



Federal Signal to Acquire Mark Rite Lines Equipment Company, Inc.

May 14, 2019



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Safe Harbor

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Signs a definitive agreement to acquire Mark Rite Lines Equipment Company, Inc. (“MRL”)

- 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 the state of Montana
 - Headquartered in Billings, Montana; ~250 employees
- Generated \$67 M of revenues during year ended December 31, 2018, with an EBITDA margin of 13%
- Strategic addition to Federal Signal’s portfolio of niche, market-leading specialty vehicle manufacturing companies serving maintenance and infrastructure markets
- Proprietary deal sourced through internal M&A pipeline

MRL's Broad Product Portfolio and 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



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	

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

- 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

- 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

- 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")

- 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

Transaction Summary

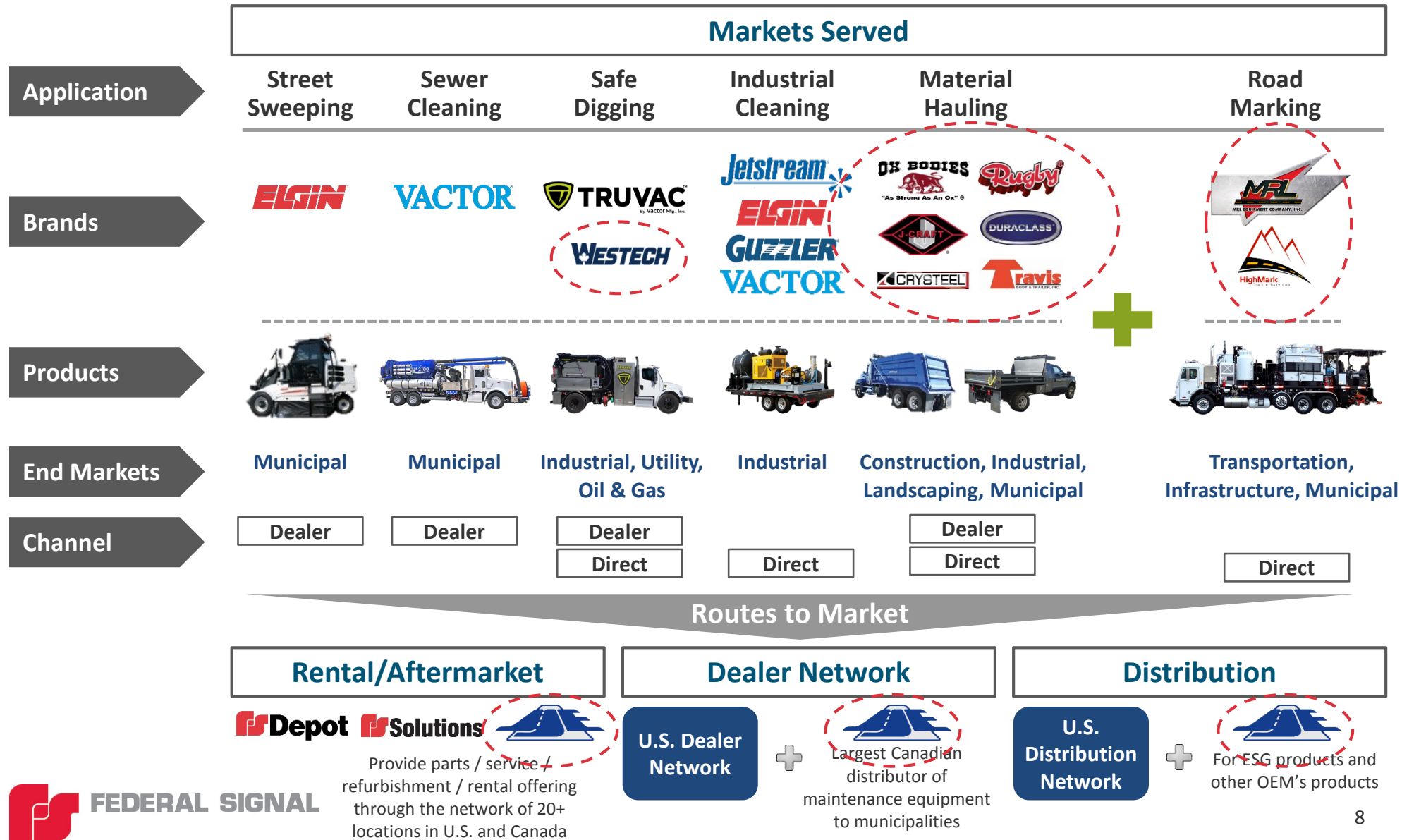


- Initial purchase price of \$55.5 M, subject to post closing adjustments
- In addition, there is a contingent earnout payment of up to \$15.5 M
 - Earnout is tied to MRL's financial performance in the 3 years post closing
- Intend to finance the acquisition with cash on hand and borrowings available under our existing credit facility
- Expect acquisition to be modestly accretive to non-GAAP adjusted earnings per share ("EPS") in 2019 and add up to \$0.10 of adjusted EPS accretion by year 3
- Transaction expected to close in the third quarter of 2019, subject to customary closing conditions

Federal Signal's Growing Specialty Vehicle Platform



Acquisition of MRL will further solidify FSC's presence in the maintenance and infrastructure space



Q&A

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Investor Information

Stock Ticker - NYSE:FSS

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