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Federal Signal Corporation

Announcement Call

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CORPORATE PARTICIPANTS

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Jennifer L. Sherman, *President and Chief Executive Officer*

CONFERENCE CALL PARTICIPANTS

Gregory Burns, *Sidoti & Company, LLC*

Steve Barger, *KeyBanc Capital Markets*

Marco Rodriguez, *Stonegate Capital Markets*

Stefanos Crist, *CJS Securities*

PRESENTATION

Operator:

Greetings, and welcome to Federal Signal Corporation's Announcement Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad, and as a reminder, this conference is being recorded.

I would now like to turn the conference over to Ian Hudson, Chief Financial Officer. Thank you. Please go ahead.

Ian A. Hudson:

Good morning, and welcome to this Federal Signal conference call. I am Ian Hudson, the Company's Chief Financial Officer. Also with me on the call today is Jennifer Sherman, our President and Chief Executive Officer.

As you may have seen, we announced some exciting news this morning about our agreement to acquire Mark Rite Lines Equipment Company, or MRL. On today's call, we will go over the strategic rationale for the acquisition, provide an overview of MRL and its product offerings, and give some details on the economics of the transaction.

We will refer to some presentation slides today, as well as to the news release which we issued this morning. The slides can be followed online by going to our website, federalsignal.com, clicking on the Investor Call icon and signing into the webcast. We have also posted today's slide presentation and the news release under the Investor tab on our website.

Before we begin, I'd like to remind you that today's call and the related slides may contain forward-looking statements that are subject to the Safe Harbor language found in today's news release, the slide presentation, and in Federal Signal's filings with the Securities and Exchange Commission. These documents are available on our website.

With that, I would now like to turn the call over to Jennifer.

Jennifer L. Sherman:

Thank you, Ian, and good morning from Billings, Montana. I'm delighted to announce today that we have signed a definitive agreement to acquire Mark Rite Lines Equipment Company, a leading U.S. manufacturer of truck-mounted and ride-on-road-marking equipment. The acquisition also includes the operations of HighMark Traffic Services, a wholly-owned subsidiary of MRL, which provides road-marking application and line removal services, predominantly in the state of Montana. MRL and HighMark are headquartered here in Billings, and together employee about 250 people, most of whom I just spent time with to welcome to the Federal Signal family. The acquisition of MRL, which generated revenues of $67 million during 2018 with an EBITDA margin of around 13%, represents a natural and strategic extension of our market position as a specialty vehicle manufacturer serving maintenance and infrastructure markets.

As an industry leader, MRL designs, manufacturers, and sells a range of innovative products and customer-driven solutions for road-marking applications, line removal, and pavement grooving. MRL's comprehensive product portfolio of road-marking equipment consists of truck-mounted vehicles and self-propelled ride-on application solutions which utilize a broad array of materials, including thermoplastics, paint, and epoxy. In addition, MRL manufactures a series of trucks for mechanical line removal and high-speed pavement grooving. The systems which MRL builds on chassis consist of a series of sophisticated components with no body. Accordingly, MRL’s annual steel purchases are low at less than $2 million. Similar to our other ESG businesses, the recent wave of proposed tariffs are not expected to have a significant direct impact to MRL.

The price point for MRL's products can vary from around $50,000 for a ride-on Mini Mac road-marking machine to in excess of a half a million dollars for a complex thermoplastic truck. MRL also has an attractive aftermarkets business, consisting primarily of parts sales and service revenues. Because of weather factors, the services business has some seasonality and its performance is strongest during the second and third quarters when much of the work is performed. Collectively, the aftermarket revenue stream represents about 25% of MRL's revenues.

Following the acquisition of Joe Johnson Equipment in 2016, we expanded our aftermarket platform by doubling our network of service centers which are strategically located across North America. By leveraging these locations, we expect to augment MRL's aftermarket business and its ability to service its customers with after-sales support. We believe this will make MRL's value proposition even stronger and will allow them to penetrate geographies where historically they were under-represented.

On recent earning calls, I have outlined the criteria that we use to evaluate acquisition candidates. We believe that MRL checks all of these boxes. We target companies that are market leaders with a niche market, and MRL represents just that. The overall market for road-marking equipment in the U.S. is estimated around $200 million. Historically, MRL has had a primary focus on the private contractor segment of this market, commanding the number one position in terms of market share.

Over the last few decades, MRL has established itself as an industry leader and innovator, providing its customers with a one-stop shop solution, offering a wide range of products, coupled with outstanding training, customer service, and aftermarket support. Given Federal Signal's experience as a designer and manufacturer of chassis-based products and solutions, we share a substantial common operational expertise with MRL. We also share many of the same operating philosophies.

With our collective operational know-how, we are targeting further operational improvements. The respective operation teams have been working together for a couple of months already and are eager to move forward with their plans. We also expect to benefit from the application of our Eighty-Twenty, or ETI principles, and several MRL employees are already scheduled to attend training sessions in the coming months.

Culturally, our two organizations are also very well-aligned. We share similar values and believe in the importance of a customer-focused business model based on long-term relationships, high-quality products, ongoing focus on innovative new product development, and a dedicated group of employees. A strong Management team is also a key component to any acquisition we would consider. MRL is led by a team of industry veterans who collectively have more than 75 years of experience in the industry. We are thrilled that they will be remaining with the business, and we are all excited at the prospect of combining our resources to fuel the next phase of MRL's growth, which we will aim to accelerate by leveraging our existing distribution network.

Spending on transportation infrastructure typically represents about 60% of a state's annual capital investment. The recurring nature of spending and the continuous demand for road markings, given their importance to the country's transportation infrastructure, add stability to MRL's revenue base, and has enabled MRL to be relatively resilient to previous economic downturns. In addition, MRL is well-positioned to capitalize on a number of tailwinds expected to drive growth in the road marking industry.

With almost nine million road miles, the U.S. has the largest road network in the world. Almost two-thirds of the network consists of paved roads. Decades of underinvestment in the U.S. infrastructure has led to deteriorating, and often dangerous, road conditions. Infrastructure investment is critical to the safety of our citizens and the well-being of our economy, as evidenced by recent bipartisan support for a $2 trillion spending bill to overhaul U.S. infrastructure.

A critical component of North America's infrastructure is the road and highway systems that connect cities, move people, and facilitate trade. While there is nationwide consensus regarding the need for infrastructure investment and upgrades to our road and highway systems, road construction spend can vary amongst states due to differences in road conditions, state fiscal health, and population growth. Numerous states have already recognized this need and have committed significant resources to rebuilding their highway system.

For example, the state of California has committed more than $50 billion over the next decade to fix roads, highways, and bridges. As part of this commitment, the California Department of Transportation will repair or replace approximately 17,000 miles of roads by 2027. MRL has already begun to see increased demand for its products in the state, with California representing its largest geographic market for equipment sales in 2018.

Road markings will continue to serve a pivotal role within our road and highway system for years to come. Tragically, over half of all road fatalities in the U.S. result from motorists leaving their travel lane, and unfortunately, vehicle-related fatalities have also increased in recent years, further emphasizing the need to maximize the safety of our roads by widening lanes, upgrading road markings, and adding rumble strips.

Businesses are increasingly speaking out in response to poorly-marked roads in the form of petitions, newspaper articles, and social media posts. Earlier this year, more than 16,000 residents in Utah signed a petition asking state legislation to re-mark the interstates, highways, and surface roads with reflective lines to prevent car crashes. We believe that the increasing activism around this topic represents a longer-term tailwind for MRL's business.

Lastly, we think the anticipated need for road marking changes to support the future evolution of connected and autonomous vehicles to provide a catalyst for future growth. Highway safety organizations have widely acknowledged the need for greater uniformity and quality in road markings to help facilitate safe and efficient autonomous driving. While there are still many challenges to overcome before fully autonomous vehicles are widely used, we view this longer-term development horizon as a positive for MRL.

Other advanced driving technologies such as lane departure warning systems will continue to increase demand for better road markings in the near term. State's municipalities will be encouraged to remain forward-thinking and consider the future of road travel when investing in road projects, supporting sustainable demand for road markings.

In summary, these are exciting times in the road marking industry.

I'll now turn the call over to Ian to discuss the key terms of the deal.

Ian A. Hudson:

Thank you, Jennifer.

In terms of the economics of the deal, the transaction includes an initial purchase price of $55.5 million, which is subject to customary closing adjustments like working capital. In addition, there is a contingent earn-out payment of up to $15.5 million, which is tied to MRL's performance over the three-year period following the closing date.

We intend to finance the acquisition with cash on hand and borrowings available under our existing credit facility. The acquisition is expected to be modestly accretive to our non-GAAP adjusted earnings per share in 2019, and add up to $0.10 of adjusted EPS accretion by the end of year three, after excluding acquisition-related effects. We are expecting to close the transaction in the third quarter, subject to customary closing conditions.

With that, I will now turn the call back to Jennifer for closing remarks.

Jennifer L. Sherman:

Thank you, Ian.

Over the past few years, we have been steadfast in our commitment to grow profitably, while diversing—diversifying both our revenue stream and end market exposures, as we seek to mute the impact of market cyclicality. Since the beginning of 2016, we have made great progress on this front through a combination of organic growth initiatives and the strategic acquisitions of Westech, Joe Johnson Equipment, and TBEI. The acquisition of MRL is another highly-strategic opportunity to add to our platform of specialty vehicle companies serving maintenance and infrastructure markets, and further diversify in a market with strong growth potential.

Before we close, I have previously talked about the importance of developing relationships and sourcing acquisition candidates. This acquisition is a great example of that, and we continue to believe this formula will be key to our M&A approach going forward. We have been working on this proprietary deal since October, leveraging our talented internal M&A team.

I'm excited about the relationships we have developed with the talented leadership team who will continue to operate MRL. The team has a wealth of industry knowledge, and both companies share a focus on quality, delivery, and close partnership with customers, which makes for a great cultural fit. Together with MRL, we are well-positioned to strengthen our growing portfolio of market-leading brands with a focus on our customers, our commitment to innovation, and leveraging our best-in-class operational leadership and distribution network.

We will now open the call for questions. Operator?

Operator:

Thank you. If you'd like to ask a question at this time, please press star, one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue, and you may press star, two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. Again, that is star, one to ask a question at this time.

Our first questions are from the line of Greg Burns with Sidoti.

Gregory Burns:

Good morning and congratulations on the deal.

Jennifer L. Sherman:

Thanks, Greg.

Gregory Burns:

I just wanted to start off with maybe if you could give us a little bit of a sense of some of the—I guess the fundamental underlying—fundamentals of the business; maybe the—what the growth rate of the business has been over the trailing 12-month period, and if you could give us a sense of what your synergy targets for the deal are over the next, maybe, one to two years. Thank you.

Jennifer L. Sherman:

Sure. Absolutely. Well, the business has seen some nice growth and we're really excited in terms of some of the tailwinds I talked about in my prepared remarks. Specifically, we're seeing more state commitment to road markings. The example in California is a good one. MRL is the leading supplier. We also see an opportunity—historically, their focus has not been on the municipal side of the business, so, with our distribution networks, we think that that's a great growth opportunity going forward.

We believe that the autonomous vehicles—in order to operate those vehicles, you need good road markings, and that presents a great opportunity for MRL, as a leading manufacturer of this type of equipment, going forward. We're committed to operate MRL within the EBITDA targets for our ESG group, which is 15% to 18%, so our teams—our—for example, a team from Vactor's already been out here working with the team, introducing some of our Eighty-Twenty principles. We've already got training scheduled, so we believe that over the next couple of years, we'll be able to operate the business within those EBITDA targets, and that's all built in to the accretion estimates that we gave earlier today of up to $0.10 in usury.

Gregory Burns:

Okay. The structure of the deal, the split of cash versus new borrowings, what's the split there?

Ian A. Hudson:

It's probably going to be more heavily weighted on borrowings. Under the credit facility we have before—I think at the end of Q1 we had about $180 million available, so we clearly—we have enough room under the existing facility. From a leverage standpoint, we were 1.3 times levered at the end of Q1, so this is certainly the size of deal that we can handle from a revolver standpoint. There may be some cash element, but it would probably be more heavily weighted on the—on borrowings.

Gregory Burns:

Okay, and I guess you mentioned maybe leveraging your municipal footprint to kind of move this business into that market more so. Could you just give us a little bit of color on the structure of the market? Is it mostly like an industrial-direct sale versus kind of a municipal dealer network sale? How is the business structured and how do you see you being able to like, I mean, leverage your platform to kind of grow the business beyond what it is now?

Jennifer L. Sherman:

Sure. Absolutely. Right now, all of MRL's sales are direct. One of the values of the JJE acquisition is it allows us to leverage that distribution network, particularly in Canada, so we—that's an area that we're exploring. In addition to that, historically MRL's focus has not been in the municipal side, and we believe that through a combination of leveraging our dealer network and including JJE, that there's a significant amount of opportunity there.

Gregory Burns:

Okay. Thank you.

Jennifer L. Sherman:

I would add that between JJE and our FS Solutions stores, we've got 20-plus facilities across North America, so we believe that the opportunity for MRL to offer to their customers the ability to be able to repair and service those—their vehicles at those facilities will give them an advantage in the marketplace.

Gregory Burns:

Okay. Just lastly, what was MRL's service center footprints? How many are they adding to the network, and did—were they kind of limited in their—the geographies they could service by that?

Ian A. Hudson:

Yes. They're primarily focused on the service side, Greg. They're primarily focused in the state of Montana. They have two locations in the state of Montana, and so that would be what the additional location would be, just the two in Montana.

Gregory Burns:

Okay. Thank you.

Operator:

Our next questions are from the line of Steve Barger with KeyBanc.

Steve Barger:

Hey. Good morning, everybody.

Ian A. Hudson:

Good morning, Steve.

Jennifer L. Sherman:

Good morning, Steve.

Steve Barger:

Yes. Again, congratulations. I'll echo that. How big is the end market MRL serves, and what's their current market share?

Jennifer L. Sherman:

We believe, in the U.S., it's about $200 million. That does not include Canada, and that is really for only the truck-mounted vehicles, the ride-along vehicles. That's a much larger market. We're still in the process of quantifying that particular market, but currently the management team thinks, on the truck-mounted road-marking equipment, in the U.S. it's about $200 million, and we—but I want to emphasize that we think there's significant opportunity to expand their footprint in Canada through JJE, and we also believe that leveraging our own distribution network for some of these—the ride-along vehicles, there's opportunity there also.

Steve Barger:

Does that take the market size up by some quantifiable percent as you—and I know it's a forward-looking statement, but I mean does that double the market opportunity between Canada and truck-mounted, or increase it by 50%, or any frame?

Jennifer L. Sherman:

We think, according to Management, 30% to 40% it increases the opportunity.

Steve Barger:

Okay, good. How many competitors are out there?

Jennifer L. Sherman:

There's some regional competitors, but they, right now, have number one market share, so—in the U.S.

Steve Barger:

Okay. If you look back over 10 years, say since the big recession, what's the organic growth rate been?

Ian A. Hudson:

It's grown probably in the mid single digits over that period, Steve. We talked about it being slightly more resilient to some of our other ESG businesses during that downturn. There have been periods over the last couple of years where it's been more high single digits with some of the growth that they've seen. We talked about California being a really strong market for them now with some of the activity going on, on the West Coast, so over the long term I think what we would expect it would—I think we—the mid single digit growth is what we would expect over that kind of longer-term horizon.

Steve Barger:

Got it.

Jennifer L. Sherman:

Just one other point that Ian referred to I think is—that we found very attractive is during the 2008/'09 downturn, they suffered minimal impact. It's a pretty resilient business, and as we've talked about before, as we look to diversify Federal Signal's revenue streams and mute natural cyclicality, we think this is an important step in that journey.

Steve Barger:

Yes. Well, I guess the point, if—did it stay positive in all those years through the—from—if we say from 2009 forward...

Jennifer L. Sherman:

Yes.

Steve Barger:

...and if there was a range of—oh, that's great, and the EBIT margin range during that timeframe?

Ian A. Hudson:

The thing, Steve, with this business that can cause some swings in the EBITDA margin is really the mix based on some of the different types of products, because of the range of the prices of some of the products. Mix can cause some swings in EBITDA margins, but it was always positive. It continued to grow in the downturn. The other factor is large fleet orders that can cause some swings, similar to some of our other businesses, like at Elgin, but we—in terms of the EBITDA margin, for the trailing 12 months it was 13%, and as we mentioned, we think there is some opportunity to get that within the 15% to 18% target range over the next two to three years.

Steve Barger:

Is that...

Jennifer L. Sherman:

I mentioned that on my prepared remarks that we've had teams of people out here, and we think the ETI—application of ETI, or Eighty-Twenty, is going to reap benefits going forward, but...

Steve Barger:

Yes. No, I guess to that point, how many skews are in the portfolio, and as you look at that, will you—do you expect to see some product pruning relative to your Eighty-Twenty analysis, or how are you thinking about that portfolio? Is it something to build on or something to maximize towards the more profitable product lines?

Jennifer L. Sherman:

Yes. I mean, obviously, that'll be part of our analysis, but really depends. The $50,000 ride-on vehicles are pretty standard product offerings. When you get up into the $500,000, those are pretty custom vehicles that are specific to the state requirements, so absolutely we'll take a look in utilizing our Eighty-Twenty principles, but there—of all of our businesses, there's a pretty wide range of product offerings here, depending on the state requirements, and the good news is they get paid for it.

Steve Barger:

Got it. One last for me and then I'll get back in line. What was Mark Rite's average annual free cash flow over the past few years?

Ian A. Hudson:

It's been—I mean, it's a good, positive cash flow business because their working capital requirements are pretty similar to some of our ESG. The cash conversion has been in that 80% plus range, I think, on a net income basis.

Steve Barger:

Got it. Thank you.

Operator:

Our next questions are from the line of Marco Rodriguez with Stonegate.

Marco Rodriguez:

Good morning, guys. Thank you for taking my questions.

Jennifer L. Sherman:

Thank you. Good morning from Billings, Montana.

Marco Rodriguez:

I was wondering if maybe you can talk a little bit more about the competition; if you could just maybe kind of frame the competitive environment, what people are mostly kind of competing on, and if there are any—I guess trying to get—also get a sense as far as who is the next competitor in line behind MRL?

Jennifer L. Sherman:

Yes. I think you'd probably think about this market in terms of industrial municipal, so in the industrial market, it's smaller regional players. There's really nobody in the U.S. of this kind of size and scale. With respect on the municipal side, there's a company, MB Companies up in Wisconsin, so that would be, really, kind of the competitive landscape, and where we really see opportunity is—if you think about it, these—if you're buying a $500,000 piece of equipment, is it the highly-complex piece of equipment, and the opportunity for the MRL team to leverage the service centers that we have in place, I think that's going to be highly attractive to their customers.

In addition, this business has a strong aftermarkets business, and we—with the acquisition of JJE and our aftermarkets platform, we've got the ability now to be able to push the MRL parts through that aftermarket service—aftermarket business, so we should be able to better serve customers, and then, finally, we have the JJE distribution business up in Canada and we believe that by leveraging that business, we're going to be able to further grow their market share in Canada.

Marco Rodriguez:

Got it. That's helpful, and the push that you're going to be making, I guess for MRL into the municipal market—it doesn't sound like they really attack that area or are focused there, was that an issue of scale for them, or were there other underlying issues that they didn't want to focus on that particular area historically?

Jennifer L. Sherman:

At this point in time, they've done a super job on the industrial side and they've seen nice growth, so it's really been an area for them of focus of let's continue to do what we're really good at and grow our market share, so we believe that this is just—and it uses the same technology, the same type of equipment, and it's really a matter of having the right distribution and the right parts and service network in place to support the business, and that's what we think that Federal Signal could bring to the table.

Marco Rodriguez:

Got you, and then the expansion that you're looking at to leverage your service centers for MRL, can you maybe just talk a little bit about what that might kind of entail? Are you going to need to increase some of the footprint of some of these service centers? Is it relatively easy just to kind of cross-train the existing employees? Just any kind of color around that.

Jennifer L. Sherman:

Yes. The answer's no, we won't need to expand any of the service centers. We've got highly-skilled mechanics at those service centers. We've got the bays and the equipment. It'll be a training issue.

Marco Rodriguez:

Got you, and the expansion into Canada, are there any sort of regulatory issues that might come to pass as you look to expand there?

Jennifer L. Sherman:

MRL already sells into Canada, so this is an opportunity to really grow their market share beyond what they already do, and similar to the U.S. there's province-specific regulations that dictate the type of striping that you need, and that's really where MRL excels is being able to customize to meet those state-specific or province-specific requirements.

Marco Rodriguez:

Got you, and last quick question for me, I think I did hear you say that MRL was pretty strong here in California most recently. Are there any other particular markets where they have some concentration in terms of their revenues?

Ian A. Hudson:

Yes. They tend to be strongest, Marco, in the regions where there is a lot of highways and a lot of roadways, so if you think about Texas, Florida, those would be—Georgia, those would be big markets in terms of market size, and MRL's strength is in those areas as well. New York and New Jersey would be a couple of other states, but it's—it really is kind of in line with the number of miles of freeways and highways in each of those states.

Marco Rodriguez:

Got it. Thanks a lot, guys. Appreciate your time.

Operator:

Our next questions are from the line of Chris Moore with CJS.

Stefanos Crist:

Hi. This is Stefanos Crist calling for Chris Moore. Congratulations.

Jennifer L. Sherman:

Thank you. Good morning.

Ian A. Hudson:

Good morning.

Stefanos Crist:

Good morning.

Jennifer L. Sherman:

Good afternoon out there. Good morning here.

Stefanos Crist:

Can you talk about the overlap with any current customers, and also geographies?

Jennifer L. Sherman:

With respect to current customers, there's—because they don't do a lot of work on the municipal side, it's a different set of customers. The one area that would be an exception to that would be in Canada. I know there's some overlap in Canada, but there really isn't any channel conflict. It's one of the things that we think will make the integration of this deal easier, and it gives us an opportunity where we do have strong relationships with, for example, municipal customers, to perhaps leverage that relationship, and then on the industrial side there really isn't a lot of overlap.

Stefanos Crist:

Okay. Thank you, and then one more quick one. Could you just provide the metrics around what's required to achieve the earn-out?

Ian A. Hudson:

Yes. It's based on kind of cumulative EBITDA over the three-year period.

Stefanos Crist:

Okay. Thank you very much, and congratulations again.

Jennifer L. Sherman:

Thank you.

Operator:

As a reminder, you may press star, one to ask a question at this time.

Our next questions are from the line of Steve Barger with KeyBanc.

Steve Barger:

Hey, thanks.

Jennifer L. Sherman:

Hi Steve.

Steve Barger:

You've talked a little bit about this, but can you be any more specific on what you see as the differentiation for MRL in the marketplace, or what is the sustainable competitive advantage?

Jennifer L. Sherman:

These are highly-customized trucks and you have to meet specific state regulations, so let's take California as an example. So, they'll come out with a requirement in terms of the type of materials they want to use, the size of the lines that they want to use, so these trucks will both remove the existing lines and apply the new lines consistent with those state requirements, so the learning curve's pretty high. In terms of the Federal Signal world, this will be one of our most complex trucks that we own because of the nature in terms of what they do.

What they bring to the industry is the Management team has deep expertise and deep technical knowledge in terms of how to meet these requirements going back all the way to 1967, and is really acknowledged as the industry leader, both in terms of the quality of the trucks—their warranty expense is very, very low—the reputation they have in the industry for performance, and then the knowledge in terms of different types of application materials to meet those requirements, so in terms of barriers to entry, it's—they're pretty high.

Steve Barger:

Got it, and so the Management team is staying, at least through the three-year earn-out period?

Jennifer L. Sherman:

Absolutely, and hopefully longer.

Steve Barger:

Ian, you said cumulative EBITDA is the payout metric, so does that mean that the $15.5 million, if that's what is hit, will get paid out in one lump sum at that time?

Ian A. Hudson:

Correct. Yes. We'd pay it out shortly after the end of the three-year anniversary of the closing.

Steve Barger:

Okay, and on, I think, Slide 5, it says return on capital greater than cost of capital. Is that true based on trailing numbers, or is that an expectation as you think about how you're going to leverage this through your network?

Ian A. Hudson:

Yes. It's more of an expectation going forward, Steve. It's similar to the accretion numbers and trying to get the business into that 15% to 18% range.

Steve Barger:

Okay. Got you, and what does it mean when you say appropriately adjusted for risk?

Ian A. Hudson:

I think it's just in terms of the discount rate that we would assume that we would target for the ROC to exceed that cost of capital, so there's some nominal risk adjustment factor that goes into the determination of our cost of capital, like a base case (inaudible).

Steve Barger:

Understood. Okay. Thank you.

Jennifer L. Sherman:

Thank you.

Operator:

This concludes our question-and-answer session. I'd like to turn the floor back to Jennifer Sherman for closing comments.

Jennifer L. Sherman:

I want to thank everybody for joining the call today. As you might detect, we're really excited about this acquisition. We think it's a great addition to the Federal Signal family and an important step in terms of our journey of specialty vehicles focused on maintenance, infrastructure, and hauling, and we look forward to speaking to you after Q2. Take care. Bye, bye.

Operator:

This concludes today's teleconference. You may disconnect your lines at this time and thank you for your participation.