



# Disciplined Growth

Investor Presentation May 2021

# 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, economic conditions in various regions, product and price competition, supply chain disruptions, work stoppages, availability and pricing of raw materials, 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. 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, dump bodies and trailers and road-marking and line-removal 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 17 principal manufacturing facilities worldwide
- Strong operating cash flow generation has facilitated organic growth investment, cash returns to stockholders and M&A in recent years



# 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 ~25% of ESG’s sales in 2020 (~27% in Q1 2021)
- Low debt leverage; Strong balance sheet
- Healthy cash flow generation
- Ample due to strong financial position, active M&A 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 2020, approximately 20% was dedicated to electrification projects



# Recent Macro Factors Representing Potential Growth Catalysts

## Federal Stimulus

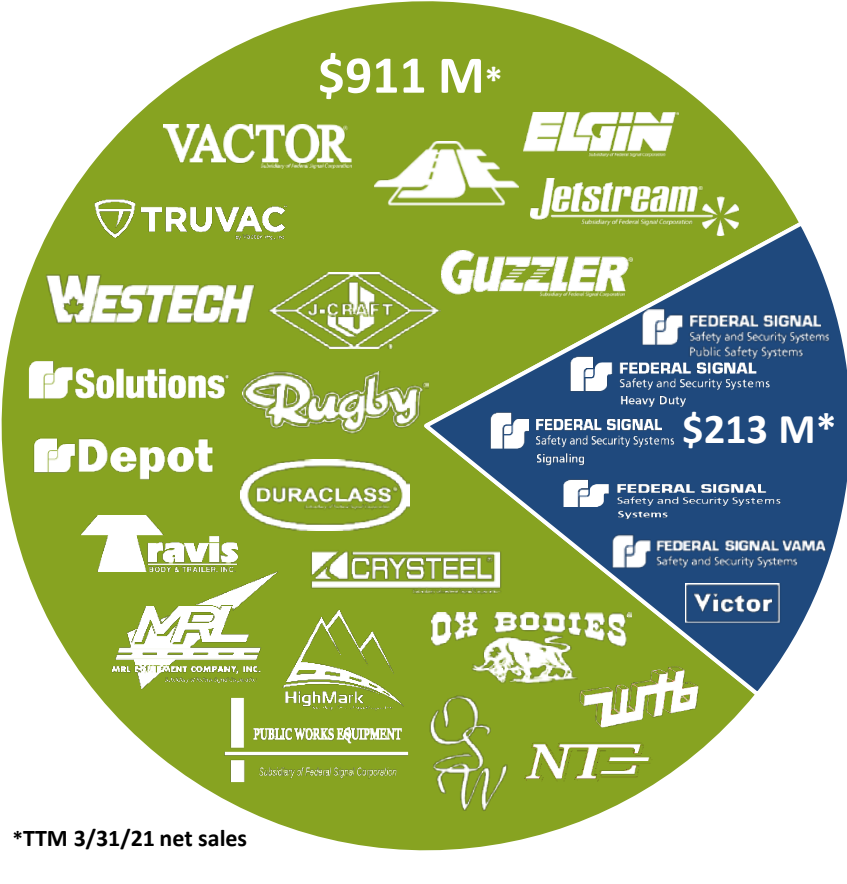
- \$1.9 trillion of economic stimulus with \$350 billion earmarked to go to state, local and territorial governments. Among other things, stimulus package targets the maintenance of essential infrastructure, such as sewer systems and streets
  - As a provider of equipment used to support these essential services, we are well positioned to benefit from such investment
- The potential for an Infrastructure Bill would provide visibility for project planning and increased capital equipment demand in areas such as roads, bridges, telecommunications, clean energy and public transportation
  - We anticipate that meaningful investment in infrastructure would benefit most of our product offerings, including equipment sales and rentals of dump trucks and trailers, safe digging trucks, road marking equipment, sewer cleaners and street sweepers

## Municipality/ Industrial Resiliency

- Our dealer partners remain cautiously optimistic about market conditions in 2021, noting that both corporate and sales tax collections appear to have held up better than originally anticipated, adding greater stability to their revenue sources
- We continue to be bullish about the long-term prospects for our safe digging initiative and are monitoring further developments on the regulatory front
- Recent increase in oil prices could generate increased demand for the sale and rental of our industrial products



# Two Attractive Platforms

Segment	<b>Environmental Solutions Group (ESG)</b>		<b>Safety and Security Systems Group (SSG)</b>
Markets	Serves publicly-funded, industrial, and utility markets for surface and sub-surface cleaning, safe-digging, road marking, infrastructure maintenance and material hauling		Serves the needs of municipalities and industrial verticals for audible and visual safety and security notification devices and systems
Products	<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>• Road-Marking and Line-Removal</li> </ul>		<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

**Rental/Aftermarket**

**Depot Solutions**

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

**Dealer Network**

**US Dealer Network**

+  Largest Canadian distributor of maintenance equipment to municipalities

**Distribution**

**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 Distributor	Industrial Oil & Gas Commercial Heavy Industry Manufacturing Indirect	Publicly-funded Oil & Gas Commercial Direct
<b>Addressable Market *</b>	\$1.0 B	\$600 M	\$1.0 B

\* Management estimates



# 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-excavation”) 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
- 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



# Disciplined M&A

**Target companies that accelerate our current strategic initiatives or provide a platform for growth in adjacent markets or new geographies**

## Business Characteristics

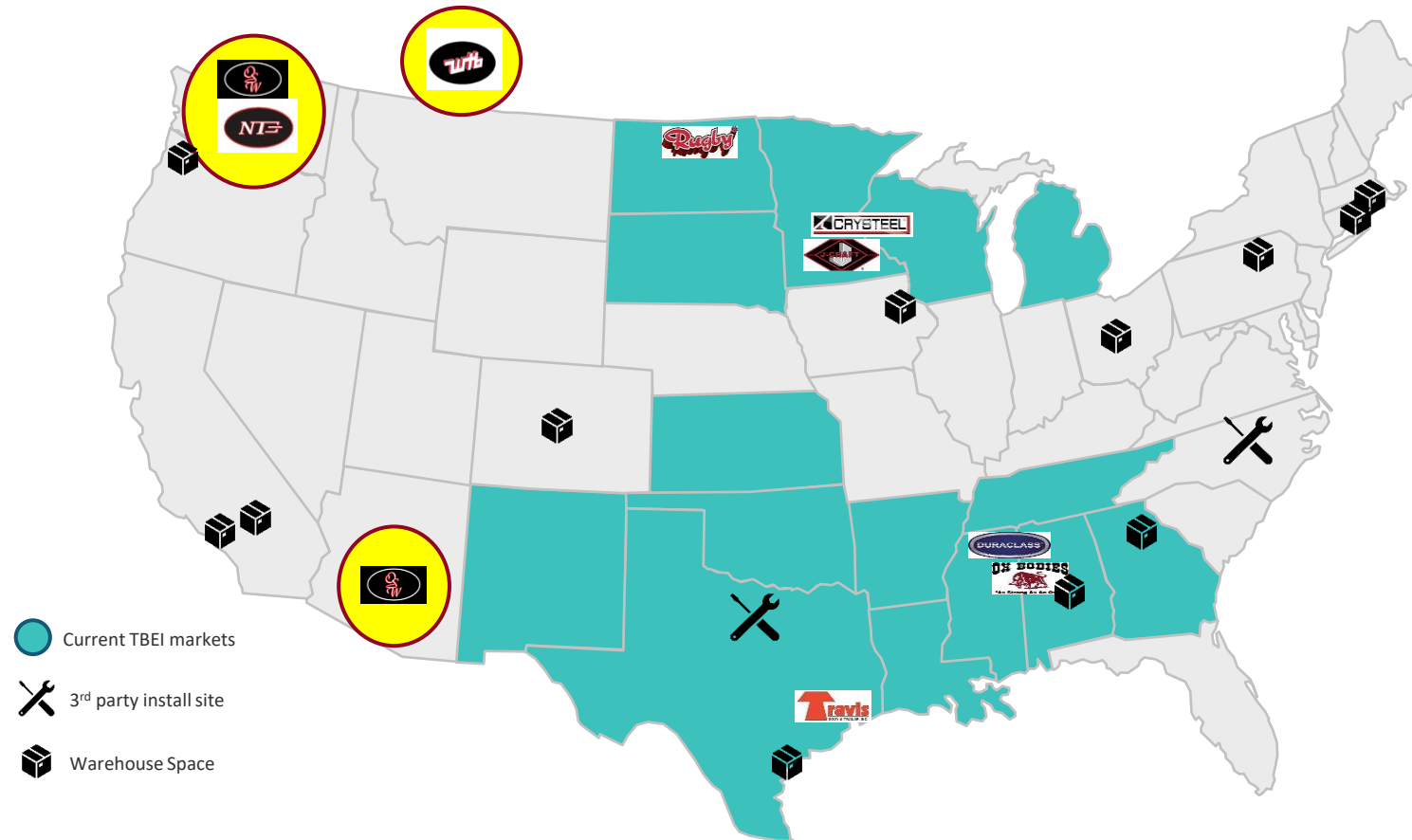
- Niche market leader (product, geography, end-market)
- Sustainable competitive advantage
- Deep domain expertise (technology, application, manufacturing)
- Strong management team
- Leverages our distribution and manufacturing capabilities

## Financial Characteristics

- Solid growth potential
- Through-the-cycle margins comparable to or higher than our target margins
- Ideally, identifiable synergies and recurring revenue opportunities
- Return on capital greater than our cost of capital, appropriately adjusted for risk

## Acquisition of OSW Equipment & Repair (completed in February 2021)

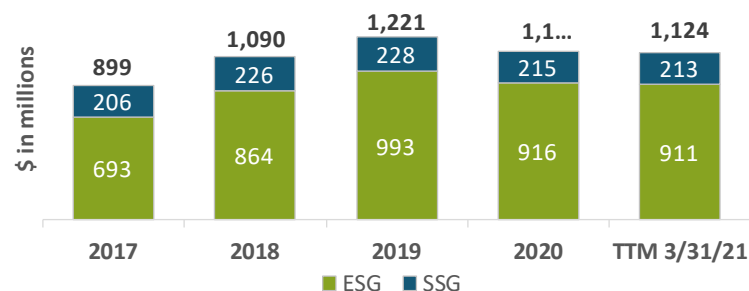
**Highly strategic acquisition which delivers on our objective of geographic expansion of our dump truck body and trailer platform; adds three premier brands that serve attractive markets on the West Coast, in Arizona and in parts of Canada**



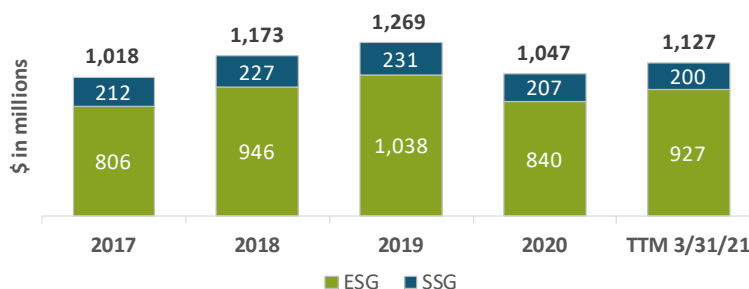
***Note:** Rugby serves the market through its nationwide warehouses and distributor network. OSW is headquartered in Snohomish, WA and operates an upfitting center in Tempe, AZ as well as an additional location in Edmonton, Canada from its acquisition of Western Truck Body.*

# Financial Overview

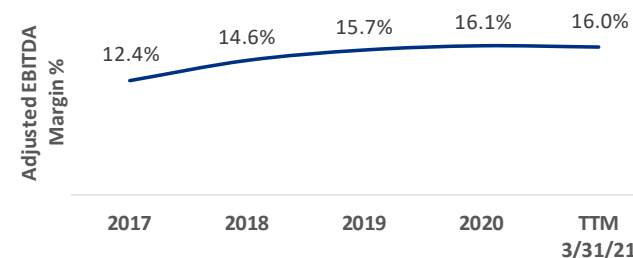
## Net Sales



## 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

## Q1 2021 Highlights<sup>2</sup>:

- Net sales of \$279 M
- Operating income of \$27.8 M
- Adjusted EBITDA\* of \$41.2 M
- Adjusted EBITDA margin\* of 14.8%
- GAAP EPS of \$0.36
- Adjusted EPS\* of \$0.38
- Record quarterly orders of \$384 M, up \$80 M or 26%
- Record backlog of \$410 M, up \$106 M, or 35% vs. Q4 2020
- Cash and cash equivalents of \$55 M and \$270 M of credit facility availability
- Net debt of ~\$168 M <sup>3</sup>

(2) Comparisons to Q1 2020, unless noted otherwise

(3) Net debt is a non-GAAP measure, computed as total debt of \$222.6 M, less total cash and cash equivalents of \$54.8 M

\*Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EPS are non-GAAP measures. See Appendix IV for additional information, including reconciliation to GAAP measures.

# 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 Q1 2021, net debt leverage remained low, with ~\$270 M of availability under credit facility

## Reinvest in the Business

- Innovation R&D efforts target new and updated products
- Developing tools to improve digital customer experience, with soft launch of e-commerce site during Q4 2020
- In 2021, anticipating cap ex in the range of \$20 M - \$25 M, including investments in our plants to add capacity and gain efficiencies through use of new technology

## Acquisitions

- Completed acquisition of OSW for initial payment of \$53.5 M in Q1 2021, representing the 6<sup>th</sup> acquisition since the beginning of 2016
- Focused primarily on acquisitions that fit closely within our existing products and services, manufacturing competencies, channels and customers

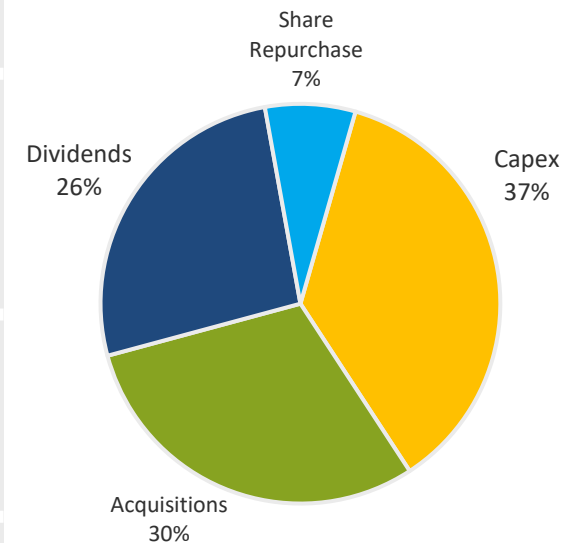
## Dividend Policy

- Provide a competitive dividend yield while funding business growth
- Increased dividend for Q1 2021 to \$0.09 per share, and recently declared similar dividend for Q2 2021; current dividend yield is ~1%
- Paid dividends of \$5.5 M in Q1 2021; \$19.4 M for full year 2020

## Share Repurchases

- Opportunistic share buybacks as a return of cash to our shareholders
- During Q1 2020, obtained Board authorization to repurchase up to \$75 M of additional shares; spent \$13.7 M buying back ~500,000 shares in 2020 @ average price of \$27.47/share
- ~\$91 M of repurchase authorization remaining under current programs (~4% of market cap)

## Cash Deployment (2018-20)<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 2018-2020; excludes investment in rental fleet, which is reported as part of operating cash flows



# Maintaining 2021 Outlook

**Adjusted EPS\* ranging from \$1.73 to \$1.85**

*Represents increase of 4% to 11% over 2020\**

## Key Full-Year Assumptions

- Revenue growth
- Double-digit improvement in pre-tax earnings
- Depreciation and amortization expense to increase by ~\$6 M to \$8 M
- Capital expenditures of \$20 M to \$25 M, including ongoing plant expansions
- Anticipating year-over-year headwind of ~\$8 M associated with cost saving actions taken in 2020 which may return in 2021
- Interest rate of 2-3%
- Effective income tax rate of ~24%, including estimated discrete tax benefits
- ~62 M weighted average shares outstanding
- Seasonal effects typically result in Q1 earnings being lower than subsequent quarters
- Expect 2H to be stronger than 1H
- Does not consider any upside from recent federal stimulus and potential infrastructure investment

\*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 2020, we made adjustments to exclude the impact of acquisition and integration-related expenses, pension-related charges, restructuring activity, coronavirus-related expenses and purchase accounting effects, where applicable. We have also previously made adjustments to GAAP income from continuing operations and diluted EPS for special tax items. Should any similar items occur in 2021, 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).

# 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, 2015 and assumes reinvestment of all dividends through December 31, 2020.

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



# 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)



CRYSTEEL

DURACLASS

J-CRAFT

OX BODIES

Rugby

Travis

MRL

NTE

Wtb

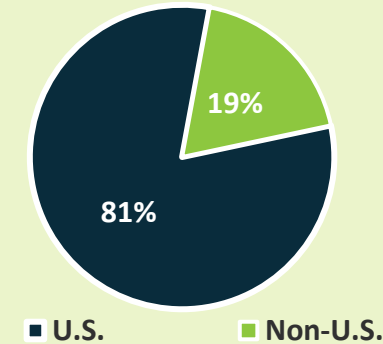


# Appendix I: ESG - Market Influencers & Where We Play

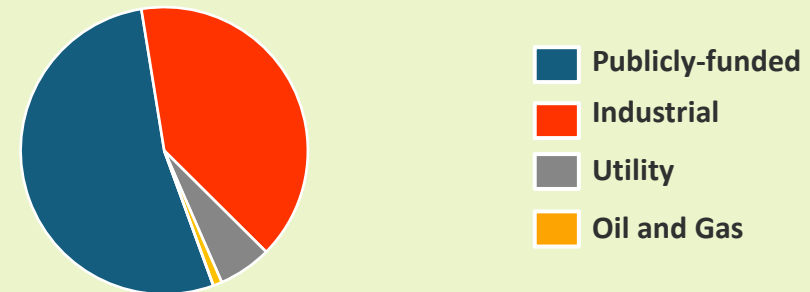
## Market Dynamics

- Many ESG products support essential services that are focused on cleaning
- Recent \$1.9 T of economic stimulus earmarks \$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 expansion and increasing urbanization support long-term demand for safe digging products, 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

2020 Sales by Geography



2020 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**

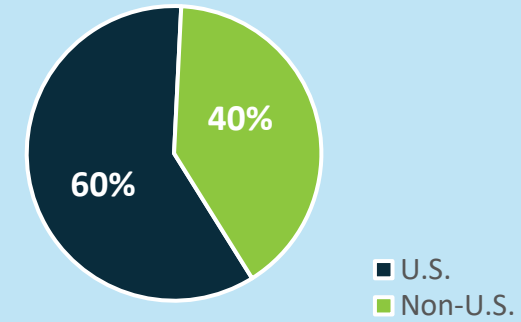


# Appendix I: SSG - Market Influencers & Where We Play

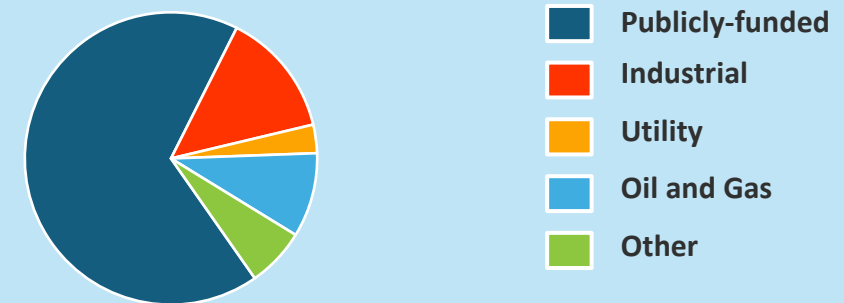
## Market Dynamics

- 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

2020 Sales by Geography



2020 End Markets by Users



Source: Management Estimates



# Appendix II: Eighty-Two 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

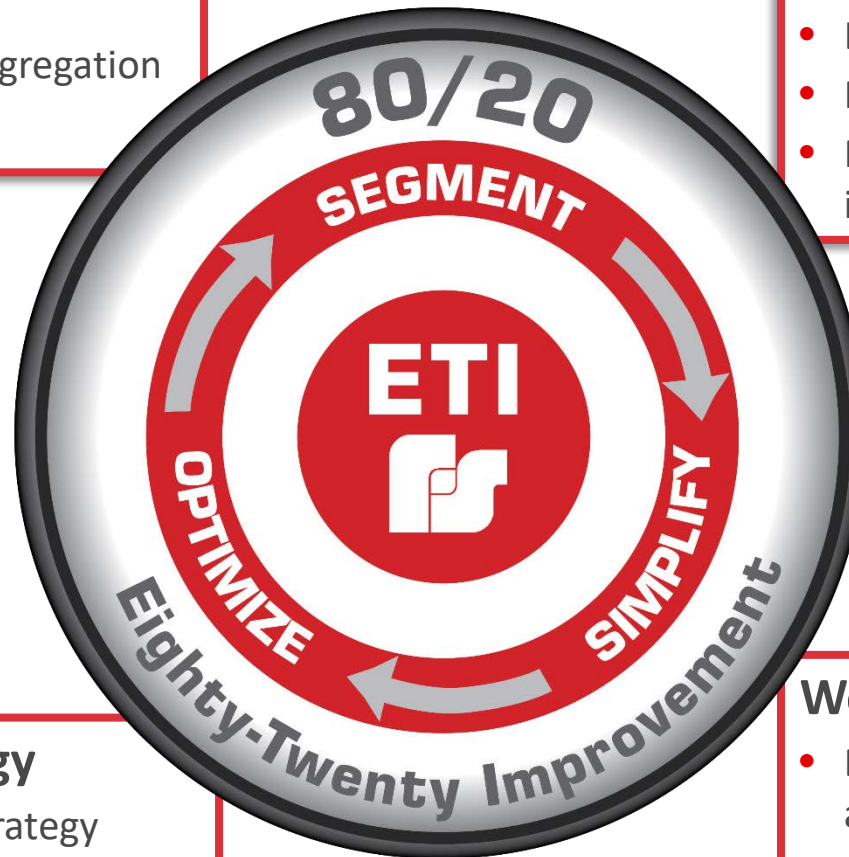


## Pricing Strategy

- Parts pricing strategy
- Effective “options” pricing

## Working Capital Optimization

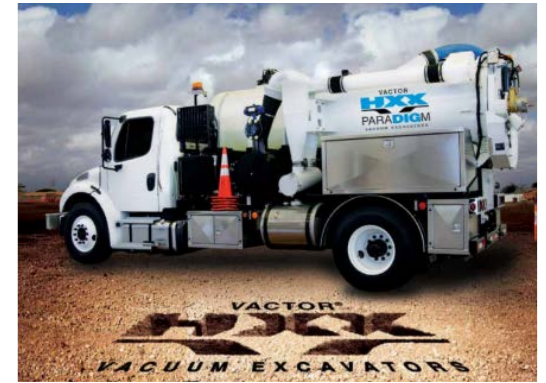
- Derived benefits from manufacturing efficiencies and SKU rationalization
- Improved cycle times to drive inventory reductions



# Appendix III: New Product Development

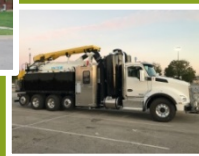
## Customer-Focused Process

- Complete change in approach to innovation, starting in 2013; with the revamped innovation structure, completed several successful new product launches, including the award-winning launch of the ParaDIGm vacuum excavator in 2016
- In 2018, announced acceleration of innovation initiatives to drive long-term organic growth; targeting long-term organic revenue growth of a couple percentage points above GDP
- Of our total R&D spend in 2020, approximately 20% was invested in electrification projects
  - During Q4 2020, received first orders for our hybrid electric street sweeper



## Environmental Solutions Group (ESG)

- Sewer Cleaner productivity improvements such as advanced controls and a new, revolutionary boom design
- All-New Vactor 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 Vacuum Excavator
- Street sweeper-based road condition assessment service offering
- Recently released plug-in, hybrid electric sweeper
- 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



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

(\$ in millions, except EPS)	Three Months Ended March 31,			
	2021		2020	
Net income, as reported	\$	22.2	\$	23.4
<u>Add:</u>				
Income tax expense		5.0		7.2
Income before income taxes		27.2		30.6
<u>Add:</u>				
Acquisition and integration-related expenses		0.2		0.3
Coronavirus-related expenses (1)		0.9		0.4
Purchase accounting effects (2)		0.1		0.2
Adjusted income before income taxes	\$	28.4	\$	31.5
Adjusted income tax expense (3)		(5.2)		(7.4)
<b>Adjusted net income</b>	<b>\$</b>	<b>23.2</b>	<b>\$</b>	<b>24.1</b>
Diluted EPS, as reported	\$	0.36	\$	0.38
<b>Adjusted diluted EPS</b>	<b>\$</b>	<b>0.38</b>	<b>\$</b>	<b>0.39</b>

(1) Coronavirus-related expenses in the three months ended March 31, 2021 and 2020 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 incremental paid time off and reimbursement for certain coronavirus-related expenses.

(2) 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 March 31, 2021 and 2020, as well as to exclude the depreciation of the step-up in the valuation of the rental fleet acquired.

(3) Adjusted income tax expense for the three months ended March 31, 2021 and 2020 was recomputed after excluding the impact of acquisition and integration-related expenses, coronavirus-related expenses and purchase accounting effects, where applicable.

## Adjusted net income and earnings per share ("EPS")

The Company believes that modifying its Q1 2021 and Q1 2020 net income and diluted EPS provides additional measures which are representative of the Company's underlying performance and improves the comparability of results across reporting periods. During the three months ended March 31, 2021 and 2020, adjustments were made to reported GAAP net income and diluted EPS to exclude the impact of acquisition and integration-related expenses, coronavirus-related expenses and purchase accounting effects, where applicable.



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

(\$ in millions)	Three Months Ended March 31, 2021	
Net income	\$	22.2
<u>Add:</u>		
Interest expense		1.1
Acquisition and integration-related expenses		0.2
Coronavirus-related expenses		0.9
Purchase accounting effects (a)		0.1
Other expense (income), net		(0.5)
Income tax expense		5.0
Depreciation and amortization		12.2
<b>Adjusted EBITDA</b>	<b>\$</b>	<b>41.2</b>
<b>Net Sales</b>	<b>\$</b>	<b>278.8</b>
<b>Adjusted EBITDA Margin</b>		<b>14.8%</b>

## Adjusted EBITDA and adjusted EBITDA margin

The Company uses adjusted earnings before interest, tax, depreciation and amortization ("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. Adjusted EBITDA is a non-GAAP measure that represents the total of net income, interest expense, acquisition and integration-related expenses, coronavirus-related expenses, purchase accounting effects, other income/expense, income tax expense, and depreciation and amortization expense. Consolidated adjusted EBITDA margin is a non-GAAP measure that represents the total of net income, interest expense, acquisition and integration-related expenses, coronavirus-related expenses, purchase accounting effects, other income/expense, income tax expense, and depreciation and amortization expense, divided by net sales for the applicable period(s). Other companies may use different methods to calculate adjusted EBITDA and adjusted EBITDA margin.



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

(\$ in millions)	2017	2018	2019	2020	TTM 3/31/2021
Net income	\$ 60.5	\$ 93.7	\$ 108.4	\$ 96.1	\$ 94.9
Add (less):					-
Interest expense	7.3	9.3	7.9	5.7	5.3
Pension settlement charges	6.1	-	-	-	-
Hearing loss settlement charges	1.5	0.4	-	-	-
Acquisition and integration-related expenses	2.7	1.5	2.5	2.1	2.0
Coronavirus-related expenses	-	-	-	2.3	2.8
Restructuring	0.6	-	-	1.3	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	0.4
Income tax expense	0.5	17.9	30.2	28.5	26.3
Depreciation and amortization	30.0	36.4	41.5	44.8	46.2
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>\$ 179.5</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>\$ 1,123.5</b>
<b>Adjusted EBITDA Margin</b>	<b>12.4%</b>	<b>14.6%</b>	<b>15.7%</b>	<b>16.1%</b>	<b>16.0%</b>

- (a) Excludes purchase accounting effects reflected in depreciation and amortization of \$0.4 M, \$0.5 M, \$0.6 M, \$0.4 M and \$0.3 M for 2017, 2018, 2019, 2020 and TTM 3/31/21, 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, 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, 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 the following:
  - Creating disciplined growth
  - Improving manufacturing efficiencies and costs
  - Leveraging invested capital
  - Diversifying our customer base

One Year	Three Years	Ten Years
Cash Bonus (STIP) <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>1. Profitability and growth</li><li>2. Market share</li></ol>
Performance Share Units <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>1. Profitability and growth</li><li>2. Shareholder value creation</li><li>3. Facilitates stock ownership</li><li>4. Executive retention</li></ol>
Restricted Stock Awards		<b>Long-Term</b> <u>3-year Cliff Vesting</u> <ol style="list-style-type: none"><li>1. Executive recruitment</li><li>2. Executive retention</li><li>3. Facilitates stock ownership</li></ol>
Share Price Appreciation <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>1. Shareholder value creation</li><li>2. Facilitates stock ownership</li><li>3. 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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## HEADQUARTERS

1415 West 22<sup>nd</sup> Street, Suite 1100  
Oak Brook, IL 60523

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## INVESTOR RELATIONS CONTACTS

630-954-2000

**Ian Hudson**

SVP & Chief Financial Officer

[IHudson@federalsignal.com](mailto:IHudson@federalsignal.com)





**FEDERAL SIGNAL**

*Moves. Cleans. Protects.*