

# Disciplined Growth

# Safe Harbor Statement

This presentation contains unaudited financial information and forward-looking statements. Statements that are not historical are forward-looking statements and may contain words such as “may”, “will”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “project”, “estimate”, and “objective” or similar terminology, concerning the company’s future financial performance, business strategy, plans, goals and objectives. These expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include information concerning the Company’s possible or assumed future performance or results of operations and are not guarantees. While these statements are based on assumptions and judgments that management has made in light of industry experience as well as perceptions of historical trends, current conditions, expected future developments and other factors believed to be appropriate under the circumstances, they are subject to risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different. 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”). Such forward-looking statements are made as of the date hereof and we undertake no obligation to update these forward-looking statements regardless of new developments or otherwise.

This presentation also contains certain measures that are not in accordance with U.S. generally accepted accounting principles (“GAAP”). The non-GAAP financial information presented herein should be considered supplemental to, and not a substitute for, or superior to, financial measures calculated in accordance with GAAP. The Company has provided this supplemental information to investors, analysts, and other interested parties to enable them to perform additional analyses of operating results, to illustrate the results of operations giving effect to the non-GAAP adjustments shown in the reconciliations, and to provide an additional measure of performance which management considers in operating the business. A reconciliation of these items to the most comparable GAAP measures is provided in our filings with the SEC and/or in the Appendix to this presentation.



# Federal Signal at a Glance

- Founded in 1901, joined NYSE in 1969 (“FSS”)
- Diversified industrial manufacturer of specialized vehicles for maintenance and infrastructure markets such as street sweepers, sewer cleaners, vacuum/hydro-excavators (“safe-digging trucks”), industrial vacuum loaders, waterblasting equipment, road-marking and line-removal equipment, dump truck bodies, trailers and metal extraction support equipment; as well as safety and security products including audible and visual warning devices
- Leading brands of premium, value-adding products and systems, with supporting aftermarket business
- Headquartered in Oak Brook, Illinois with 20 principal manufacturing facilities worldwide
- Strong operating cash flow generation has facilitated organic growth investment, cash returns to stockholders and M&A in recent years

**STRONG CASH FLOW**

**\$1.3 B REVENUE**  
TTM 6/30/2022

**Market capitalization ~\$2.5B**

**NYSE SYMBOL FSS**





# Why Federal Signal?

## Composition of Businesses

## End Market Exposures

## Revenue Streams

## Financial Position

## Opportunity for M&A

## Operational Performance

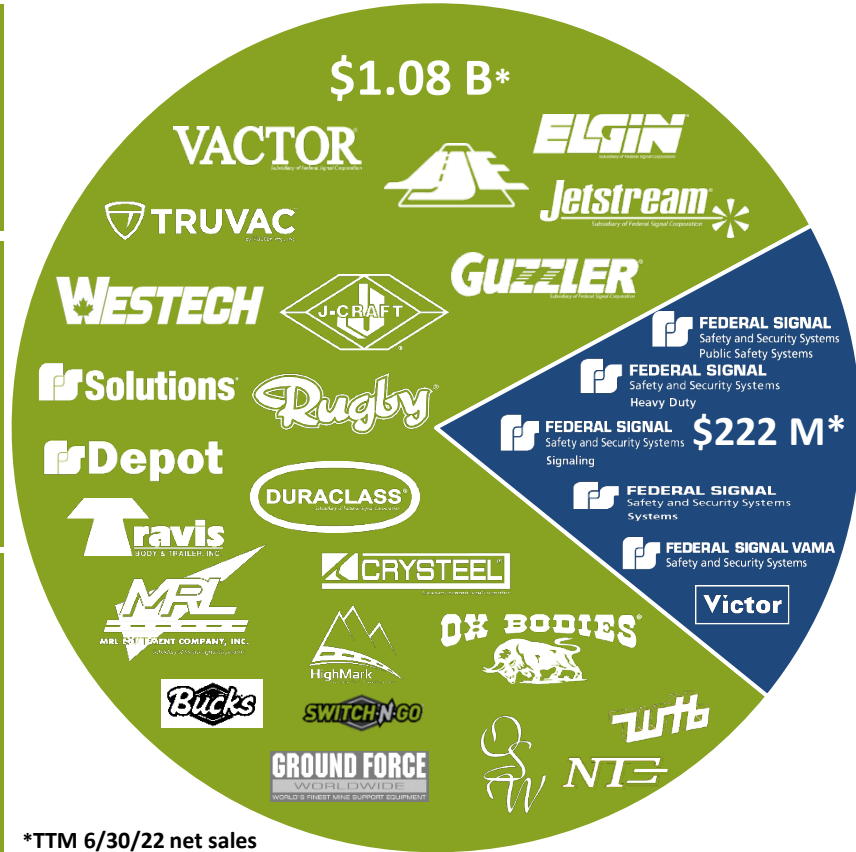
## New Product Development ("NPD")

- Clearly-defined strategy, with two groups – ESG and SSG – each of which have strong growth potential through a combination of organic initiatives and M&A
- Typical annual revenue mix of ~50% publicly-funded / ~50% industrial
- Publicly-funded revenues derived from sale of essential products to municipalities in the U.S., Canada, Europe and Latin America; sewer cleaner purchases typically funded through water taxes
- Within industrial, markets at different points in the cycle such as construction, utility, oil and gas, infrastructure, waste, rendering, landscaping, military
- Balanced portfolio of new and used equipment sales and other aftermarket offerings including parts, rentals and service
- Aftermarket revenues represented ~30% of ESG's sales in 2021
- Low debt leverage; Strong balance sheet
- Healthy cash flow generation
- Completed three acquisitions in 2021
- Ample opportunity for further M&A due to strong financial position, active pipeline and clear view of what we are looking for in acquisition candidates
- Consistent performance within target EBITDA margin ranges
- Focus on operational excellence, with Eighty-Two Improvement ("ETI") initiatives the cornerstone of our operational philosophies
- Revamped, customer-focused NPD process, introducing more new products at a faster pace
- Of our total R&D spend in 2021, approximately 20% was dedicated to electrification projects



# Two Attractive Platforms

<b>Segment</b>	<b>Environmental Solutions Group (ESG)</b>
<b>Markets</b>	Serves publicly-funded, industrial, and utility markets for surface and sub-surface cleaning, safe-digging, road marking, infrastructure maintenance and material hauling
<b>Products</b>	<ul style="list-style-type: none"> <li>• Street Sweeping</li> <li>• Sewer Cleaning</li> <li>• Safe Digging</li> <li>• Industrial Cleaning</li> <li>• Dump Bodies and Trailers</li> <li>• Metal Extraction Support</li> <li>• Road-Marking and Line-Removal</li> </ul>



<b>Safety and Security Systems Group (SSG)</b>
Serves the needs of municipalities and industrial verticals for audible and visual safety and security notification devices and systems
<ul style="list-style-type: none"> <li>• Lights and Sirens</li> <li>• Signaling Devices</li> <li>• Warning Systems</li> </ul>



# Environmental Solutions Group (ESG)

Have established a platform serving maintenance and infrastructure markets to provide customers with a comprehensive suite of products and services



Routes to Market



**Depot Solutions**

Provide parts / service / refurbishment / rental offering through the network of 20+ locations in US and Canada














**US Dealer Network** + Largest Canadian distributor of maintenance equipment to municipalities

**US Distribution Network** + For ESG products and other OEM's products such as snow-removal equipment and garbage trucks

\* Typically funded through water taxes  
\*\*Management estimates

# Safety and Security Systems Group (SSG)

Serves the needs of government and industrial verticals for audible and visual safety and security notification devices

	Public Safety and Security	Signaling	Systems
<b>Application</b>	Lights and siren products for Police, Fire and Heavy Duty (HD) end markets	Audible and visual signaling devices	Warning Systems Public Address General Alarming (PAGA)
<b>Brands</b>	  	 	
<b>Products</b>	    		
<b>End Markets and Channels</b>	Publicly-funded Industrial <b>Distributor</b>	Industrial Oil & Gas Commercial Heavy Industry Manufacturing <b>Indirect</b>	Publicly-funded Oil & Gas Commercial <b>Direct</b>
<b>Addressable Market *</b>	<b>\$1.0 B</b>	<b>\$600 M</b>	<b>\$1.0 B</b>

\* Management estimates



# Macro Factors Driving Demand

*Federal Signal's diverse portfolio of specialty vehicles is well-positioned to capitalize on favorable macro trends across its core end markets*

## Infrastructure Bill

- \$550 billion of government spending over five years to fund improvements to the nation's transportation, water, electric power and digital infrastructure
- Federal Signal's equipment sales and rentals of materials hauling, road-marking, street sweeping, sewer cleaning, safe digging, and industrial cleaning equipment stand to benefit from an infrastructure investment

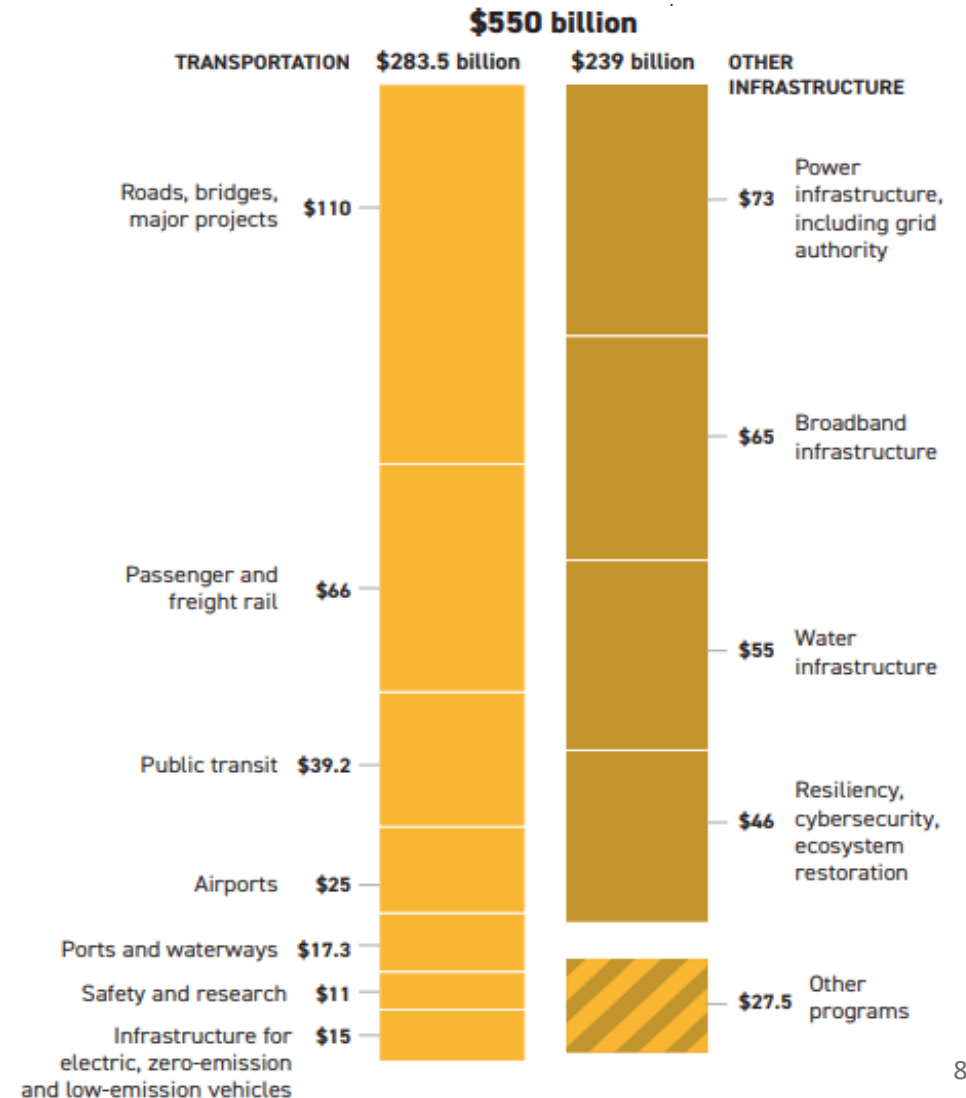
## COVID Relief Stimulus

- \$350 billion of government spending designated for cities, states, tribal governments and U.S. territories
  - First \$175 billion tranche started to be distributed in 2021; second \$175 billion tranche expected to be distributed later in 2022
- As a provider of equipment used to support essential services such as sewer cleaning and street sweeping, Federal Signal is well-positioned to meet the needs of its customers

### Product Portfolio



## Proposed Infrastructure Spending Allocation Plan



Sources: The White House, POLITICO report by Marianne LeVine and Burgess Everett



# Macro Factors Driving Demand

*Additional macro trends driving opportunity for Federal Signal's diverse portfolio of products and equipment*

## U.S. Housing - A Mountain To Climb

- As of December 2021, the number of single-family housing units still under construction increased to the highest level in almost 15 years, extending a steady uptrend since June 2020.
- **Products to benefit include materials hauling, street sweeping, sewer cleaning, and safe digging equipment**

## Construction Growth

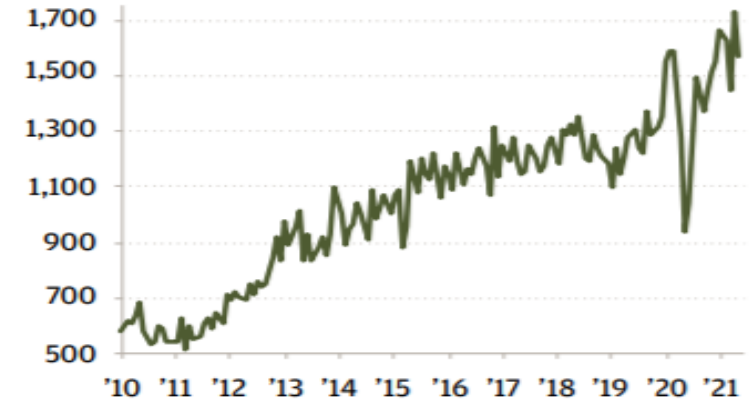
- The U.S. construction industry is expected to grow by ~9% in 2022
- The growth momentum is expected to continue over the next several years, with an estimated CAGR of 5% during 2022-2026
- **Products to benefit include materials hauling, road marking, street sweeping, sewer cleaning, safe digging, and industrial cleaning equipment**

## Broadband Infrastructure

- COVID-19 highlighted the importance of reliable, affordable and fast internet connectivity for all
- The \$65 Billion spending allocation in the Infrastructure Bill begins to address the need for substantial investment in this critical necessity
- **Products to benefit include safe digging, industrial vacuum loaders, materials hauling, and street sweeping equipment**

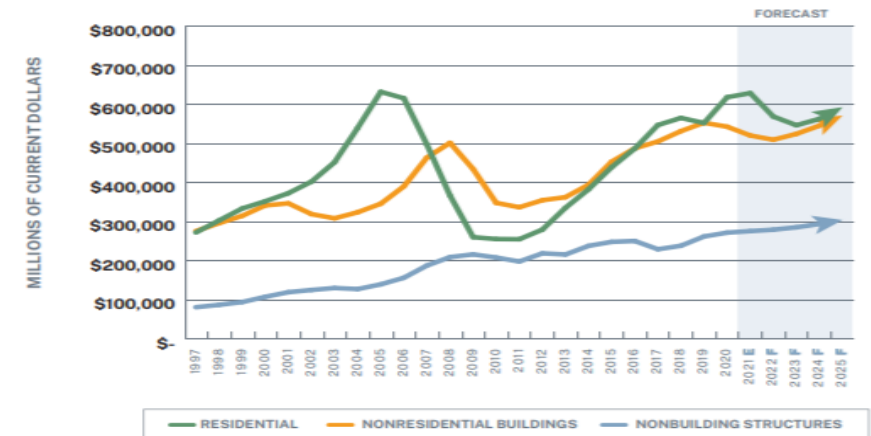
## U.S. Housing Starts

Thousand units, SAAR



## Total Construction Put in Place

Estimated for the U.S.



# Key Strategic Initiatives

Areas of  
Focus

Safe Digging



Aftermarket Parts and  
Services



Specialty Vehicles for  
Diverse  
End-Markets



Audible and Visual  
Warning Devices



Supported By

Flexible  
Manufacturing & "ETI"  
Culture

New Product  
Development

Technology as an  
Enabler

Disciplined M&A



# Strategic Initiative– Safe Digging

Federal Signal is well positioned to establish a leading position in an emerging application for vacuum-excitation technology; increased regulation expected to accelerate growth

## What is it?

- Vacuum excavation or “Safe Digging” involves the use of pressurized air or water (“hydro-excitation”) to dig (coupled with a vacuum system) as an alternative to the use of traditional equipment such as backhoes and mechanical excavators
- Acceptance of safe-digging applications continues to improve significantly over the last decade
- Application has been widely accepted in Canada; US is behind but great early indicators – 19 states now include vacuum excavation as part of “safe excavation practices”

## Why is it Attractive?

- In many circumstances, vacuum excavation is a safer and more productive means for digging (in comparison to traditional excavation)
- Significantly minimizes chances of damage to underground infrastructure during the digging process
- Less intrusive to the surrounding site at point of digging; environmental benefits
- Provides significant environmental benefits by minimizing damage to tree roots (as demonstrated in the image below)
- Provides opportunity for the use of our broad range of offerings in new and emerging end markets beyond oil and gas

## Why Federal Signal?

- Sole manufacturer of complete range of truck-mounted safe-digging equipment, with applications across a number of end-markets
- Optional safe-digging package offered with sewer cleaner product line; included in ~70% sewer cleaner orders
- 30-year track record of manufacturing leading vacuum-excitation products
- Widest service and support network for vacuum-excitation products
- Best-in-class payload for Ontario market
- Dedicated and experienced sales organization in place to support initiative
- Orders of safe digging trucks in 1H 2022 were up \$26M, or 69%, vs. 1H 2021





# Completed Three Acquisitions in 2021

## OSW Equipment (February 2021)

- OSW is a leading manufacturer of dump truck bodies and custom upfitter of truck equipment and trailers. The acquisition also includes the operations of OSW's wholly owned subsidiaries Northend Truck Equipment and Western Truck Body



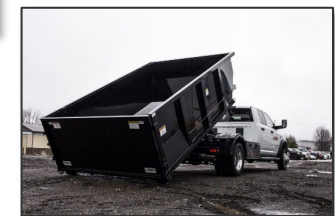
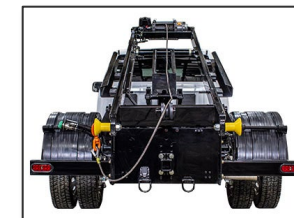
## Ground Force Worldwide (October 2021)

- Ground Force Worldwide is a leading manufacturer of specialty material handling vehicles that support the extraction of metals



## Deist Industries (December 2021)

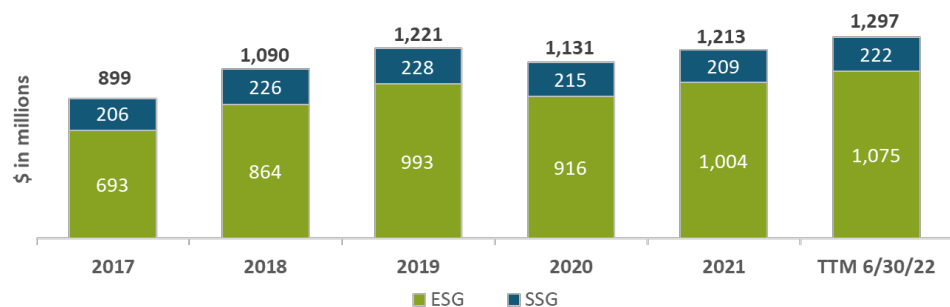
- Deist Industries designs, manufactures and sells interchangeable truck body systems for class 3-7 vehicles in the work truck industry and a full line of waste hauling products, including front/rear loading containers and specialty roll-off containers



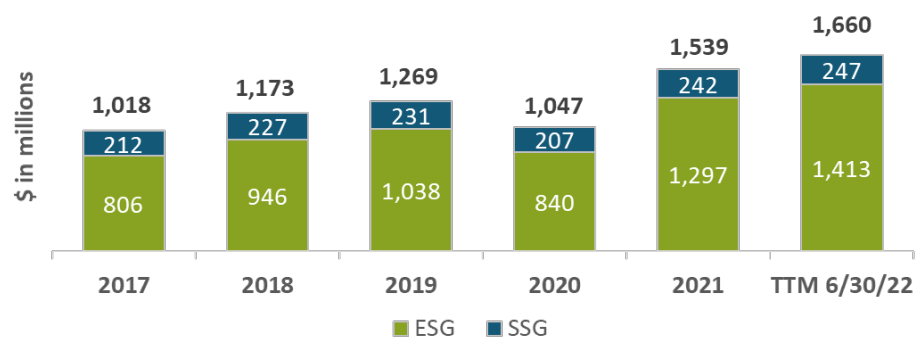


# Financial Overview

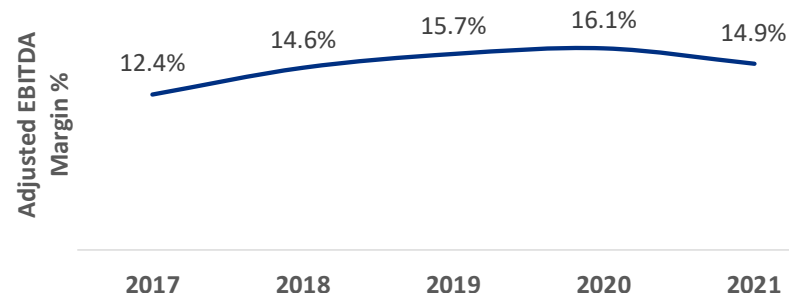
## Net Sales



## Orders



## Adjusted EBITDA Margin\* (Consolidated)



### Target EBITDA Margin ranges<sup>1</sup>

- ESG: 15% - 18%
- SSG: 15% - 18%
- Consolidated: 12% - 16%
  - Historical EBITDA margins and targets place Federal Signal in the top tier of its peer group of specialty vehicle manufacturers

(1) Underlying assumptions: Absence of extraordinary factors affecting demand from end-markets; No unusual hearing loss litigation expenses

## Q2 2022 Highlights<sup>2</sup>:

- Net sales of \$367M, up \$32M, or 10%
- Operating income of \$46.2M, up \$7.7M, or 20%
- Adjusted EBITDA\* of \$58.2M, up \$6.3M, or 12%
- Adjusted EBITDA margin\* of 15.9%, compared to 15.5%
- GAAP EPS of \$0.55, up \$0.07, or 15%
- Adjusted EPS\* of \$0.53, up \$0.03, or 6%
- Orders of \$413M, up \$53M, or 15%
- Record backlog of \$795M, up \$358M, or 82%
- Cash and cash equivalents of \$31M and ~\$166M of credit facility availability
- Net debt of ~\$296M<sup>3</sup>

(2) Comparisons to Q2 2021

(3) Net debt is a non-GAAP measure, computed as total debt of \$326.8M, less total cash and cash equivalents of \$31.2M



# Strong Financial Position Supports Priority-Driven Long-Term Capital Allocation

In July 2019, executed five-year, \$500 M revolving credit facility, with flexibility to increase by additional \$250 M for acquisitions; No debt maturities until July 2024; At end of Q2 2022, net debt leverage remained low, with ~\$166 M of availability under credit facility

## Reinvest in the Business

- Purchased Elgin, IL manufacturing facility in Q4 2021 (~\$20 M) and University Park, IL manufacturing facility in Q1 2022 (~\$28 M)
- In addition to University Park building purchase, expect other cap ex of \$25 M - \$30 M in 2022
- Innovation R&D efforts target new and updated products

## Acquisitions

- Completed 3 acquisitions in 2021 – OSW, Ground Force Worldwide and Deist Industries – for aggregate initial consideration of ~\$132 M
- Focused primarily on acquisitions that fit closely within our existing products and services, manufacturing competencies, channels and customers

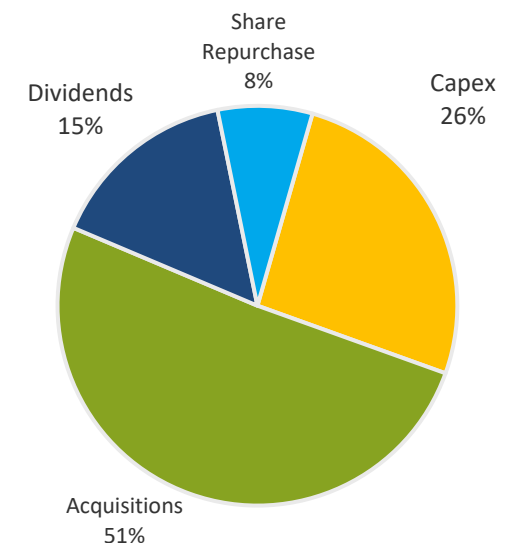
## Dividend Policy

- Provide a competitive dividend yield while funding business growth
- Paid dividend of \$0.09 per share in Q2 2022, and recently declared similar dividend for Q3 2022; current dividend yield is ~1%
- Paid dividends of \$10.9 M in 1H 2022; \$22 M for full year 2021

## Share Repurchases

- Opportunistic share buybacks as a return of cash to our shareholders
- \$16.1 M of share repurchases in 1H 2022; \$15.4 M for full year 2021
- ~\$59 M of repurchase authorization remaining under current programs (~2% of market cap)

## Cash Deployment (2019-21)<sup>1</sup>



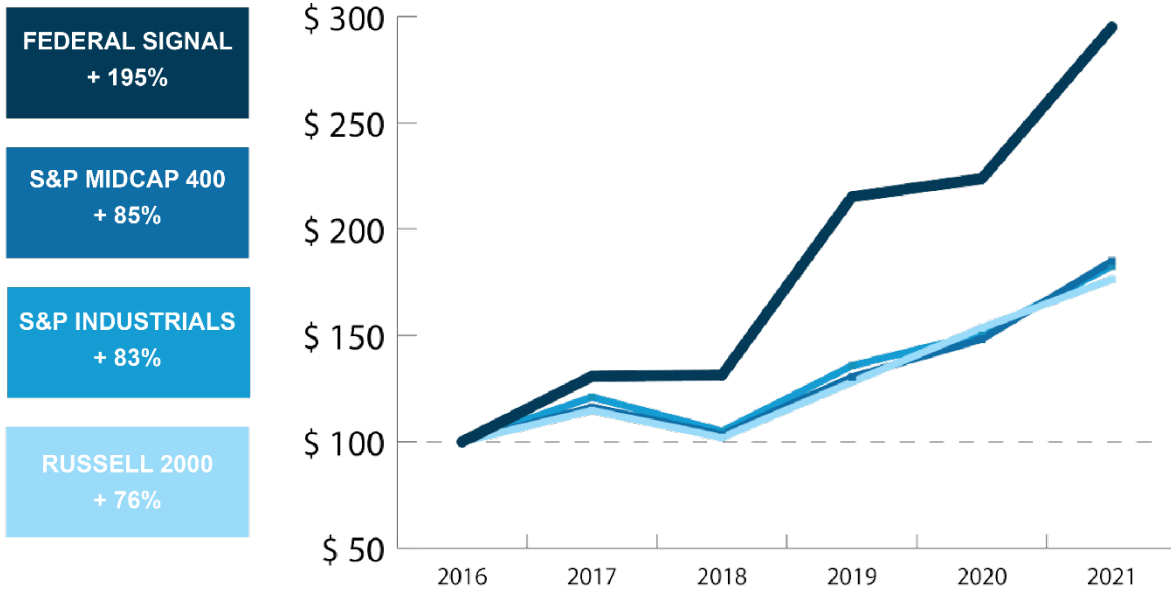
1) Chart depicts cumulative use of cash for each category, relative to the total cash used on all four activities, for the period 2019-2021; excludes investment in rental fleet, which is reported as part of operating cash flows



# Positioned for Long-Term Growth

With continued focus on organic growth and M&A, and margin performance above that of many of our peers, our financial framework aims to create long-term shareholder value

## Cumulative Returns to Stockholders



This graph assumes that the value of the investment in the Company's common stock, and in each index, was \$100 on December 31, 2016 and assumes reinvestment of all dividends through December 31, 2021.



Long-Term Organic Revenue Growth

*(Couple of % points > GDP)*



Value-Added Acquisitions

High Single Digit Revenue Growth

EBITDA Margin Targets:

*ESG: 15-18%*  
*SSG: 15-18%*  
*Consolidated: 12-16%*

Cash Conversion:  
~100% of net income

ROIC > Cost of Capital

# 2022 Outlook

## Raising mid-point of full-year Adjusted EPS\* Outlook by establishing a new range of \$1.85 to \$2.00, updated from previous range of \$1.80 to \$2.00

### Key Assumptions

- **Full-year net sales outlook of \$1.38 B to \$1.45 B**
  - *Includes full-year contribution from 2021 acquisitions; represents YoY growth of 14% - 20% vs. \$1.21 B in 2021*
- Double-digit improvement in pre-tax earnings
- Depreciation and amortization expense of ~\$57 M to \$59 M
- Capital expenditures of \$25 M to \$30 M, excluding University Park building purchase
- Interest expense of ~\$9 M to \$10 M; up ~\$1.5 M vs. previous outlook due to rising interest rates
- Effective tax rate resets to a normalized rate of ~25%, excluding discrete items; YoY EPS headwind of ~\$0.20
- Weighted average shares outstanding: 61-62M
- No significant deterioration in current supply chain environment; assumes steady flow of customer-provided chassis
- No significant increase in current input costs
- No significant resurgence in COVID-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 (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).



# Appendix

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- I. Segments Overview
- II. Eighty-Two Improvement Culture
- III. New Product Development
- IV. Non-GAAP Measures
- V. Executive Compensation
- VI. Investor Information

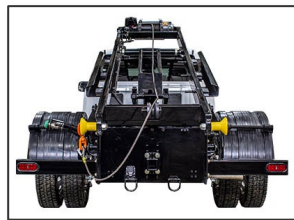


# Appendix I: ESG Products





# Appendix I: ESG Products (continued)

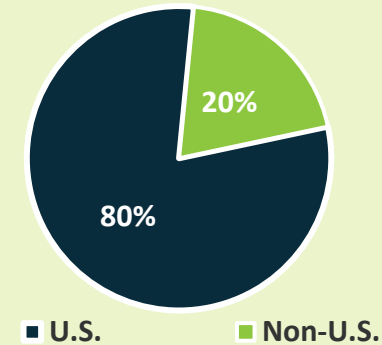


# Appendix I: ESG - Market Influencers & Where We Play

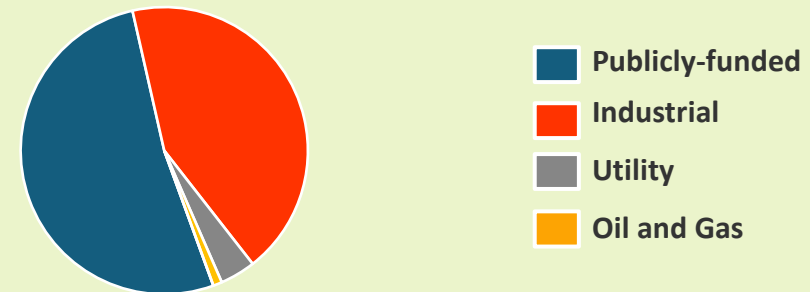
## Market Dynamics

- Many ESG products support essential services that are focused on cleaning
- COVID relief stimulus includes \$350 B for state, local and territorial governments; package targets maintenance of essential infrastructure, such as sewer systems and streets
- Anticipate that meaningful investment in U.S. infrastructure would provide upside potential with most of our product offerings expected to benefit
- Aging infrastructure, pipeline and broadband expansion and increasing urbanization support long-term demand for safe digging products, industrial vacuum loaders, dump bodies and trailers
- Healthy housing market and improving industrial activity supports growth opportunities for dump bodies and trailers
- Funding for sewer cleaners through water tax revenues adds further stability
- Tracking new housing starts, Class 8 truck chassis, public funding sources, oil rig counts, and overall industrial activity

### 2021 Sales by Geography



### 2021 End Markets by Users



Source: Management Estimates





# Appendix I: SSG Products



**FEDERAL SIGNAL**  
Safety and Security Systems  
Public Safety Systems



**FEDERAL SIGNAL**  
Safety and Security Systems  
Heavy Duty



**FEDERAL SIGNAL**  
Safety and Security Systems  
Signaling



**FEDERAL SIGNAL**  
Safety and Security Systems  
Systems



**FEDERAL SIGNAL VAMA**  
Safety and Security Systems

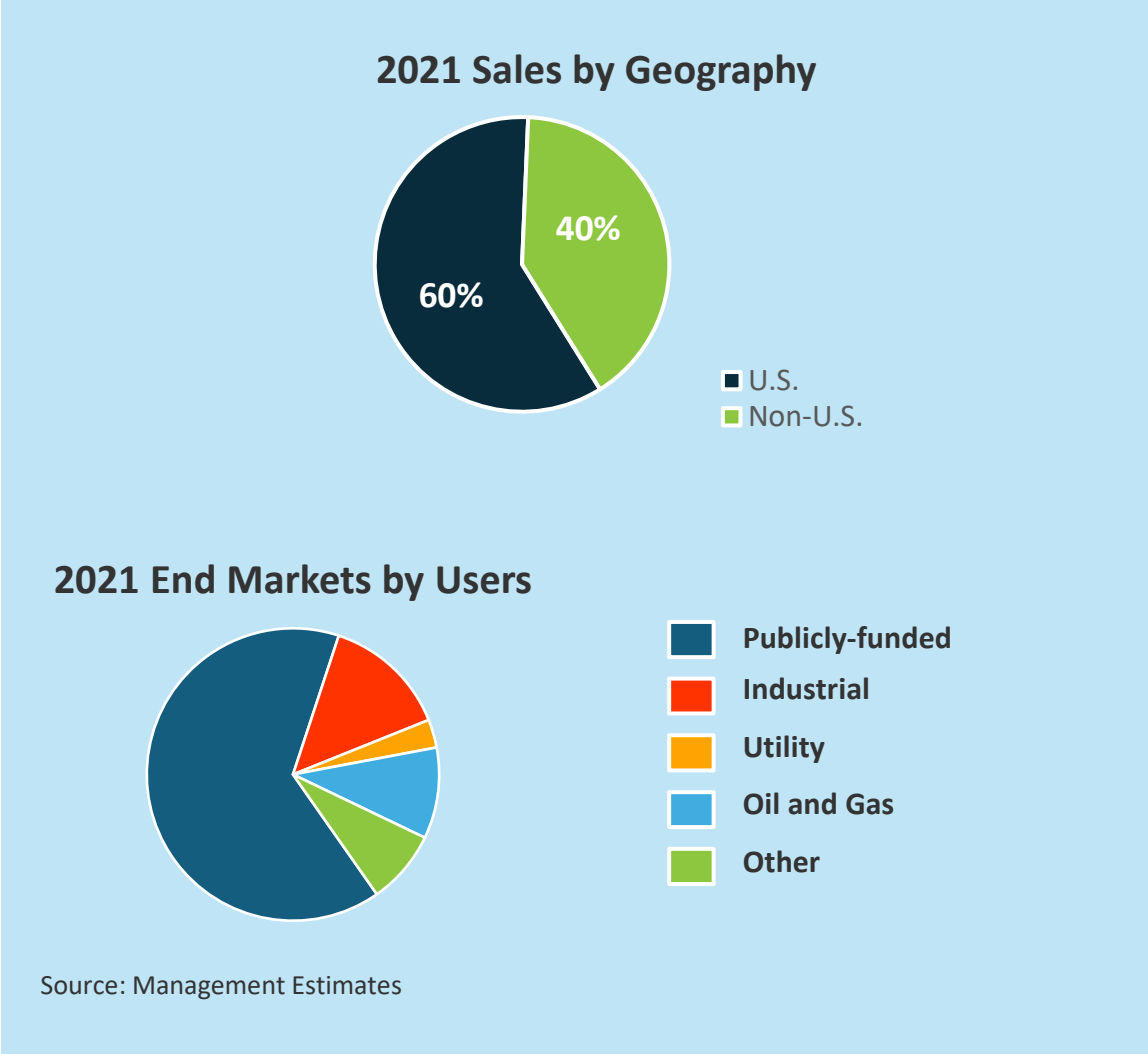
**Victor**



# Appendix I: SSG - Market Influencers & Where We Play

## Market Dynamics

- Increased national focus on issues of public safety and law enforcement, and rising public expectations for transparency and accountability driving demand for safety and security products
- Rising occurrence of natural and man-made disasters
- Shift in customer preference towards inter-connected platforms expected to drive demand for security systems integration
- Tracking data that indicates the number of new vehicle registrations



# Appendix II: Eighty-Twenty Improvement (“ETI”) Culture

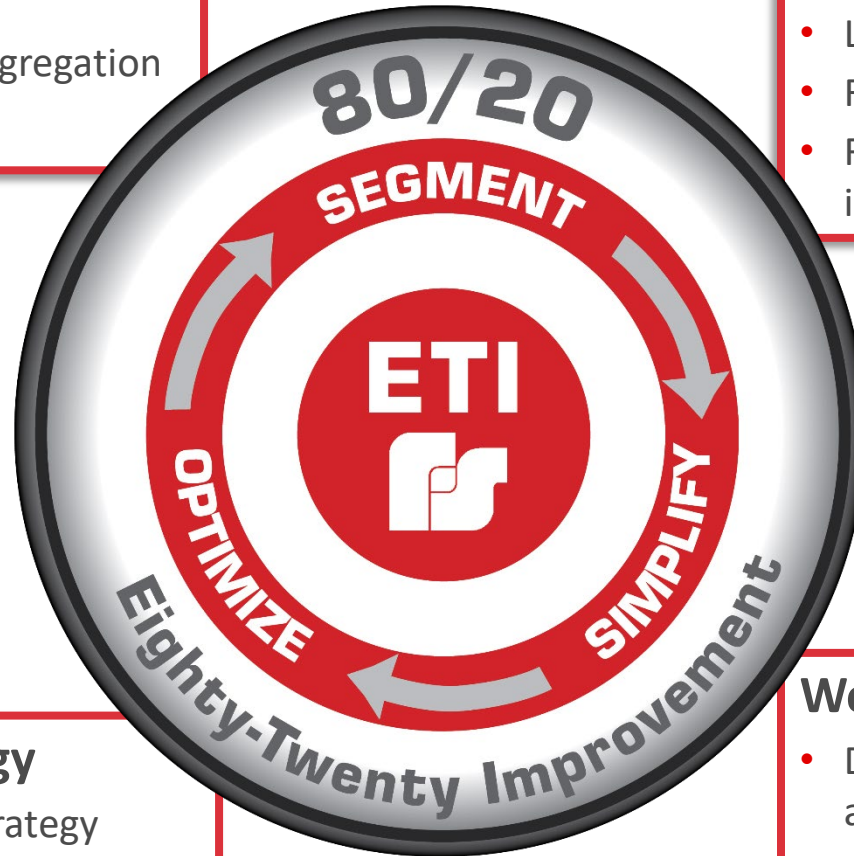
## Material Cost Reduction

- Waste reduction
- SKU rationalization
- Savings through volume aggregation
- Sourcing optimization



## Manufacturing Efficiency

- Lean manufacturing focus
- Throughput flexibility
- Labor pool management
- Flexible manufacturing model
- Recent investments in machinery expected to result in productivity improvements



## Pricing Strategy

- Parts pricing strategy
- Effective “options” pricing

## Working Capital Optimization

- Derived benefits from manufacturing efficiencies and SKU rationalization
- Improved cycle times to drive inventory reductions





# Appendix III: New Product Development

- Several successful new product launches resulting from our customer-focused approach to innovation, including the award-winning launch of the ParaDIGm® vacuum excavator in 2016
- Targeting long-term organic revenue growth of a couple percentage points above GDP
- Of our total R&D spend in 2021, approximately 20% was invested in electrification projects:
  - Collaborating with multiple chassis OEMs and have recently taken delivery of first fully-electric chassis; plan to begin field testing an all-electric, truck-mounted street sweeper later this year
  - Delivered first two plug-in, hybrid Broom Bear street sweepers to be placed in service to the City of Los Angeles in Q1 2022
  - Experiencing high demand from dealers for demonstrations of our plug in, hybrid electric street sweeper products, specifically the Broom Bear and the three-wheel Pelican
  - Earlier this year, introduced our first Rugby dump body on a fully-electric chassis and are exploring other ways to integrate electrification into our suite of products



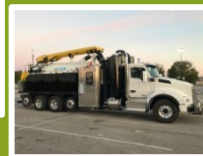
HXX Vacuum Excavator



Plug-In Hybrid Broom Bear Street Sweeper

## Environmental Solutions Group (ESG)

- Sewer Cleaner productivity improvements such as advanced controls and a new, revolutionary boom design
- All-New Vector iMPACT® compact sewer cleaner
- All-New RegenX® regenerative air sweeper, and new single-engine versions of legacy sweepers
- All-New HXX® Vacuum Excavator with improved payload carrying capacity
- Jetstream portfolio of tools and accessories
- All-New TRUVAC® Coyote and APXX Vacuum Excavators
- All-New TRUVAC® TRXX safe-digging trailer
- Street sweeper-based road condition assessment service offering
- Won World Sweeping Association's 2020 Award of Excellence in Power Sweeping



## Safety and Security Systems Group (SSG)

- Automatic License Plate Recognition (ALPR) Systems
- CommanderOne Direct Messaging (SMS/Phone)
- Smart Police Vehicle Systems
- Next-Generation PAGA
- Global Series Signaling Devices
- Allegiant® Police Light Bar
- Pathfinder® Siren Suite
- Reliant® Light Bar





# Appendix IV: Non-GAAP Measures (Adjusted EPS)

<i>(\$ in millions)</i>	Three Months Ended June 30,	
	2022	2021
Net income, as reported	\$ 33.5	\$ 29.7
<i>Add:</i>		
Income tax expense	11.1	8.0
Income before income taxes	44.6	37.7
<i>Add:</i>		
Acquisition and integration-related (benefits) expenses	(1.7)	0.3
Pension-related charges (1)	-	0.3
Coronavirus-related expenses (2)	-	0.3
Purchase accounting effects (3)	-	0.3
Adjusted income before income taxes	42.9	38.9
Adjusted income tax expense (4)	(10.7)	(8.3)
<b>Adjusted net income</b>	<b>\$ 32.2</b>	<b>\$ 30.6</b>
Diluted EPS, as reported	\$ 0.55	\$ 0.48
<b>Adjusted diluted EPS</b>	<b>\$ 0.53</b>	<b>\$ 0.50</b>

## 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 months ended June 30, 2022 and 2021, adjustments were made to reported GAAP net income and diluted EPS to exclude the impact of acquisition and integration-related (benefits) expenses, pension-related charges, coronavirus-related expenses and purchase accounting effects, where applicable.

(1) Pension-related charges in the three months ended June 30, 2021 relate to charges incurred in connection with multiemployer pension plan withdrawals. Such charges are included as a component of Other income, net on the Condensed Consolidated Statements of Operations.

(2) Coronavirus-related expenses in the three months ended June 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 wellness initiatives, including reimbursement for certain coronavirus-related expenses.

(3) Purchase accounting effects relate to adjustments to exclude the step-up in the valuation of acquired JJE equipment that was sold subsequent to the acquisition in the three months ended June 30, 2021, as well as to exclude the depreciation of the step-up in the valuation of the rental fleet acquired.

(4) Adjusted income tax expense for the three months ended June 30, 2022 and 2021 was recomputed after excluding the impact of acquisition and integration-related (benefits) expenses, pension-related charges, coronavirus-related expenses and purchase accounting effects, where applicable.



# Appendix IV: Non-GAAP Measures (Adjusted EBITDA)

<i>\$ millions, except %</i>	<u>Q2 2022</u>	<u>Q2 2021</u>
<b>Net income</b>	\$ 33.5	\$ 29.7
<b>Add:</b>		
<b>Interest expense</b>	1.9	1.1
<b>Acquisition and integration-related (benefits) expenses</b>	(1.7)	0.3
<b>Coronavirus-related expenses</b>	-	0.3
<b>Purchase accounting effects</b>	-	0.2
<b>Other income, net</b>	(0.3)	(0.3)
<b>Income tax expense</b>	11.1	8.0
<b>Depreciation and amortization</b>	13.7	12.6
<b>Consolidated adjusted EBITDA</b>	<u>\$ 58.2</u>	<u>\$ 51.9</u>
<b>Net Sales</b>	<u>\$ 366.7</u>	<u>\$ 334.7</u>
<b>Consolidated adjusted EBITDA margin</b>	<u>15.9%</u>	<u>15.5%</u>

## Adjusted EBITDA and adjusted EBITDA margin

The Company uses adjusted EBITDA and the ratio of adjusted EBITDA to net sales (“adjusted EBITDA margin”), 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, 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.

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



# Appendix IV: Non-GAAP Measures (Adjusted EBITDA cont.)

(\$ in millions)	2017	2018	2019	2020	2021
Net Income	\$ 60.5	\$ 93.7	\$ 108.4	\$ 96.1	\$ 100.6
<b>Add (less):</b>					
Interest expense	7.3	9.3	7.9	5.7	4.5
Pension settlement charges	6.1	-	-	-	10.3
Hearing loss settlement charges	1.5	0.4	-	-	-
Acquisition and integration-related expenses (benefits)	2.7	1.5	2.5	2.1	(2.1)
Coronavirus-related expenses	-	-	-	2.3	1.2
Restructuring	0.6	-	-	1.3	-
Executive severance costs	0.7	-	-	-	-
Purchase accounting effects (a)	4.4	0.7	0.2	0.3	0.3
Other (income) expense, net	(0.8)	0.6	0.6	1.1	(1.7)
Income tax expense	0.5	17.9	30.2	28.5	17.0
Depreciation and amortization	30.0	36.4	41.5	44.8	50.4
Deferred gain recognition (b)	(2.0)	(1.9)	-	-	-
<b>Adjusted EBITDA</b>	<b>\$ 111.5</b>	<b>\$ 158.6</b>	<b>\$ 191.3</b>	<b>\$ 182.2</b>	<b>\$ 180.5</b>
<b>Net Sales</b>	<b>\$ 898.5</b>	<b>\$ 1,089.5</b>	<b>\$ 1,221.3</b>	<b>\$ 1,130.8</b>	<b>\$ 1,213.2</b>
<b>Adjusted EBITDA Margin</b>	<b>12.4%</b>	<b>14.6%</b>	<b>15.7%</b>	<b>16.1%</b>	<b>14.9%</b>

- (a) Excludes purchase accounting effects reflected in depreciation and amortization of \$0.4M, \$0.5 M, \$0.6 M, \$0.4 M and \$0.4 M for 2017, 2018, 2019, 2020 and 2021, respectively.
- (b) Adjustment to exclude recognition of a deferred gain associated with historical sale lease-back transactions. Effective with the adoption of the new lease accounting standard in 2019, recognition of this gain was eliminated.

## Adjusted EBITDA and adjusted EBITDA margin

The Company uses adjusted EBITDA and adjusted EBITDA margin 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 are meaningful metrics to investors in evaluating the Company's underlying financial performance. Adjusted EBITDA is a non-GAAP measure that represents the total of net income, interest expense, pension settlement charges, hearing loss settlement charges, acquisition and integration-related expenses (benefits), coronavirus-related expenses, restructuring activity, executive severance costs, purchase accounting effects, other income/expense, income tax expense, depreciation and amortization expense, and the impact of adoption of a new lease accounting standard, where applicable. Consolidated adjusted EBITDA margin is a non-GAAP measure that represents the total of net income, interest expense, pension settlement charges, hearing loss settlement charges, acquisition and integration-related expenses (benefits), coronavirus-related expenses, restructuring activity, executive severance costs, purchase accounting effects, other income/expense, income tax expense, depreciation and amortization expense, and the impact of adoption of a new lease accounting standard, where applicable, divided by net sales for the applicable period(s). Other companies may use different methods to calculate adjusted EBITDA and adjusted EBITDA margin.



# Appendix V: Executive Compensation Aligned with Long-term Objectives

- The Company continues to focus on executing against a number of key long-term objectives, which include (i) creating disciplined growth, (ii) improving manufacturing efficiencies and costs; (iii) leveraging invested capital; and (iv) diversifying our customer base

One Year	Three Years	Ten Years
<b>Cash Bonus (STIP)</b> <ul style="list-style-type: none"> <li>Earnings (60%)</li> <li>EBITDA Margin (20%)</li> <li>Individual Objectives (20%)</li> </ul>		<b>Short-Term</b> <u>Annual Goals</u> <ol style="list-style-type: none"> <li>Profitability and growth</li> <li>Market share</li> </ol>
<b>Performance Share Units</b> <ul style="list-style-type: none"> <li>EPS (75%)</li> <li>Return on Invested Capital (25%)</li> </ul>		<b>Long-Term</b> <u>3-year Performance and Vesting Periods</u> <ol style="list-style-type: none"> <li>Profitability and growth</li> <li>Shareholder value creation</li> <li>Efficient use of capital</li> <li>Facilitates stock ownership</li> <li>Executive retention</li> </ol>
<b>Restricted Stock Awards</b>		<b>Long-Term</b> <u>3-year Cliff Vesting</u> <ol style="list-style-type: none"> <li>Executive recruitment</li> <li>Executive retention</li> <li>Facilitates stock ownership</li> </ol>
<b>Share Price Appreciation</b> <ul style="list-style-type: none"> <li>Stock Options</li> </ul>		<b>Longer-Term</b> <u>3-year Ratable Vesting Period and 10 Year Exercise Period</u> <ol style="list-style-type: none"> <li>Shareholder value creation</li> <li>Facilitates stock ownership</li> <li>Executive retention</li> </ol>





# Appendix VI: Investor Information

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**Stock Ticker:** NYSE:FSS

**Company website:** [federalsignal.com/investors](https://federalsignal.com/investors)

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**FEDERAL SIGNAL**

*Moves. Cleans. Protects.*