FEDERAL SIGNAL
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Federal Signal Q4 2021 Earnings Call

March 1, 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.

2021 in Review

- Delivered 2nd highest adjusted EPS in the Company's history
- Record orders and EBITDA margin performance towards high end of current target range
- Made good progress against several long-term objectives in 2021:
  - Investment in internal growth opportunities, including investments in machinery and equipment and recent purchases of two of the Company's largest manufacturing facilities (Elgin, IL and University Park, IL)
  - Continued funding of new product development, with focus on electrification
  - Completed three acquisitions in 2021 – OSW, Ground Force and Deist; integration efforts well underway
  - Funded combined $37 M of cash dividends and share repurchases
- Issued second annual Sustainability Report

Full-Year Financial Highlights *

- Net sales of $1.21 B, up $82 M, or 7%
- Operating income of $130.7 M, vs. $131.4 M
- Adjusted EBITDA of $180.5 M, vs. $182.2 M
- Adjusted EBITDA margin of 14.9%, vs. 16.1%
- GAAP EPS of $1.63, up $0.07, or 4%
- Adjusted EPS of $1.75, up $0.08, or 5%

** Comparisons versus full year 2020*

Q4 Highlights *

- Net sales of $301 M, up $7 M, or 2%
- Operating income of $30.1 M, vs. $33.8 M
- Adjusted EBITDA of $40.0 M, vs. $47.0 M
- Adjusted EBITDA margin of 13.3%, vs. 15.9%
- GAAP EPS of $0.32, vs. $0.42
  - GAAP earnings include $10.3 M pre-tax pension settlement charge, partially offset by $3 M increase in discrete tax benefits and gain from M&A activity
- Adjusted EPS of $0.40, vs. $0.44
- Record orders of $444 M, up $168 M, or 61%
- Record Backlog of $629 M, up $325 M, or 107%

** Comparisons versus Q4 of 2020, unless otherwise noted*

Group and Corporate Results

$ millions, except %		Q4 2021	Q4 2020	% Change
ESG	**Orders**	**$ 381.3**	**$ 224.8**	**70%**
	Sales	**245.5**	**237.6**	**3%**
	Operating income	**24.1**	**33.3**	**-28%**
	Operating margin	*9.8%*	*14.0%*	
	Adjusted EBITDA	**36.2**	**44.2**	**-18%**
	Adjusted EBITDA margin	*14.7%*	*18.6%*	
SSG	**Orders**	**62.5**	**51.3**	**22%**
	Sales	**55.9**	**57.2**	**-2%**
	Operating income	**10.1**	**10.3**	**-2%**
	Operating margin	*18.1%*	*18.0%*	
	Adjusted EBITDA	**11.0**	**11.2**	**-2%**
	Adjusted EBITDA margin	*19.7%*	*19.6%*	
Corporate expenses		**4.1**	**9.8**	**-58%**
Consolidated	**Orders**	**443.8**	**276.1**	**61%**
	Sales	**301.4**	**294.8**	**2%**
	Operating income	**30.1**	**33.8**	**-11%**
	Operating margin	*10.0%*	*11.5%*	
	Adjusted EBITDA	**40.0**	**47.0**	**-15%**
	Adjusted EBITDA margin	*13.3%*	*15.9%*	

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Income from Continuing Operations

$ millions, except % and per share	Q4 2021	Q4 2020	$ Change	% Change
Net sales	$ 301.4	$ 294.8	$ 6.6	2%
Gross profit	67.4	75.9	(8.5)	-11%
SEG&A expenses	37.6	38.4	(0.8)	-2%
Amortization expense	2.7	2.4	0.3	13%
Acquisition and integration-related (benefits) expenses	(3.0)	1.3	(4.3)	NM
Operating income	30.1	33.8	(3.7)	-11%
Interest expense	1.2	1.2	-	0%
Pension settlement charges	10.3	-	10.3	NM
Other income, net	(0.6)	(1.0)	0.4	-40%
Income tax (benefit) expense	(0.3)	7.6	(7.9)	NM
Income from continuing operations	$ 19.5	$ 26.0	$ (6.5)	-25%
Diluted earnings per share	$ 0.32	$ 0.42	$ (0.10)	-24%
Diluted adjusted earnings per share	$ 0.40	$ 0.44	$ (0.04)	-9%
Gross Margin	22.4%	25.7%		
SEG&A expenses as a % of net sales	12.5%	13.0%		
Effective tax rate	-1.6%	22.6%		

Adjusted Earnings per Share

($ in millions, except per share data)	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020	Twelve Months Ended December 31, 2021	Twelve Months Ended December 31, 2020
Income from continuing operations	$ 19.5	$ 26.0	$ 100.6	$ 96.1
Add (less):				
Income tax (benefit) expense	(0.3)	7.6	17.0	28.5
Income before income taxes	19.2	33.6	117.6	124.6
Add (less):				
Acquisition and integration-related (benefits) expenses	(3.0)	1.3	(2.1)	2.1
Pension-related charges (1)	10.3	(0.2)	10.6	2.3
Restructuring	-	-	-	1.3
Coronavirus-related expenses (2)	-	0.1	1.2	2.3
Purchase accounting effects (3)	0.2	0.2	0.7	0.7
Adjusted income before income taxes	26.7	35.0	128.0	133.3
Adjusted income tax expense (4)	(1.8)	(7.8)	(19.6)	(30.3)
Adjusted income from continuing operations	**$ 24.9**	**$ 27.2**	**$ 108.4**	**$ 103.0**
Diluted EPS	$ 0.32	$ 0.42	$ 1.63	$ 1.56
Adjusted diluted EPS	**$ 0.40**	**$ 0.44**	**$ 1.75**	**$ 1.67**

(1) Pension-related charges in the three and twelve months ended December 31, 2021 include $10.3 million of pension settlement charges incurred in connection with a pension annuitization project. In addition, during the twelve months ended December 31, 2021 and 2020, the Company recorded charges of $0.3 million and $2.3 million, respectively, in connection with the withdrawal from multi-employer pension plans. Such charges are included as a component of Other (income) expense, net on the Consolidated Statements of Operations.

(2) Coronavirus-related expenses in the three and twelve months ended December 31, 2021 and 2020 relate to direct expenses incurred in connection with the Company's response to the coronavirus pandemic, that are incremental to, and separable from, normal operations. Such expenses primarily relate to incremental paid time off provided to employees and costs incurred to implement enhanced workplace safety protocols.

(3) Purchase accounting effects in the three and twelve months ended December 31, 2021 and 2020 relate to adjustments to exclude the step-up in the valuation of equipment acquired in recent business combinations that was sold during the periods presented.

(4) Adjusted income tax expense for the three and twelve months ended December 31, 2021 and 2020 was recomputed after excluding the impact of acquisition and integration-related (benefits) expenses, pension-related charges, restructuring activity, coronavirus-related expenses, and purchase accounting effects, where applicable.

Financial Strength and Flexibility *

Strong capital structure	• Cash and cash equivalents of $41 M • Net debt of ~$242 M ** • In July 2019, we executed a five-year, $500 M revolving credit facility, with flexibility to increase by additional $250 M for acquisitions • No debt maturities until July 2024 • Net debt leverage remains low • Compliant with all covenants with significant headroom
Healthy cash flow and access to cash facilitate further organic growth investments and cash returns to stockholders	• Generated ~$47 M of cash from operations in Q4 this year, bringing full-year operating cash generation to $102 M • ~$209 M of availability under revolving credit facility • Continuing to invest in organic growth; purchased Elgin, IL manufacturing facility in Q4 (~$20 M) and University Park, IL manufacturing facility in February 2022 (~$28 M) • Completed acquisition of Ground Force Worldwide on October 4, 2021 for initial payment of ~$43 M • Completed acquisition of Deist Industries, Inc. on December 30, 2021 for initial payment of ~$37 M • Paid $5.5 M for dividends in Q4, bringing the total paid in 2021 to $22.0 M; recently declared dividend of $0.09 per share for Q1 2022 • Share repurchases totaling $15.4 M during 2021 ($12.0 M in Q4); ~$75 M of repurchase authorization remaining under current programs (~3% of market cap)

** Dollar amounts as of, or for the quarter ending 12/31/2021, unless otherwise noted*

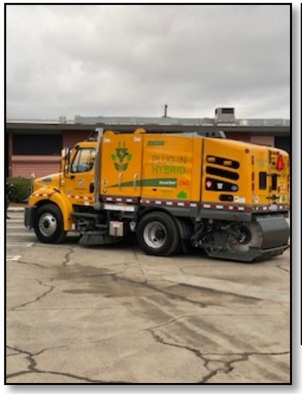
*** Net debt is a non-GAAP measure and is computed as total debt of $282.8 M, less total cash and cash equivalents of $40.5 M*

CEO Comments – Q4 Performance

- Record quarterly orders and backlog, with orders > $1.5 B for first time in Company's history; municipal and industrial orders both up ~50% vs. last year
- With lead times extended and chassis supply tightness, Q4 orders include some "pull forward", which could cause distortion in order comparisons in subsequent quarters
- Q4 results impacted by supply chain shortages, notably for chassis, which caused us to constantly modify production and sporadically shut down operations
- Aftermarket business again strong, with Q4 revenues up $12 M, or 19%, vs. last year; represents ~30% of ESG revenues
- Omicron variant caused dramatic increase in employee absences at our facilities and suppliers; trends continued into January when we recorded ~300 positive cases, about 8x-9x higher than run rate in prior months
  - Estimate that we lost 20,000 direct labor hours in January alone
- Ongoing pressure from inflation; continuing to take pricing actions in response
- Delays in receiving customer-supplied chassis, and some additional inflationary increases meant we had less price realization than previously anticipated

CEO Comments - Looking Ahead

- Remain focused on delivering strong results, while continuing to execute long-term strategy
- Balance sheet provides opportunities to drive both organic growth and M&A
- Aftermarket business has grown to represent ~30% of ESG revenues; additional projects underway to drive further growth
- Ongoing focus on electrification efforts; our first two plug-in hybrid electric street sweepers were recently placed into service



On February 15, 2022, the city of Los Angeles introduced the nation's first two Elgin plug-in hybrid electric Broom Bear street sweepers into service

CEO Comments - Looking Ahead (cont.)

- Seeing benefits from federal stimulus funding in our municipal orders
- Expect that infrastructure bill could provide meaningful benefits for most of our product offerings
- Continue to be bullish about safe-digging opportunity and expect to see an uptick in demand with recent increase in oil prices
- M&A pipeline remains active
- Expect supply chain tightness to persist in 2022

The recently-launched TRUVAC TRXX vacuum excavator is a compact trailer with the power and features required at a variety of jobsites to perform a wide range of tasks

2022 Outlook

Adjusted EPS* ranging from $1.76 to $2.00

Key Assumptions

- Revenue of $1.35 B to $1.45 B, including full-year contribution from 2021 acquisitions; represents YoY growth of 11% - 20% vs. $1.21 B in 2021
- Double-digit improvement in pre-tax earnings
- Depreciation and amortization expense of ~$60 M
- Capital expenditures of $25 M to $30 M, excluding University Park building purchase
- Interest expense of ~$6-8 M
- Effective tax rate resets to a normalized rate of ~25%, excluding discrete items; YoY EPS headwind of ~$0.20
- ~62 M weighted average shares outstanding
- Although seasonal effects typically result in Q1 earnings being lower than subsequent quarters, expect Q1 2022 to be softer than normal, largely due to supply chain volatility, COVID-related absences and adverse weather effects
- Expect recovery over remainder of the year, with 2H earnings expected to represent ~60% of full-year earnings
- No significant deterioration in current supply chain environment; assumes steady flow of customer-provided chassis
- No significant increase in current input costs

*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 (benefits) expenses, pension-related charges, restructuring activity, 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).

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Q&A

March 1, 2022

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Ian Hudson, SVP, Chief Financial Officer

Investor Information

Stock Ticker - NYSE:FSS

Company website: federalsignal.com/investors

HEADQUARTERS

1415 West 22nd Street, Suite 1100
Oak Brook, IL 60523

INVESTOR RELATIONS CONTACTS

630-954-2000

Ian Hudson
SVP, Chief Financial Officer
IHudson@federalsignal.com

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Appendix

Consolidated Adjusted EBITDA

Consolidated	Three Months Ended December 31,		Twelve Months Ended December 31,	
$ millions, except %	2021	2020	2021	2020
Income from continuing operations	$ 19.5	$ 26.0	$ 100.6	$ 96.1
Add (less):				
Interest expense	1.2	1.2	4.5	5.7
Pension settlement charges	10.3	-	10.3	-
Acquisition and integration-related (benefits) expenses	(3.0)	1.3	(2.1)	2.1
Restructuring	-	-	-	1.3
Coronavirus-related expenses	-	0.1	1.2	2.3
Purchase accounting effects *	-	0.1	0.3	0.3
Other (income) expense, net	(0.6)	(1.0)	(1.7)	1.1
Income tax (benefit) expense	(0.3)	7.6	17.0	28.5
Depreciation and amortization	12.9	11.7	50.4	44.8
Consolidated adjusted EBITDA	$ 40.0	$ 47.0	$ 180.5	$ 182.2
Net Sales	$ 301.4	$ 294.8	$ 1,213.2	$ 1,130.8
Consolidated adjusted EBITDA margin	13.3%	15.9%	14.9%	16.1%

** Excludes purchase accounting expense effects included within depreciation and amortization of $0.2 million and $0.1 million for the three months ended December 31, 2021 and 2020, respectively, and $0.4 million and $0.4 million for the twelve months ended December 31, 2021 and 2020, respectively*

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Segment Adjusted EBITDA

ESG

$ millions, except %	Q4 2021	Q4 2020
Operating Income	$ 24.1	$ 33.3
Add:		
Acquisition and integration-related expenses	0.1	0.1
Purchase accounting effects *	-	0.1
Depreciation and amortization	12.0	10.7
Adjusted EBITDA	$ 36.2	$ 44.2
Net Sales	$ 245.5	$ 237.6
Adjusted EBITDA margin	14.7%	18.6%

** Excludes purchase accounting expense effects included within depreciation and amortization of $0.2 million and $0.1 million for the three months ended December 31, 2021 and 2020, respectively*

SSG

$ millions, except %	Q4 2021	Q4 2020
Operating Income	$ 10.1	$ 10.3
Add:		
Depreciation and amortization	0.9	0.9
Adjusted EBITDA	$ 11.0	$ 11.2
Net Sales	$ 55.9	$ 57.2
Adjusted EBITDA margin	19.7%	19.6%

Non-GAAP Measures

- Adjusted income from continuing operations and earnings per share ("EPS") - The Company believes that modifying its 2021 and 2020 income from continuing operations 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 twelve months ended December 31, 2021 and 2020, adjustments were made to reported GAAP income from continuing operations and diluted EPS to exclude the impact of acquisition and integration-related (benefits) expenses, pension-related charges, restructuring activity, coronavirus-related expenses and purchase accounting effects, where 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.

- Consolidated adjusted EBITDA is a non-GAAP measure that represents the total of income from continuing operations, interest expense, pension settlement charges, acquisition and integration-related (benefits) expenses, restructuring activity, coronavirus-related expenses, purchase accounting effects, other income/expense, income tax benefit/expense, and depreciation and amortization expense. Consolidated adjusted EBITDA margin is a non-GAAP measure that represents the total of income from continuing operations, interest expense, pension settlement charges, acquisition and integration-related (benefits) expenses, restructuring activity, coronavirus-related expenses, purchase accounting effects, other income/expense, income tax benefit/expense, and depreciation and amortization expense 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, restructuring activity, 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, restructuring activity, 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. Other companies may use different methods to calculate adjusted EBITDA and adjusted EBITDA margin.


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