



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, economic conditions, product and price competition, supplier and raw material prices, 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 under Item 1A, Risk Factors, in the Company’s Annual Report on Form 10-K and in other 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 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; as well as safety and security products including audible and visual warning devices
- Leading brands of premium, value-adding products and systems, with growing aftermarket business
- Acquired Mark Rite Lines Equipment, Inc. (“MRL”) a leading U.S. manufacturer of truck-mounted and ride-on road-marking equipment on July 1, 2019
- Headquartered in Oak Brook, Illinois with 15 manufacturing facilities worldwide
- Outstanding third quarter 2019 results with double-digit growth in sales, orders, and earnings

**STRONG
CASH
FLOW**



**\$1.2B
REVENUE**
TTM 9/30/2019

**Market
capitalization
~\$2.0B**

**NYSE
SYMBOL
FSS**



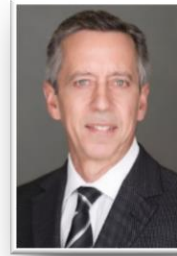
An Experienced Leadership Team



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



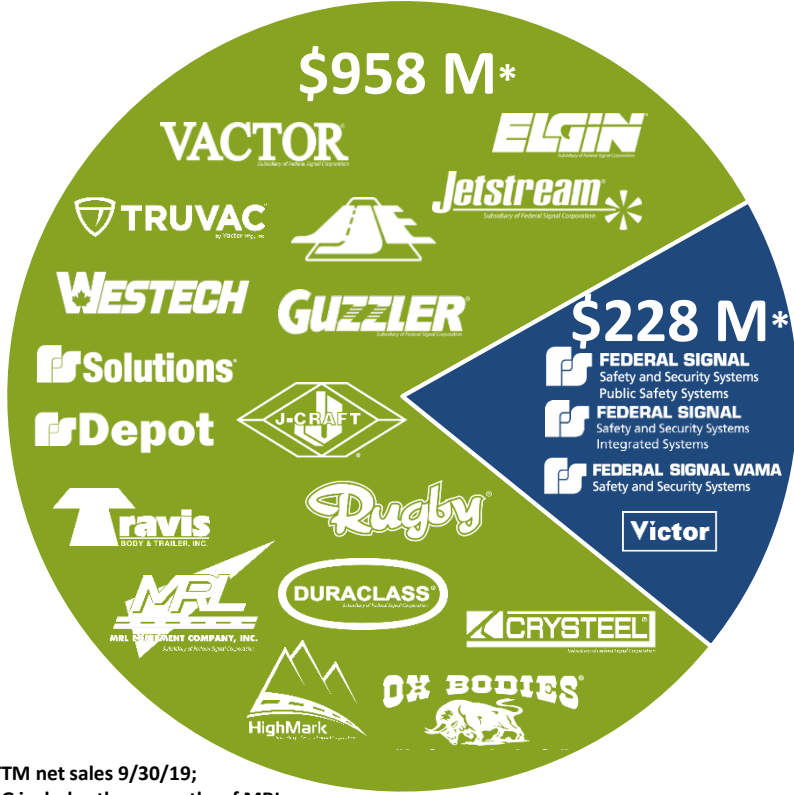
Svetlana Vinokur

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



Two Attractive Platforms

| Segment | Environmental Solutions Group (ESG) |  <p>\$958 M*</p> <p>\$228 M*</p> <p>*TTM net sales 9/30/19; ESG includes three months of MRL</p> | Safety and Security Systems Group (SSG) |
|----------|---|--|---|
| Markets | Serves municipal, 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"> • Street Sweeping • Sewer Cleaning • Safe Digging • Industrial Cleaning • Dump Bodies and Trailers • Road-Marking and Line-Removal | | <ul style="list-style-type: none"> • Lights & 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; acquisition of MRL will further augment this platform



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 equipment and garbage trucks



*Management estimates

Acquisition of Mark Rite Lines Equipment Company, Inc. (“MRL”)

Acquisition represents strategic addition to Federal Signal’s portfolio of niche, market-leading specialty vehicle manufacturing companies serving maintenance and infrastructure markets

- MRL is a leading U.S. manufacturer of truck-mounted and ride-on road-marking equipment
 - MRL’s wholly-owned subsidiary, HighMark Traffic Services (“HighMark”), provides road-marking services, primarily in Montana
 - Headquartered in Billings, Montana; ~250 employees
- Generated \$67 M of revenues during year ended December 31, 2018, with an EBITDA margin of 13%
- Proprietary deal sourced through internal M&A pipeline
- Transaction completed on July 1, 2019 with initial cash payment of ~\$50 M
- In addition, there is a contingent earnout payment of up to \$15.5 M
 - Earnout is tied to MRL’s financial performance in the 3 years post closing
- Acquisition financed with borrowings available under our credit facility
- Acquisition added ~\$0.02 to non-GAAP adjusted earnings per share (“EPS”) in Q3 2019; expected to be neutral to Q4 2019, due to seasonal factors
- Expect acquisition to add up to \$0.10 of adjusted EPS accretion by year 3


















MRL Acquisition is Aligned with FSC's M&A Strategy

| | M&A Target Criteria | | MRL Equipment |
|---|--|--------------------------------------|---|
| Business Characteristics | • Niche, market-leading specialty vehicle manufacturer | ✓ | • #1 position in niche U.S. road-marking space |
| | • Sustainable competitive advantages | ✓ | • Premium brand in the industry; “one-stop shop” value proposition |
| | • Deep domain expertise (technology, application, manufacturing) | ✓ | • Complex, highly-technical products used everyday • Track record of successful new product development |
| | • Strong management | ✓ | • Experienced, professional leadership team staying with business |
| | • Opportunity to leverage FSC distribution and manufacturing capabilities | ✓ | • Opportunities to leverage FSC’s distribution footprint, aftermarket platform and ETI principles |
| Financial Characteristics | • Solid growth potential | ✓ | • Attractive industry fundamentals – aging infrastructure, need for better roads, importance of surface transportation, public safety concerns, future evolution of connected and autonomous vehicles |
| | • Ideally, identifiable synergies and recurring revenue opportunities | ✓ | • Opportunity to leverage Federal Signal’s core strengths, distribution channels and aftermarket platform |
| | • Through-the-cycle margins in line with FSC’s target operating margins (after application of ETI) | ✓ | • Identified opportunities for further operational improvements • Less cyclical end markets • Annual steel purchases <\$2M; limited direct impact from proposed tariffs |
| | • Return on capital greater than our cost of capital, appropriately adjusted for risk | ✓ | • Earn-out structure aligns incentives and allows for risk sharing |
| Complex, highly-technical products used every day | | Chassis-mounted systems | |
| | | Infrastructure & maintenance markets | |



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 |  FEDERAL SIGNAL Safety and Security Systems  FEDERAL SIGNAL VAMA Safety and Security Systems |  FEDERAL SIGNAL Safety and Security Systems |  FEDERAL SIGNAL Safety and Security Systems |
| Products |      |    |    |
| End Markets and Channels | Municipal Industrial Distributor | Industrial Oil & Gas Commercial Heavy Industry Manufacturing Indirect | Municipal 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
- YTD orders of safe-digging trucks up ~\$21 M, or 28%, compared with first nine months of 2018



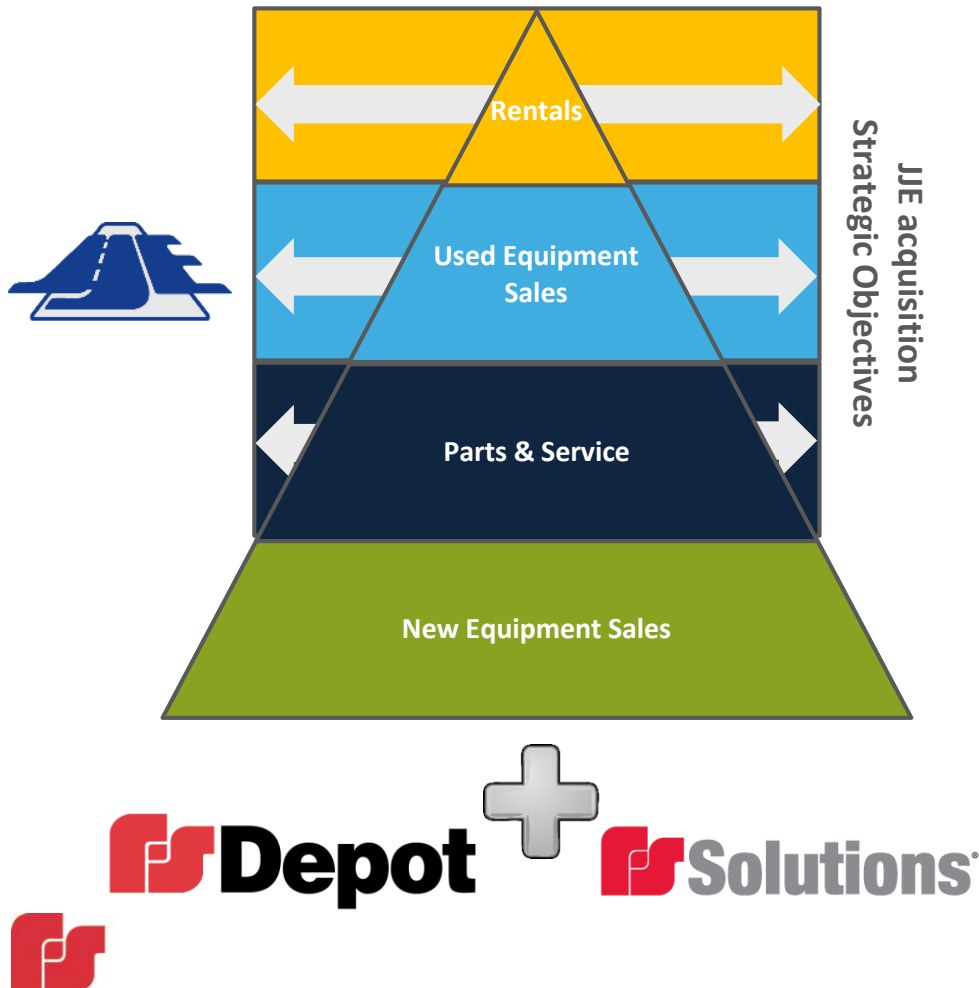
2019 Updates:

- Announced plans to invest up to \$25 M to expand Streator, IL manufacturing facility; expected to increase production capacity by ~40%; currently anticipate building construction to be substantially complete by year-end 2019 and expect to start seeing benefits from the expansion in Q2 2020.
- Launched TRUVAC™, a dedicated line of vacuum excavation trucks designed specifically to satisfy the safe-digging requirements of organizations that locate and verify underground utility lines and pipes



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 municipal and industrial 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 YTD rental income increased by 15% vs. first nine months of 2018, while total aftermarket revenues grew by 12% over the same period

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
- Comprehensive customer service solution



Product Portfolio Expansion

- “Allegiant” – low cost lightbar to expand addressable market
- “Pathfinder” siren – superior product features at a lower price point
- Automatic License Plate Recognition (“ALPR”) product introduction



Smart Products

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

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

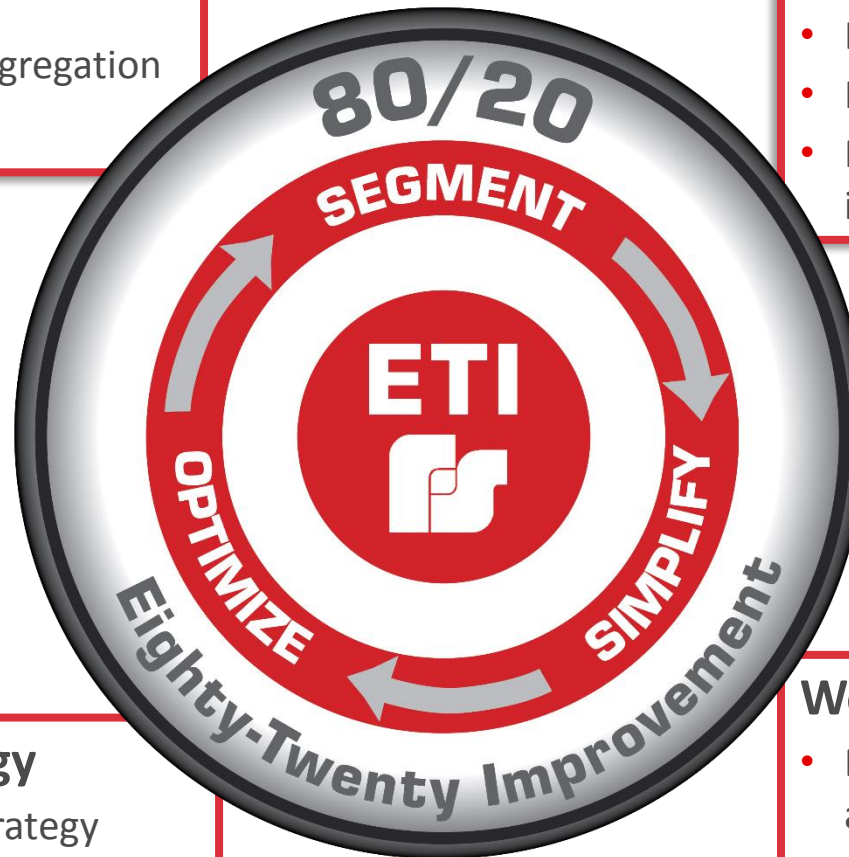


Pricing Strategy

- Parts pricing strategy
- Effective “options” pricing

Working Capital Optimization

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



New Product Development (“NPD”)

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
 - Named a 2016 Chicago Innovation Awards Winner
- 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)

- Vehicle-based monitoring and reporting solutions
- Sewer Cleaner productivity improvements such as advanced controls and a new, revolutionary boom design
- New and enhanced Street Sweeper models
- All-New HXX Vacuum Excavator with improved payload carrying capacity
- Jetstream portfolio of tools and accessories
- All-New TRUVAC Coyote Vacuum Excavator
- Gathering customer feedback on recently-designed plug-in, hybrid electric sweeper



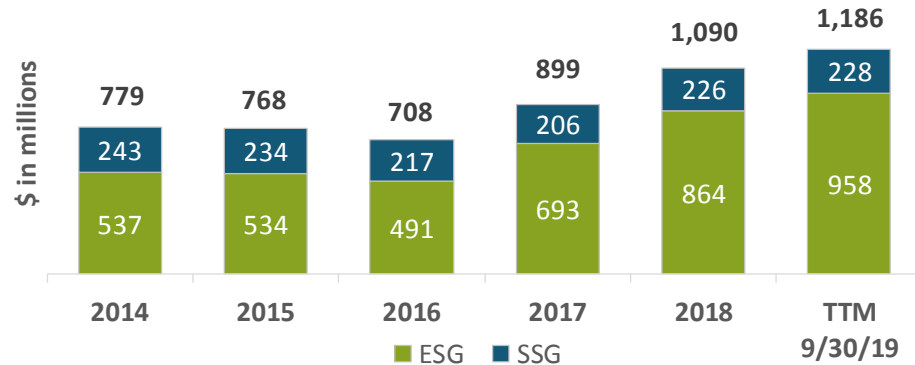
Safety and Security Systems Group (SSG)

- Automatic License Plate Recognition (ALPR) Systems
- CommanderOne Direct Messaging (SMS/Phone)
- Vehicular Signaling Products with advanced interconnect protocols
- Next-Generation PAGA
- Global Series Signaling Devices
- Allegiant Police Light Bar
- Pathfinder Siren Suite

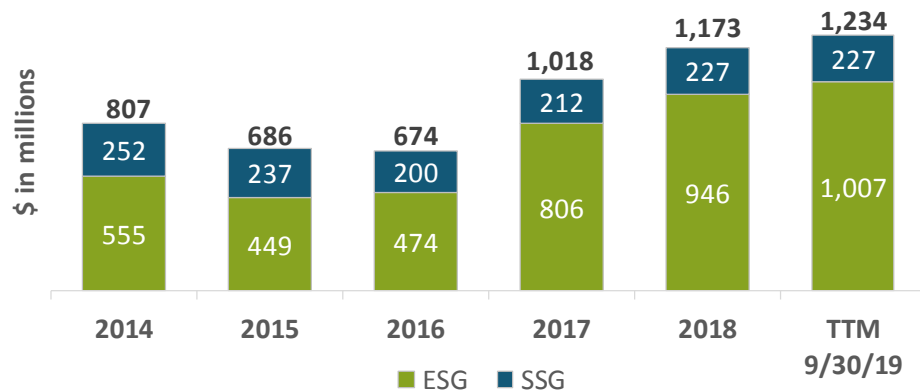


Profitable Growth Execution and Strong Financial Position

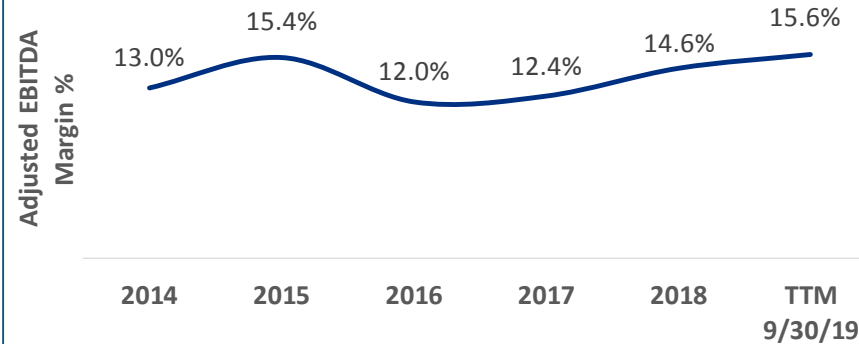
Net Sales



Orders



Adjusted EBITDA Margin** (Consolidated)



Target EBITDA Margin ranges¹

- ESG: 15% - 18%
- SSG²: 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
- (2) Increased from prior range of 15-17% in Q2 2019

Q3 2019 Highlights³:

- Net sales of \$309M, up \$39M, or 15%; organic sales growth of \$17 M, or 6%
- Adjusted EBITDA* of \$49.8M, up \$10.1M, or 25%
- Improved adjusted EBITDA margin* of 16.1%, up from 14.7%**
- Adjusted EPS* of \$0.47, up 31% from \$0.36**
- Orders of \$329M, up \$61M, or 23%; organic growth of \$21M, or 8%
- Backlog of \$367M, up \$46M, or 14%
- Q3 operating cash flow of \$33M; YTD cash generation of ~\$60M
- Executed new 5-year credit facility, increasing revolver size from \$400M to \$500M, with flexibility to increase by \$250M for acquisitions

(3) Comparisons to Q3 2018, unless otherwise noted



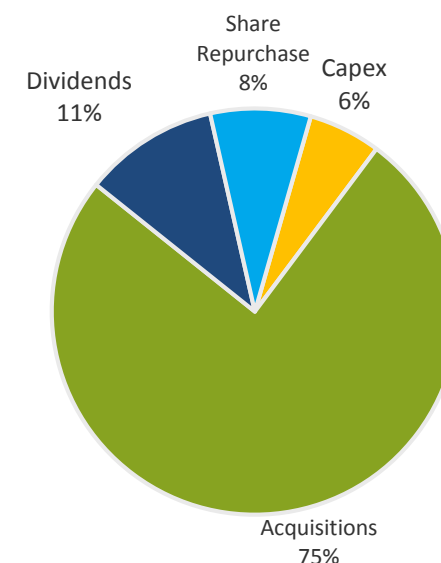
*Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EPS are non-GAAP measures. See Appendix II for additional information, including reconciliation to GAAP measures.

**Revised to exclude deferred gain recognition resulting from adoption of new accounting standard. See Appendix II for additional information, including reconciliation to GAAP measures.

Priority Driven Long-Term Capital Allocation

| | |
|---------------------------------|--|
| Reinvest in the Business | <ul style="list-style-type: none"> Organic projects leverage existing assets, generally require limited cash investment Innovation R&D efforts target new and updated products Generally, funded within operating results, cash flow and normal cap ex In addition to annual cap ex of ~\$15M - \$20M, anticipating up to \$35M of expenditure associated with the Vactor and Rugby plant expansions, over the course of the projects Currently expect total 2019 cap ex of up to \$35M |
| Acquisitions | <ul style="list-style-type: none"> Completed acquisitions of MRL for initial payment of \$50M (Q3 2019), TBEI for \$270M (Q2 2017), and JJE for initial payment of C\$126M (Q2 2016) Focused primarily on acquisitions that fit closely within our existing products and services, manufacturing competencies, channels and customers In Q3 2019, funded \$13.4M 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 ~1.0% Paid dividends of \$14.5M in first nine months of 2019 and \$18.7M for full year 2018 |
| Share Repurchases | <ul style="list-style-type: none"> Opportunistic share buybacks as a return of cash to our shareholders Spent \$1.0M so far in 2019 (average price of \$19.84/share); spent \$1.2M in 2018 (average price of \$19.79/share); no repurchases in 2017; spent \$37.8M in 2016 (average price of \$12.75/share) and \$10.6M in 2015 (average price of \$14.62/share) Remaining repurchase authorization is \$29M |

Cash Deployment (2016-18)¹



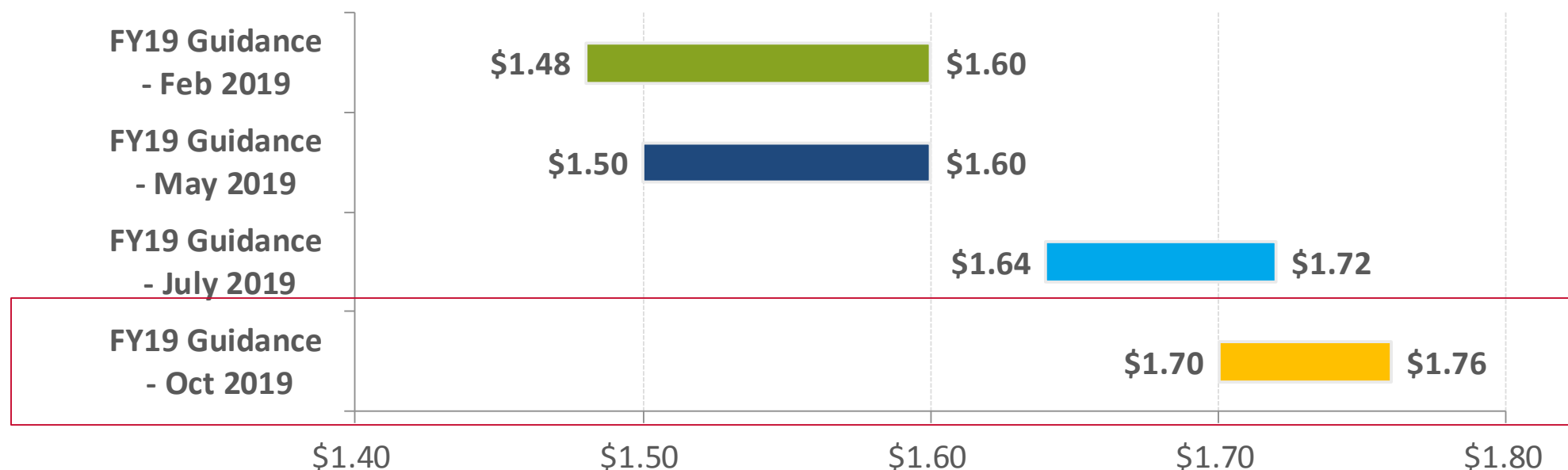
1) Chart depicts use of cash for each category, relative to the total cash used on all four activities, for the cumulative period 2016-18; excludes investment in rental fleet, which is reported as part of operating cash flows



Raising 2019 Outlook

**Raising adjusted EPS* outlook range to a new range of \$1.70 to \$1.76,
from a range of \$1.64 to \$1.72**

Represents increase of 21% - 25% over record 2018

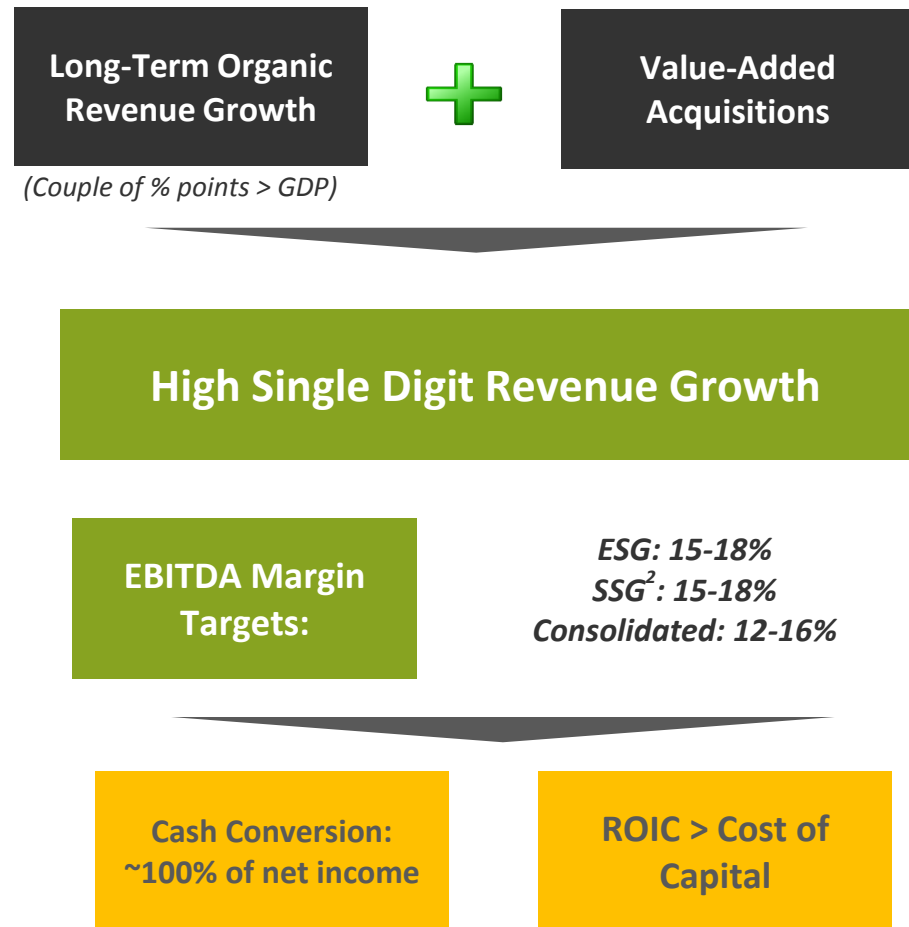
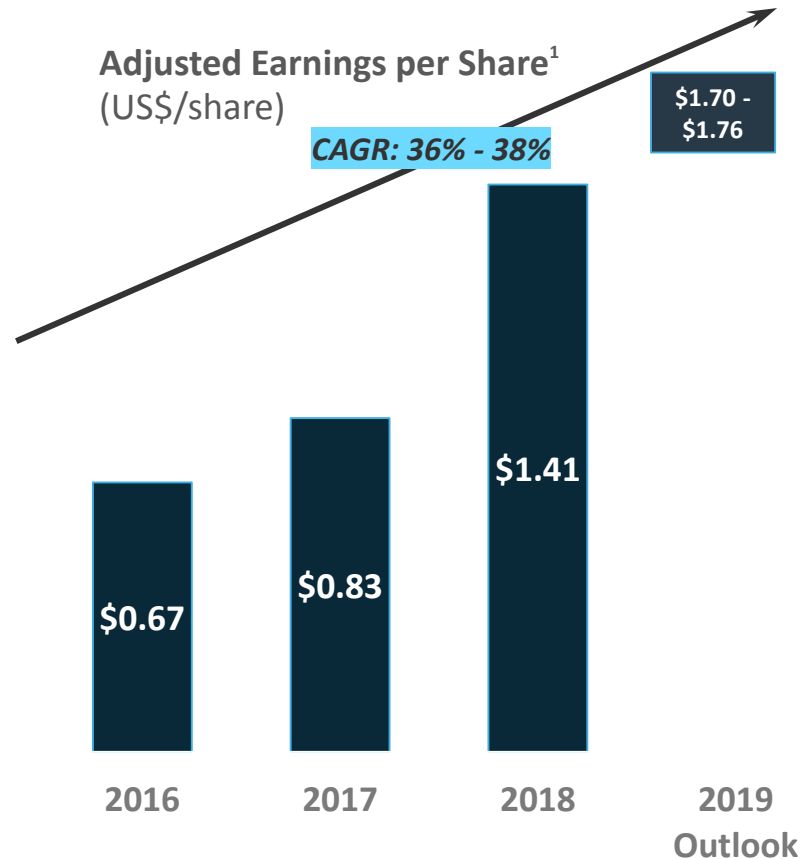


* Adjusted EPS is a non-GAAP measure, which includes certain adjustments to reported GAAP net income and diluted EPS. Our outlook assumes certain adjustments to exclude the impact of acquisition and integration-related expenses and purchase accounting effects, where applicable. In 2018, we also made adjustments to exclude the impact of hearing loss settlement charges and special tax items, where applicable. Should any similar items occur during 2019, 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). In addition, to facilitate comparisons with prior periods, when reporting our interim and annual non-GAAP results in 2019, we are adjusting our previously-issued non-GAAP results for 2018 to exclude the recognition of a deferred gain, which will no longer occur in 2019 following the adoption of the new lease accounting standard. On this basis, Adjusted EPS for 2018 would have been \$1.41. See Exhibit 99.1 to the Form 10-K for the year ended December 31, 2018 for the associated non-GAAP reconciliation.



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



(1) Adjusted earnings per share ("EPS") is a non-GAAP measure. See Appendix II for additional information, including reconciliation to GAAP measures for 2016-2018.
(2) Increased from prior range of 15-17% in Q2 2019

Appendix

- I. Segments Overview
- II. Non-GAAP Measures
- III. Executive Compensation
- IV. Investor Information



Appendix I: ESG Products



Appendix I: ESG Products (continued)

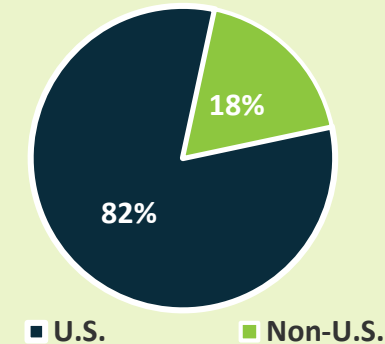


Appendix I: ESG - Market Influencers & Where We Play

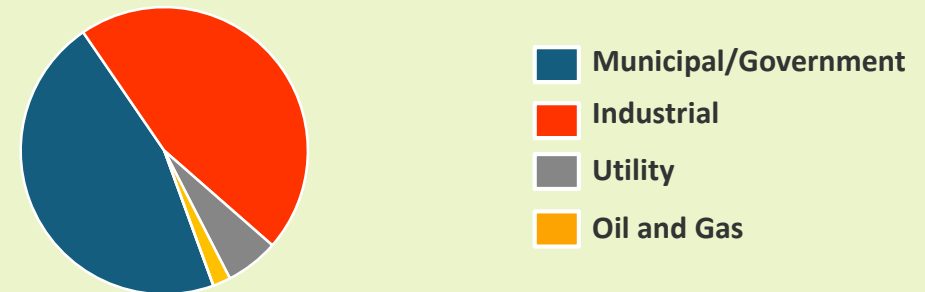
Market Dynamics

- Economic recovery supports state and local funding for street sweepers and sewer cleaners
 - Funding for sewer cleaners through water tax revenues adds further stability
- Continued recovery in oil & gas markets benefiting hydro-excavation and industrial cleaning business
- 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
- Tracking new housing starts, Class 8 truck chassis, municipal spending, oil rig counts, and overall industrial activity

2018 Sales by Geography



2018 End Markets by Users



Source: Management Estimates



Appendix I: MRL's Broad Product Portfolio & Service Offering

Road-Marking Equipment



Thermoplastic Marking Trucks



Paint Marking Trucks



Line Removal Trucks



Plural Component Marking Trucks



Self-Propelled / Ride-on Marking Equipment

Road-Marking Services

- HighMark provides road-marking services, primarily in the state of Montana



Parts and Repair Services

- MRL offers replacement parts and repair services to customers



Appendix I: MRL Transaction - Attractive Industry Fundamentals

MRL is well-positioned to benefit from numerous industry tailwinds, which are driving demand for road-marking equipment and services

Key Demand Drivers

| | |
|--|--|
| Demand to Rebuild North America's Infrastructure | <ul style="list-style-type: none">• Decades of under-investment in U.S. infrastructure has resulted in significant pent-up demand for construction spending• Infrastructure development is critical to the short-term and long-term economic growth• Bipartisan support for infrastructure spending bill (up to \$2 trillion) represents substantial upside for MRL and increases probability of long-term funding support |
| Emphasis on Transportation Infrastructure | <ul style="list-style-type: none">• Population growth and urbanization trends increase need for modernization and capacity expansion of transportation systems• Transportation infrastructure is less cyclical – accounts for over 60% of states' capital spend⁽¹⁾ |
| Heightened Focus on Public Safety | <ul style="list-style-type: none">• Over 50% of fatalities on roads in the U.S. result when motorists leave their travel lanes⁽²⁾• Municipalities faced with increasing consumer activism and use of social media, promoting need for better road markings |
| Long-Term Development of Connected and Autonomous Vehicles ("CAVs") | <ul style="list-style-type: none">• Greater uniformity and quality in road markings and traffic control devices would help facilitate safe and efficient driving for CAVs• Independent of full-scale autonomous vehicle deployment, advanced technologies such as lane departure warning will drive long-term, sustainable demand for better lane markings |



(1) U.S. Census Bureau survey (2017)

(2) Federal Highway Administration

Appendix I: SSG Products



FEDERAL SIGNAL
Safety and Security Systems
Public Safety Systems



FEDERAL SIGNAL
Safety and Security Systems
Integrated Systems



FEDERAL SIGNAL VAMA
Safety and Security Systems

Victor

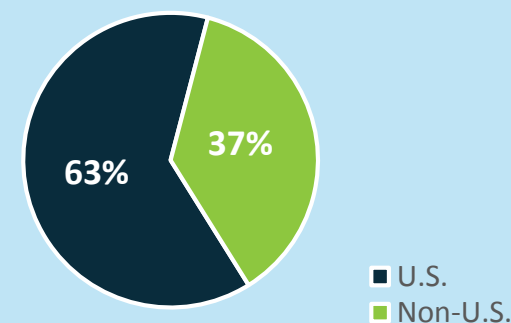


Appendix I: SSG - Market Influencers & Where We Play

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
- Recovery in oil & gas will benefit signaling products and systems applications for hazardous areas
- 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 police data that indicates the number of new police vehicle registrations; 2019 demand temporarily impacted by Ford's model year changeover

2018 Sales by Geography



2018 End Markets by Users



Source: Management Estimates



Appendix II: Non-GAAP Measures

- Impact of New Lease Accounting Standard on 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, the deferred gain, which initially totaled \$29.0 million, was being recognized through the Consolidated Statement of Operations on a straight-line basis over the 15-year lease term. As a result, approximately \$1.9 million of the deferred gain had been recognized each year since 2008, of which approximately \$1.1 million and \$0.8 million has been recognized within the Environmental Solutions Group and Safety and Security Systems Group, 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 for the three months ended September 30, 2018, the annual periods ended 2014 through 2018, and the trailing twelve month period ended September 30, 2019
- We have included a reconciliation of our GAAP net income to Adjusted net income and Adjusted EPS for the three months ended September 30, 2019 and 2018, as initially presented, and to the revised Adjusted net income and Adjusted EPS for the three months ended September 30, 2018 (excluding the deferred gain recognition) on page 29. We have also included a reconciliation of our GAAP net income to Adjusted net income and Adjusted EPS for the twelve months ended December 31, 2016 through December 31, 2018, as initially presented, and to the revised Adjusted net income and Adjusted EPS for the twelve months ended December 31, 2016 through December 31, 2018 (excluding the deferred gain recognition) on page 30
- We have included a reconciliation of our GAAP net income for the three months ended September 30, 2019 and 2018 to Adjusted EBITDA, as initially presented, and to the revised Adjusted EBITDA for the three months ended September 30, 2018 (excluding the deferred gain recognition) on page 31
- We have included a reconciliation of our GAAP net income for the trailing twelve months periods ended December 31, 2014 through September 30, 2019 to Adjusted EBITDA, as initially presented, and to the revised Adjusted EBITDA (excluding the deferred gain recognition) on page 32



Appendix II: Adjusted Earnings per Share

| (\$ in millions) | Three Months September 30, | |
|--|----------------------------|----------------|
| | 2019 | 2018 |
| Net income | \$ 28.4 | \$ 21.7 |
| <i>Add:</i> | | |
| Income tax expense | 7.9 | 6.5 |
| Income before income taxes | 36.3 | 28.2 |
| <i>Add:</i> | | |
| Acquisition and integration-related expenses | 0.4 | 0.4 |
| Purchase accounting effects (1) | 0.2 | 0.1 |
| Adjusted income before income taxes | \$ 36.9 | \$ 28.7 |
| Adjusted income tax expense (2) | (8.0) | (6.6) |
| Adjusted net income | \$ 28.9 | \$ 22.1 |
| <i>Less:</i> | | |
| Deferred gain recognition, net of income tax expense (3) | - | (0.4) |
| Adjusted net income, as revised | \$ 28.9 | \$ 21.7 |
| Diluted EPS | \$ 0.46 | \$ 0.36 |
| Adjusted diluted EPS | \$ 0.47 | \$ 0.36 |
| Adjusted diluted EPS, as revised | \$ 0.47 | \$ 0.36 |

(1) 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, 2019 and 2018, as well as to exclude the depreciation of the step-up in the valuation of the rental fleet acquired

(2) Adjusted income tax expense for the three months ended September 30, 2019 and 2018 was recomputed after excluding the impact of acquisition and integration-related expenses and purchase accounting effects, where applicable

(3) Previously-issued non-GAAP results for 2018 have been adjusted to exclude the recognition of a deferred gain, which will no longer occur in 2019 following the adoption of the new lease accounting standard.



Appendix II: Adjusted Earnings Per Share

| (\$ in millions) | Year Ended December 31, | | |
|--|-------------------------|----------------|----------------|
| | 2016 | 2017 | 2018 |
| Net income | \$ 39.4 | \$ 60.5 | \$ 93.7 |
| <u>Add:</u> | | | |
| Income tax expense | 17.4 | 0.5 | 17.9 |
| Income before income taxes | 56.8 | 61.0 | 111.6 |
| <u>Add:</u> | | | |
| Restructuring | 1.7 | 0.6 | - |
| Executive severance costs | - | 0.7 | - |
| Acquisition and integration-related expenses | 1.4 | 2.7 | 1.5 |
| Purchase accounting effects (1) | 3.9 | 4.8 | 1.2 |
| 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 |
| Adjusted income tax expense (2)(3)(4) | (22.1) | (26.3) | (27.2) |
| Adjusted net income | \$ 42.0 | \$ 51.1 | \$ 87.5 |
| <u>Less:</u> | | | |
| Deferred Gain Recognition, net of income tax (5) | (1.3) | (1.3) | (1.5) |
| Adjusted net income, as revised | \$ 40.7 | \$ 49.8 | \$ 86.0 |
| Diluted EPS | \$ 0.64 | \$ 1.00 | \$ 1.53 |
| Adjusted diluted EPS | \$ 0.69 | \$ 0.85 | \$ 1.43 |
| Adjusted diluted EPS, as revised | \$ 0.67 | \$ 0.83 | \$ 1.41 |

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

(3) Adjusted income tax expense for the twelve months 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 twelve months ended December 31, 2017 also excludes \$0.6 million of tax expense associated with a change in the enacted state tax rate in Illinois. Adjusted income tax expense for the twelve months ended December 31, 2017 also excludes 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, where applicable.

(4) Adjusted income tax expense for the twelve months 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 twelve months ended December 31, 2016 also excludes the tax effects of restructuring activity, acquisition and integration-related expenses, purchase accounting effects and debt settlement charges, where applicable.

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



Appendix II: Consolidated Adjusted EBITDA

| <i>\$ millions, except %</i> | <u>Q3 2019</u> | <u>Q3 2018</u> |
|--|-----------------|-----------------|
| Net income | \$ 28.4 | \$ 21.7 |
| Add: | | |
| Interest expense | 2.1 | 2.2 |
| Acquisition and integration-related expenses | 0.4 | 0.4 |
| Purchase accounting effects * | - | - |
| Other expense, net | 0.2 | - |
| Income tax expense | 7.9 | 6.5 |
| Depreciation and amortization | 10.8 | 9.4 |
| Consolidated adjusted EBITDA | \$ 49.8 | \$ 40.2 |
| Less: | | |
| Deferred gain recognition | - | (0.5) |
| Consolidated adjusted EBITDA, as revised | \$ 49.8 | \$ 39.7 |
| Net Sales | \$ 308.8 | \$ 269.4 |
| Consolidated adjusted EBITDA margin | 16.1% | 14.9% |
| Consolidated adjusted EBITDA margin, as revised | 16.1% | 14.7% |

* Excludes purchase accounting expense effects included within depreciation and amortization of \$0.2 million and \$0.1 million for the three months ended September 30, 2019 and 2018, respectively



Appendix II: TTM Consolidated Adjusted EBITDA

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. Consolidated adjusted EBITDA is a non-GAAP measure that represents the total of net income, interest expense, pension settlement charges, hearing loss settlement charges, debt settlement charges, acquisition and integration-related expenses, restructuring activity, executive severance costs, purchase accounting effects, other expense/income, 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, pension settlement charges, hearing loss settlement charges, debt settlement charges, acquisition and integration-related expenses, restructuring activity, executive severance costs, purchase accounting effects, other expense/income, 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. The following table summarizes the Company's consolidated adjusted EBITDA and adjusted EBITDA margin and reconciles income from continuing operations to consolidated adjusted EBITDA for the trailing twelve month periods ended:

| (\$ in millions) | 2014 | 2015 | 2016 | 2017 | 2018 | TTM 9/30/19 |
|--|----------------|----------------|----------------|----------------|------------------|------------------|
| Total Sales, as reported | \$779.1 | \$768.0 | \$707.9 | \$898.5 | \$1,089.5 | \$1,186.3 |
| Net income | 59.7 | 65.8 | 39.4 | 60.5 | 93.7 | 110.9 |
| Add: | | | | | | |
| Interest expense | 3.6 | 2.3 | 1.9 | 7.3 | 9.3 | 8.2 |
| 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 | 2.1 |
| Restructuring | - | 0.4 | 1.7 | 0.6 | - | - |
| Executive Severance Costs | - | - | - | 0.7 | - | - |
| Purchase accounting effects* | - | - | 3.6 | 4.4 | 0.7 | 0.1 |
| Other expense (income), net | 5.0 | 5.2 | 1.8 | (0.8) | 0.6 | 0.6 |
| Income tax expense | 23.7 | 34.1 | 17.4 | 0.5 | 17.9 | 24.4 |
| Depreciation and amortization | 11.5 | 12.3 | 19.1 | 30.0 | 36.4 | 39.5 |
| Adjusted EBITDA | \$103.5 | \$120.1 | \$ 86.6 | \$113.5 | \$ 160.5 | \$ 185.8 |
| Less: Deferred Gain Recognition** | (1.9) | (1.9) | (1.9) | (2.0) | (1.9) | (0.4) |
| Adjusted EBITDA, as revised | \$101.6 | \$118.2 | \$ 84.7 | \$111.5 | \$ 158.6 | \$ 185.4 |
| Adjusted EBITDA Margin | 13.3% | 15.6% | 12.2% | 12.6% | 14.7% | 15.7% |
| Adjusted EBITDA Margin, as revised | 13.0% | 15.4% | 12.0% | 12.4% | 14.6% | 15.6% |



*Excludes purchase accounting effects reflected in depreciation and amortization of \$0.3 M, \$0.4 M, \$0.5 M, and \$0.5 M for 2016, 2017, 2018 and TTM 9/30/19, respectively.

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

Appendix III: 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"> Profitability and growth 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"> Profitability and growth Shareholder value creation Facilitates stock ownership Executive retention |
| Restricted Stock Awards | | Long-Term <u>3-year Cliff Vesting</u> <ol style="list-style-type: none"> Executive recruitment Executive retention 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"> Shareholder value creation Facilitates stock ownership Executive retention |



Appendix IV: Investor Information

Stock Ticker: NYSE:FSS

Company website: federalsignal.com/investors

HEADQUARTERS

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

INVESTOR RELATIONS CONTACTS

630-954-2000

Ian Hudson

SVP & Chief Financial Officer

IHudson@federalsignal.com

Svetlana Vinokur

VP, Treasurer and Corporate Development

SVinokur@federalsignal.com





FEDERAL SIGNAL

Moves. Cleans. Protects.