of revenue streams and end markets over last several years has enabled us to adjust as needed to changing/challenging market conditions
  - Consistent EBITDA margin performance within our target ranges highlight resiliency of our businesses
- Strong financial position, with increased borrowing capacity and low leverage, supporting additional M&A; current pipeline remains active
- Continued investment in new product development, with momentum on electrification initiatives, including incorporating recent acquisitions into our electrification roadmap

Looking Ahead (cont.)

- Ongoing commitment to Environmental, Social and Governance initiatives provides differentiation in hiring and retaining skilled employees at most locations
  - Less than 20 hourly job openings (4%) at our largest facility in Streator, IL, where we continue to benefit from deep ties to the local community
  - Jetstream facility recognized for the second year in a row as a Top Place to Work in Houston
  - Recently held our annual leadership event, attended by ~60 executives
- Internal supply chain reorganization to increase material availability and drive cost synergies

Jetstream®
Subsidiary of Federal Signal Corporation

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Q&A

November 3, 2022

Jennifer Sherman, President & Chief Executive Officer
Ian Hudson, SVP, Chief Financial Officer

Investor Information

Stock Ticker - **NYSE:FSS**

Company website: federalsignal.com/investors

HEADQUARTERS

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Appendix

Consolidated Adjusted EBITDA

$ millions, except %	Q3 2022	Q3 2021
Net income	$ 31.8	$ 29.2
Add:		
Interest expense	2.7	1.1
Acquisition and integration-related expenses	0.4	0.4
Other expense (income), net	0.1	(0.3)
Income tax expense	4.9	4.3
Depreciation and amortization	13.6	12.7
Consolidated adjusted EBITDA	$ 53.5	$ 47.4
Net Sales	$ 346.4	$ 298.3
Consolidated adjusted EBITDA margin	15.4%	15.9%

Segment Adjusted EBITDA

ESG

$ millions, except %	Q3 2022	Q3 2021
Operating Income	$ 33.9	$ 30.8
Add:		
Acquisition and integration-related expenses	0.1	0.1
Depreciation and amortization	12.5	11.8
Adjusted EBITDA	$ 46.5	$ 42.7
Net Sales	$ 284.8	$ 249.1
Adjusted EBITDA margin	16.3%	17.1%

SSG

$ millions, except %	Q3 2022	Q3 2021
Operating Income	$ 10.5	$ 7.6
Add:		
Depreciation and amortization	1.0	0.9
Adjusted EBITDA	$ 11.5	$ 8.5
Net Sales	$ 61.6	$ 49.2
Adjusted EBITDA margin	18.7%	17.3%

Non-GAAP Measures

- Adjusted net income and earnings per share ("EPS") - The Company believes that modifying its 2022 and 2021 net income and diluted EPS provides additional measures which are representative of the Company's underlying performance and improves the comparability of results between reporting periods. During the three and nine months ended September 30, 2022 and 2021, adjustments were made to reported GAAP net income and diluted EPS to exclude the impact of acquisition and integration-related expenses (benefits), pension-related charges, coronavirus-related expenses and purchase accounting effects, as applicable.

- Adjusted EBITDA and adjusted EBITDA margin - The Company uses adjusted EBITDA and the ratio of adjusted EBITDA to net sales ("adjusted EBITDA margin"), at both the consolidated and segment level, as additional measures which are representative of its underlying performance and to improve the comparability of results across reporting periods. We believe that investors use versions of these metrics in a similar manner. For these reasons, the Company believes that adjusted EBITDA and adjusted EBITDA margin, at both the consolidated and segment level, are meaningful metrics to investors in evaluating the Company's underlying financial performance. Other companies may use different methods to calculate adjusted EBITDA and adjusted EBITDA margin.

- Consolidated adjusted EBITDA is a non-GAAP measure that represents the total of net income, interest expense, acquisition and integration-related expenses (benefits), coronavirus-related expenses, purchase accounting effects, other income/expense, income tax expense, and depreciation and amortization expense, as applicable. Consolidated adjusted EBITDA margin is a non-GAAP measure that represents the total of net income, interest expense, acquisition and integration-related expenses (benefits), coronavirus-related expenses, purchase accounting effects, other income/expense, income tax expense, and depreciation and amortization expense, as applicable, divided by net sales for the applicable period(s).

- Segment adjusted EBITDA is a non-GAAP measure that represents the total of segment operating income, acquisition and integration-related expenses (benefits), coronavirus-related expenses, purchase accounting effects and depreciation and amortization expense, as applicable. Segment adjusted EBITDA margin is a non-GAAP measure that represents the total of segment operating income, acquisition and integration-related expenses (benefits), coronavirus-related expenses, purchase accounting effects and depreciation and amortization expense, as applicable, divided by net sales for the applicable period(s). Segment operating income includes all revenues, costs and expenses directly related to the segment involved. In determining segment income, neither corporate nor interest expenses are included. Segment depreciation and amortization expense relates to those assets, both tangible and intangible, that are utilized by the respective segment.


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