



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, 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 15 manufacturing facilities worldwide
- Despite ongoing COVID-related challenges in 2020, teams are demonstrating excellent operational performance, while continuing to generate strong cash flow

STRONG CASH FLOW		\$1.15B REVENUE TTM 9/30/2020	Market capitalization ~\$1.9B
NYSE SYMBOL FSS			
			



CRAIN'S CHICAGO BUSINESS 2020
NOTABLE
WOMEN IN MANUFACTURING



An Experienced Leadership Team



Jennifer Sherman

President and Chief Executive Officer

- Appointed January, 2016
- Previously Chief Operating Officer, Chief Administrative Officer, Secretary and General Counsel, with operating responsibilities for the Company's Safety and Security Systems Group
- Joined Federal Signal in 1994 as Corporate Counsel



Mark D. Weber

Senior Vice President and Chief Operating Officer

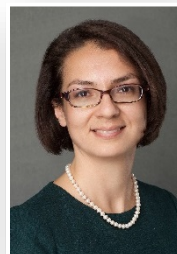
- Appointed January, 2018
- Previously served as President and Chief Executive Officer of Supreme Industries, Inc.
- Prior to joining Supreme, Mr. Weber spent 17 years at Federal Signal, initially as Vice President of Operations, Elgin Sweeper, before progressing through multiple roles of increasing responsibility, serving as President of the Environmental Solutions Group for over a decade



Ian Hudson

Senior Vice President and Chief Financial Officer

- Appointed October, 2017
- Joined Federal Signal in August 2013 as Vice President and Corporate Controller
- Previously served as Director of Accounting – Latin America and Asia Pacific at Groupon, Inc.
- 13+ years public accounting experience with Ernst & Young, LLP



Svetlana Vinokur

Vice President, Treasurer and Corporate Development

- Appointed April, 2015
- Previously served as Assistant Treasurer for Illinois Tool Works Inc., Finance Head of M&A Strategy at Mead Johnson Nutrition Company, and Senior Associate for Robert W. Baird & Company's Consumer and Industrial Investment Banking group



Why Federal Signal?

Composition of Businesses

End Market Exposures

Revenue Streams

Financial Position

Opportunity for M&A

Operational Performance

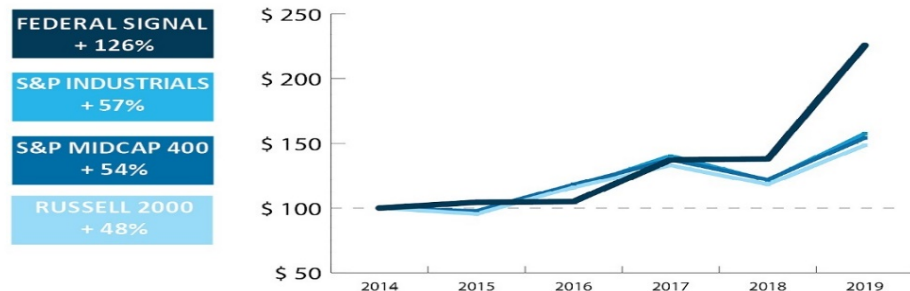
New Product Development (“NPD”)

- 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
- ~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 represent ~26% of ESG’s YTD sales in 2020
- 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



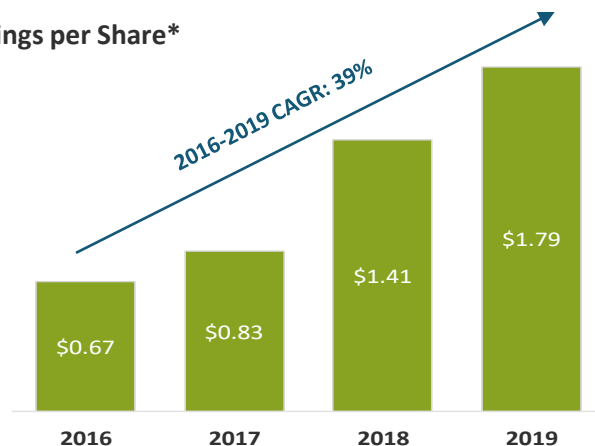
Positioned for Long-Term Growth

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



This graph assumes that the value of the investment in the Company's common stock, and in each index, was \$100 on December 31, 2014 and assumes reinvestment of all dividends through December 31, 2019.

Adjusted Earnings per Share*
(US\$ / share)



*Adjusted earnings per share is a non-GAAP measure. See Appendix V for additional information, including reconciliation to GAAP measures.

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



Two Attractive Platforms

Segment	Environmental Solutions Group (ESG)	<div data-bbox="917 221 1760 1099"> <p>\$930 M*</p> <p>\$220 M*</p> <p>*TTM net sales 9/30/20</p> </div>	
Markets	<p>Serves publicly-funded, industrial, and utility markets for surface and sub-surface cleaning, safe-digging, road marking, infrastructure maintenance and material hauling</p>	Safety and Security Systems Group (SSG)	
Products	<ul style="list-style-type: none"> • Street Sweeping • Sewer Cleaning • Safe Digging • Industrial Cleaning • Dump Bodies and Trailers • Road-Marking and Line-Removal 	<ul style="list-style-type: none"> • Lights and Sirens • Signaling Devices • Warning Systems 	



Environmental Solutions Group (ESG)

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



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 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
Application	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)
Brands	  	 	
Products			
End Markets and Channels	Publicly-funded Industrial Distributor	Industrial Oil & Gas Commercial Heavy Industry Manufacturing Indirect	Publicly-funded Oil & Gas Commercial Direct
Addressable Market *	\$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-excavation 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

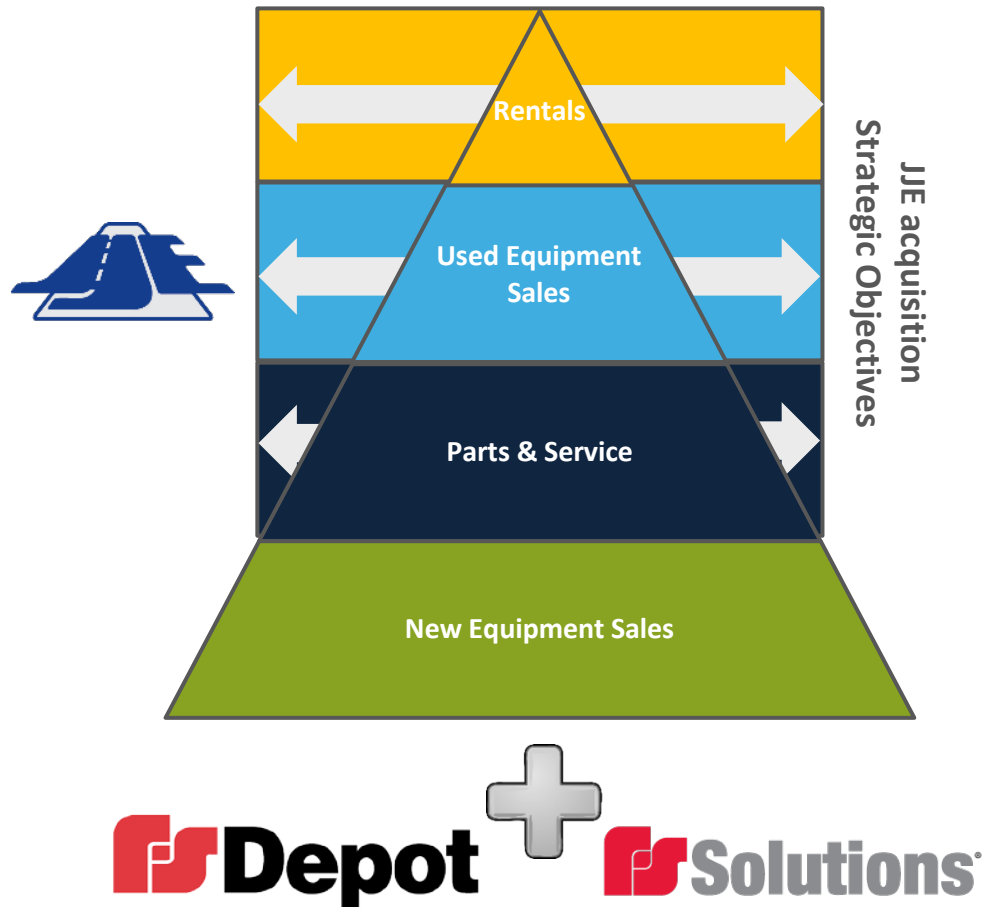
Why Federal Signal?

- Sole manufacturer of complete range of truck-mounted safe-digging equipment, with applications across a number of end-markets
- 30-year track record of manufacturing leading vacuum-excavation products
- Widest service and support network for vacuum-excavation products
- Best-in-class payload for Ontario market
- Dedicated and experienced sales organization in place to support initiative
- Orders for safe-digging equipment in 2019 were up ~\$29M, or 28%, compared to 2018



Strategic Initiative– Aftermarket Parts & Services

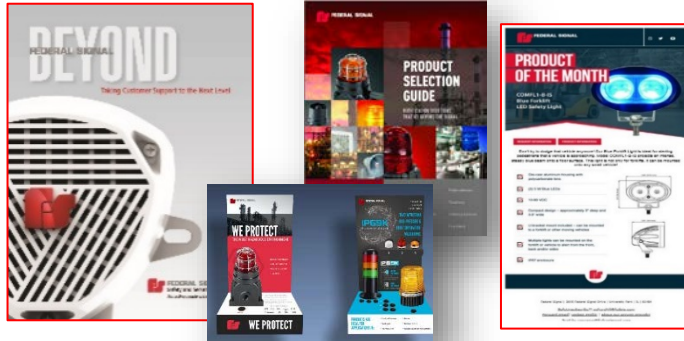
Optimizing platform to transform Federal Signal's aftermarket business into an industry leader of parts and services to maintenance and infrastructure markets



- Unified platform to serve customers across all ESG businesses
- Undivided focus on growing and optimizing Federal Signal's non-whole goods capabilities
- Areas of focus:
 - E-commerce capability development
 - Joint procurement initiatives to optimize input costs
 - Pricing harmonization across customers
 - Alternative ownership structures – rental and used equipment
- ESG's rental income in 2019 increased by 11% vs. 2018, while total aftermarket revenues grew by 13% over the same period
- Aftermarket revenues represent ~26% of ESG's YTD sales in 2020 (up from ~24% in 2019)

Strategic Initiative– Audible & Visual Warning Devices

SSG businesses focused on optimizing their existing channels and expanding product offerings



Optimize Channel

- Pricing / Promotion strategy
- E-commerce platform development
- New product development focus on addressing adjacent market verticals
- Capitalize on existing installed base
- Strategic geographical expansion and distributor rationalization



Product Portfolio Expansion

- “Allegiant” – low cost lightbar to expand addressable market
- “Pathfinder” siren – superior product features at lower price point
- Integrated systems managing lights, sirens, automatic license plate recognition (“ALPR”) video, and other critical vehicle functions

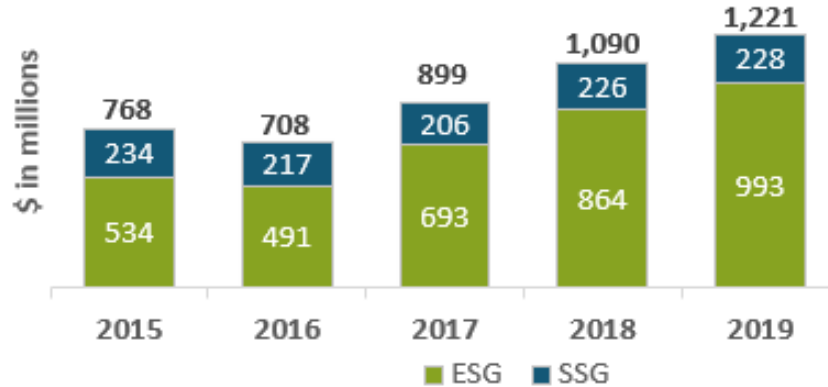


Smart Products

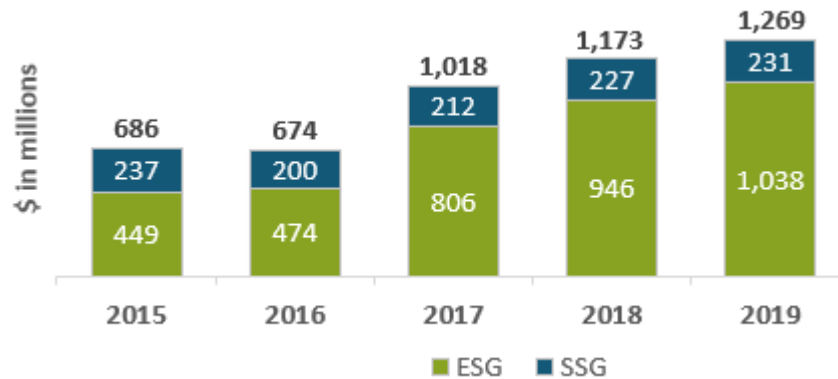
- CommanderOne – monetization of existing installed base for outdoor warning products
- Smart peripheral lights for police, fire, and heavy duty markets
- Multifunction, intelligent and connected industrial signaling products

Profitable Growth Execution

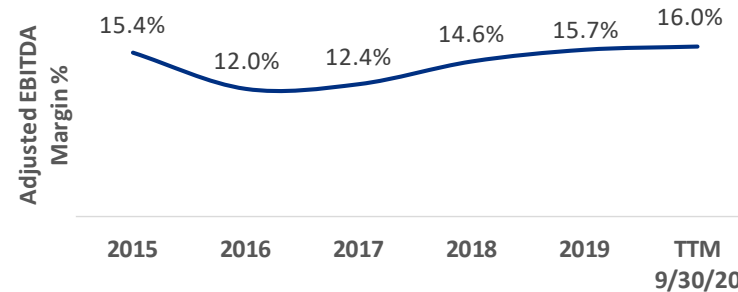
Net Sales



Orders



Adjusted EBITDA Margin* (Consolidated)



Target EBITDA Margin ranges¹

- 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

Q3 2020 Highlights²:

- Net sales of \$280 M vs. \$309 M
- Operating income of \$34.0 M vs. \$38.6 M
- Adjusted EBITDA* of \$45.9 M vs. \$49.8 M
- Adjusted EBITDA margin* of 16.4% vs. 16.1%; above high end of target range
- GAAP EPS of \$0.41 vs. \$0.46
- Adjusted EPS* of \$0.42 vs. \$0.47
- Orders of \$266 M, up \$65 M, or 32%, vs. Q2 2020
- Backlog of \$320 M
- Year-to-date operating cash flow of \$80 M, up \$21 M, or 36%, from last year
- Cash and cash equivalents of \$66 M
- Net debt of ~\$173 M³

(2) Dollar amounts as of, or for the quarter ending 9/30/2020. Comparisons to Q3 2019, unless otherwise noted

(3) Net debt is a non-GAAP measure, computed as total debt of \$238.9 M, less total cash and cash equivalents of \$66.2 M

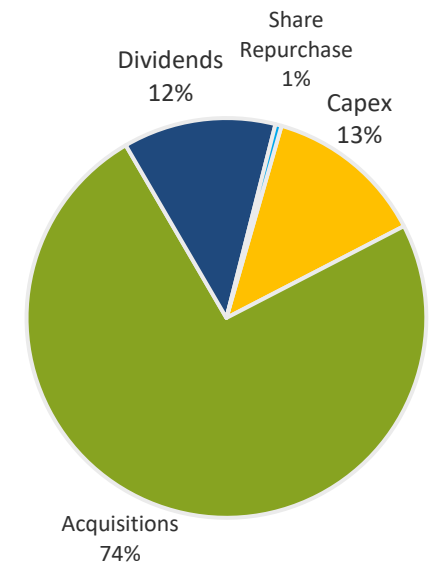
*Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EPS are non-GAAP measures. See Appendix V for additional information, including reconciliation to GAAP measures.

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; net debt leverage at end of Q3 2020 remains low, essentially unchanged from end of 2019;
~\$251 M of availability under revolving credit facility at end of Q3 2020**

Reinvest in the Business	<ul style="list-style-type: none"> • Innovation R&D efforts target new and updated products • In 2020, anticipating cap ex in the range of \$30 M-\$35 M, including significant investments in our plants to add capacity and gain efficiencies through use of new technology • Developing tools to improve digital customer experience, with soft launch of e-commerce site planned for Q4 2020
Acquisitions	<ul style="list-style-type: none"> • Completed acquisition of Public Works Equipment for \$6.2 M in Q2 2020, MRL for initial payment of \$50 M (Q3 2019), TBEI for \$270 M (Q2 2017), and JJE for C\$126 M (Q2 2016) • Focused primarily on acquisitions that fit closely within our existing products and services, manufacturing competencies, channels and customers • In Q3 2019, funded \$13.4 M payout associated with JJE earnout and deferred payment
Dividend Policy	<ul style="list-style-type: none"> • Provide a competitive dividend yield while funding business growth • At \$0.08 per share, dividend yield is ~1.1% • Paid dividends of \$14.5 M year-to-date Q3 2020 and \$19.3 M for full year 2019
Share Repurchases	<ul style="list-style-type: none"> • 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 to date in 2020 • ~\$91 M of repurchase authorization remaining under current programs (~5% of market cap)

Cash Deployment (2017-19)¹



1) Chart depicts use of cash for each category, relative to the total cash used on all four activities, for the cumulative period 2017-19; excludes investment in rental fleet, which is reported as part of operating cash flows



2020 Outlook

Raising adjusted EPS* outlook range to a new range of \$1.58 to \$1.66, from a range of \$1.53 to \$1.65

New range would represent the second highest adjusted EPS in our history, surpassed only by the record set last year*

Key Assumptions

- No significant COVID-related disruptions for the duration of the year
- Depreciation and amortization expense to increase by ~\$3 M to \$5 M vs. 2019
- Capital expenditures of \$30 M to \$35 M
- Interest rate of ~3%
- Full-year effective income tax rate of ~24%
- ~62 M weighted average shares outstanding

* Adjusted earnings per share ("EPS") is a non-GAAP measure, which includes certain adjustments to reported GAAP net income and diluted EPS. When reporting adjusted EPS in 2020, we have made, and would expect to continue to make, certain 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. In prior years, we have also made adjustments to GAAP net income and diluted EPS for hearing loss settlement charges and special tax items. Should any similar items occur in 2020, we would also 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

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

Appendix I: ESG Products



Appendix I: ESG Products (continued)



CRYSTEEL
A Division of CRISCO, INC.

DURACLASS
A Division of CRISCO, INC.

J-CRAFT

OX BODIES
A Division of CRISCO, INC.

Rugby
A Division of CRISCO, INC.

Travis
BODY & TRAILER, INC.

MRL
MRL EQUIPMENT COMPANY, INC.
A Division of CRISCO, INC.

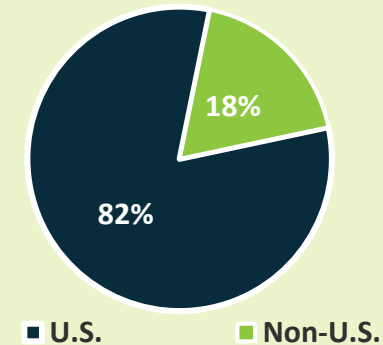


Appendix I: ESG - Market Influencers & Where We Play

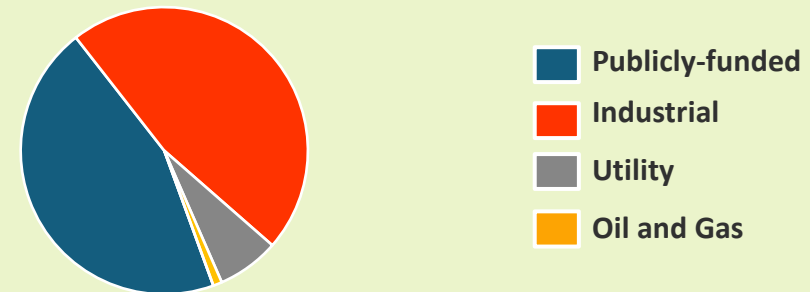
Market Dynamics

- Many ESG products support essential services that are focused on cleaning
- 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
- Upsides from prospective infrastructure spending, if any approved
- 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

2019 Sales by Geography



2019 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

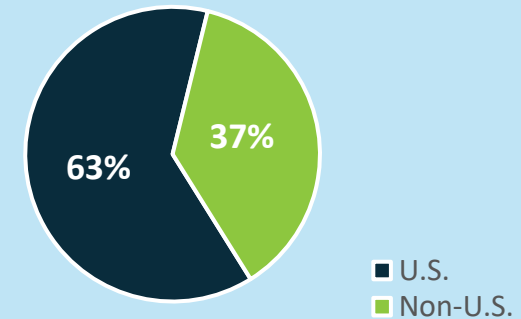


Appendix I: SSG - Market Influencers & Where We Play

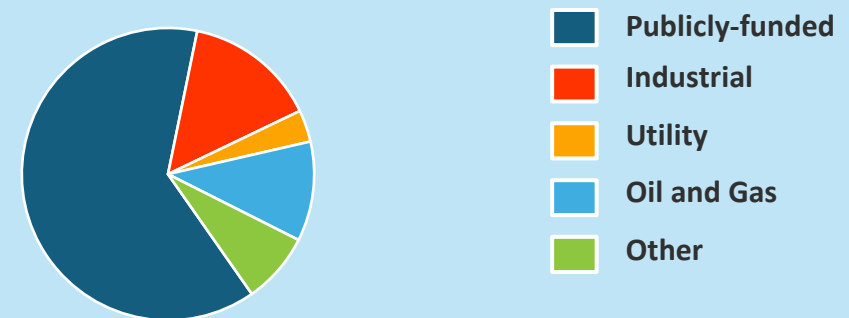
Market Dynamics

- 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

2019 Sales by Geography



2019 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

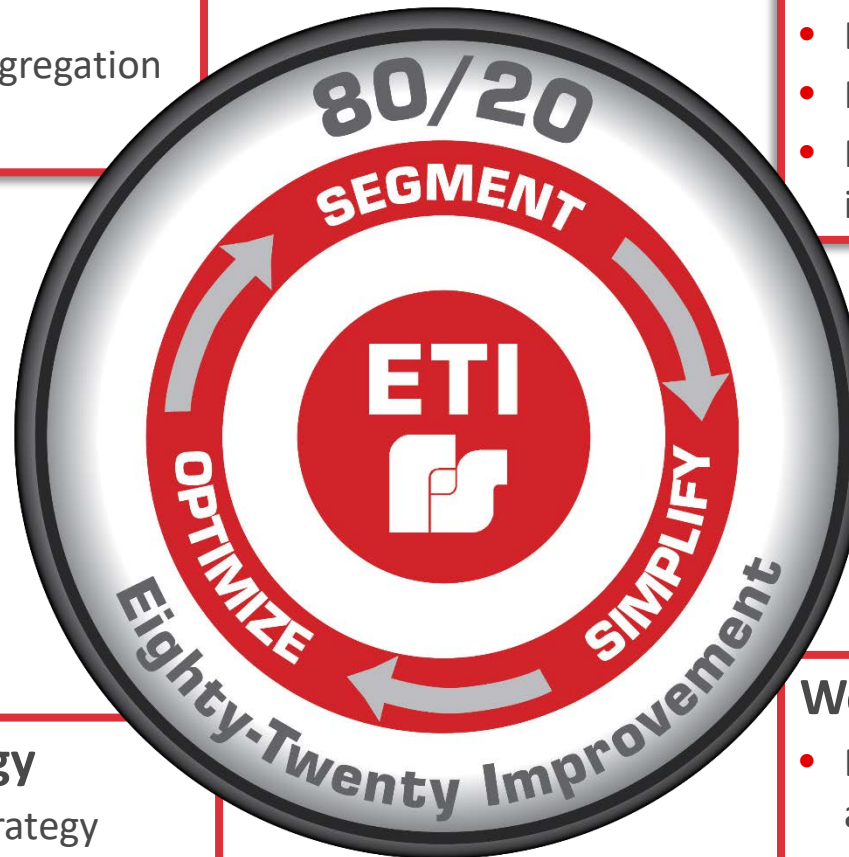


Pricing Strategy

- 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
- Current innovation organization has had a number of successes, including the record-breaking launch of the ParaDIGm vacuum excavator
 - Most successful new product launch in over a decade
 - Initial market demand exceeding expectations
- 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



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: 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

Appendix V: Non-GAAP Measures

- Impact of 2019 Lease Accounting Standard Adoption on historical non-GAAP measures - Effective January 1, 2019, the Company adopted the new lease accounting standard, which resulted in a change to the Company's recognition of the deferred gain associated with historical sale lease-back transactions. Prior to 2019, approximately \$1.9 M of the deferred gain had been recognized each year since 2008, of which approximately \$1.1 M and \$0.8 M had been recognized within ESG and SSG, respectively. Effective in 2019, the Company no longer recognizes any portion of the gain through the Consolidated Statement of Operations, and recognized the remaining deferred gain balance, net of the related deferred tax asset, as a cumulative effect adjustment to opening retained earnings. To facilitate comparisons with prior periods, we have revised our previously-issued non-GAAP results to exclude the recognition of this deferred gain.
- Adjusted net income, income from continuing operations and earnings per share ("EPS") - The Company believes that modifying its net income, income from continuing operations (where applicable) 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 September 30, 2020 and 2019, 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. During the years ended December 31, 2016 through December 31, 2019, adjustments were made to reported GAAP income from continuing operations and diluted EPS to exclude the impact of restructuring activity, executive severance costs, acquisition and integration-related expenses, purchase accounting effects, pension settlement charges, hearing loss settlement charges, debt settlement charges and special tax items, where applicable.
- 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 (or income from continuing operations, where applicable), interest expense, pension settlement charges, hearing loss settlement charges, debt settlement charges, acquisition and integration-related expenses, coronavirus-related expenses, restructuring activities, executive severance costs, purchase accounting effects, other income/expense, income tax expense and depreciation and amortization expense, where applicable. Consolidated adjusted EBITDA margin is a non-GAAP measure that represents the total of net income (or income from continuing operations, where applicable), interest expense, pension settlement charges, hearing loss settlement charges, debt settlement charges, acquisition and integration-related expenses, coronavirus-related expenses, restructuring activities, executive severance costs, purchase accounting effects, other income/expense, income tax expense and depreciation and amortization expense, 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: Adjusted Earnings Per Share

(\$ in millions)	Three Months Ended September 30,	
	2020	2019
Net income	\$ 25.3	\$ 28.4
<u>Add:</u>		
Income tax expense	7.6	7.9
Income before income taxes	32.9	36.3
<u>Add:</u>		
Acquisition and integration-related expenses	0.2	0.4
Coronavirus-related expenses (1)	0.4	-
Purchase accounting effects (2)	0.2	0.2
Adjusted income before income taxes	33.7	36.9
Adjusted income tax expense (3)	(7.8)	(8.0)
Adjusted net income	\$ 25.9	\$ 28.9
Diluted EPS	\$ 0.41	\$ 0.46
Adjusted diluted EPS	\$ 0.42	\$ 0.47

(1) Coronavirus-related expenses in the three months ended September 30, 2020 include direct expenses incurred as a result of the coronavirus pandemic, that are incremental to, and separable from, normal operations.

(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 September 30, 2020 and 2019, 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 September 30, 2020 and 2019 was recomputed after excluding the impact of acquisition and integration-related expenses, coronavirus-related expenses and purchase accounting effects, where applicable.



Appendix V: Adjusted Earnings Per Share (cont.)

(\$ in millions, except EPS)	Year Ended December 31,			
	2016	2017	2018	2019
Income from continuing operations	\$ 39.4	\$ 60.5	\$ 93.7	\$ 108.4
<i>Add:</i>				
Income tax expense	17.4	0.5	17.9	30.2
Income before income taxes	56.8	61.0	111.6	138.6
<i>Add:</i>				
Restructuring	1.7	0.6	-	-
Executive severance costs	-	0.7	-	-
Acquisition and integration-related expenses	1.4	2.7	1.5	2.5
Purchase accounting effects (1)	3.9	4.8	1.2	0.8
Pension settlement charges	-	6.1	-	-
Hearing loss settlement charges	-	1.5	0.4	-
Debt settlement charges	0.3	-	-	-
Adjusted income before income taxes	\$ 64.1	\$ 77.4	\$ 114.7	\$ 141.9
Adjusted income tax expense (2)(3)(4)(5)	(22.1)	(26.3)	(27.2)	(31.8)
Adjusted income from continuing operations	\$ 42.0	\$ 51.1	\$ 87.5	\$ 110.1
<i>Less:</i>				
Deferred gain recognition, net of income tax (6)	(1.3)	(1.3)	(1.5)	-
Adjusted income from continuing operations, as revised	\$ 40.7	\$ 49.8	\$ 86.0	\$ 110.1
Diluted EPS	\$ 0.64	\$ 1.00	\$ 1.53	\$ 1.76
Adjusted diluted EPS	\$ 0.69	\$ 0.85	\$ 1.43	\$ 1.79
Adjusted diluted EPS, as revised	\$ 0.67	\$ 0.83	\$ 1.41	\$ 1.79

(1) Purchase accounting effects relate to adjustments to exclude the step-up in the valuation of equipment acquired in connection with recent acquisitions that was sold subsequent to the acquisition dates in the years ended December 31, 2019, 2018, 2017, and 2016, as well as to exclude the depreciation of the step-up in the valuation of the rental fleet acquired in the JJE transaction.

(2) Adjusted income tax expense for the year ended December 31, 2019 excludes a \$0.8 million benefit from changes in state deferred tax valuation allowances. Adjusted income tax expense for the year ended December 31, 2019 also excludes the tax effects of acquisition and integration-related expenses and purchase accounting effects.

(3) Adjusted income tax expense for the year ended December 31, 2018 excludes an \$8.6 million net tax benefit associated with tax planning strategies. Adjusted income tax expense for the year ended December 31, 2018 also excludes the tax effects of acquisition and integration-related expenses, purchase accounting effects and hearing loss settlement charges.

(4) Adjusted income tax expense for the year ended December 31, 2017 excludes a \$20.0 million net tax benefit, representing the Company's preliminary estimate of the impact of the 2017 Tax Act, and a \$0.8 million benefit from changes in state deferred tax valuation allowance. Adjusted income tax expense for the year ended December 31, 2017 also excludes \$0.6 million of tax expense associated with a change in the enacted state tax rate in Illinois, and the tax effects of restructuring activity, executive severance costs, acquisition and integration-related expenses, purchase accounting effects, hearing loss settlement charges and pension settlement charges.

(5) Adjusted income tax expense for the year ended December 31, 2016 excludes a \$2.2 million net benefit resulting from changes in deferred tax valuation allowances in Canada and the U.K. Adjusted income tax expense for the year ended December 31, 2016 also excludes the tax effects of restructuring activity, acquisition and integration-related expenses, purchase accounting effects and debt settlement charges.

(6) Adjustment to exclude recognition of deferred gain associated with historical sale lease-back transactions. Effective 2019, the Company no longer recognizes the gain due to the adoption of new lease accounting standard.



Appendix V: Adjusted EBITDA

<i>\$ millions, except %</i>	<u>Q3 2020</u>	<u>Q3 2019</u>
Net income	\$ 25.3	\$ 28.4
Add:		
Interest expense	1.2	2.1
Acquisition and integration-related expenses	0.2	0.4
Coronavirus-related expenses	0.4	-
Purchase accounting effects *	0.1	0.0
Other (income) expense, net	(0.1)	0.2
Income tax expense	7.6	7.9
Depreciation and amortization	11.2	10.8
Consolidated adjusted EBITDA	\$ 45.9	\$ 49.8
Net Sales	\$ 279.8	\$ 308.8
Consolidated adjusted EBITDA margin	16.4%	16.1%

** Excludes purchase accounting expense effects included within depreciation and amortization of \$0.1 million and \$0.2 million for the three months ended September 30, 2020 and 2019, respectively*



Appendix V: Adjusted EBITDA (cont.)

(\$ in millions)	2015	2016	2017	2018	2019	TTM 9/30/20
Net Sales	\$ 768.0	\$ 707.9	\$ 898.5	\$ 1,089.5	\$ 1,221.3	\$ 1,150.4
Income from continuing operations	65.8	39.4	60.5	93.7	108.4	99.8
Add:						
Interest expense	2.3	1.9	7.3	9.3	7.9	6.3
Pension settlement charges	-	-	6.1	-	-	-
Hearing loss settlement charges	-	-	1.5	0.4	-	-
Debt settlement charges	-	0.3	-	-	-	-
Acquisition and integration-related expenses	-	1.4	2.7	1.5	2.5	1.4
Coronavirus-related expenses	-	-	-	-	-	2.2
Restructuring	0.4	1.7	0.6	-	-	1.3
Executive severance costs	-	-	0.7	-	-	-
Purchase accounting effects (a)	-	3.6	4.4	0.7	0.2	0.3
Other expense (income), net	5.2	1.8	(0.8)	0.6	0.6	2.2
Income tax expense	34.1	17.4	0.5	17.9	30.2	25.7
Depreciation and amortization	12.3	19.1	30.0	36.4	41.5	44.5
Adjusted EBITDA	\$ 120.1	\$ 86.6	\$ 113.5	\$ 160.5	\$ 191.3	\$ 183.7
Less: Deferred gain recognition (b)	(1.9)	(1.9)	(2.0)	(1.9)	-	-
Adjusted EBITDA, as revised	\$ 118.2	\$ 84.7	\$ 111.5	\$ 158.6	\$ 191.3	\$ 183.7
Adjusted EBITDA Margin	15.6%	12.2%	12.6%	14.7%	15.7%	16.0%
Adjusted EBITDA Margin, as revised	15.4%	12.0%	12.4%	14.6%	15.7%	16.0%

- (a) Excludes purchase accounting effects reflected in depreciation and amortization of \$0.3 M, \$0.4 M, \$0.5 M, \$0.6 M, and \$0.5 M for 2016, 2017, 2018, 2019, and TTM 9/30/20, respectively.
- (b) Adjustment to exclude recognition of deferred gain associated with historical sale lease-back transactions. Effective 2019, the Company no longer recognizes the gain due to the adoption of new lease accounting standard.



Appendix VI: 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"> • Earnings (55%) • EBITDA Margin (15%) • Individual Objectives (30%) 		Short-Term <u>Annual Goals</u> <ol style="list-style-type: none"> 1. Profitability and growth 2. Market share
Performance Share Units <ul style="list-style-type: none"> • EPS (75%) • Return on Invested Capital (25%) 		Long-Term <u>3-year Performance and Vesting Periods</u> <ol style="list-style-type: none"> 1. Profitability and growth 2. Shareholder value creation 3. Facilitates stock ownership 4. Executive retention
Restricted Stock Awards		Long-Term <u>3-year Cliff Vesting</u> <ol style="list-style-type: none"> 1. Executive recruitment 2. Executive retention 3. Facilitates stock ownership
Share Price Appreciation <ul style="list-style-type: none"> • Stock Options 		Longer-Term <u>3-year Ratable Vesting Period and 10 Year Exercise Period</u> <ol style="list-style-type: none"> 1. Shareholder value creation 2. Facilitates stock ownership 3. Executive retention



Appendix VII: Investor Information

Stock Ticker: NYSE:FSS

Company website: federalsignal.com/investors

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