FEDERAL SIGNAL

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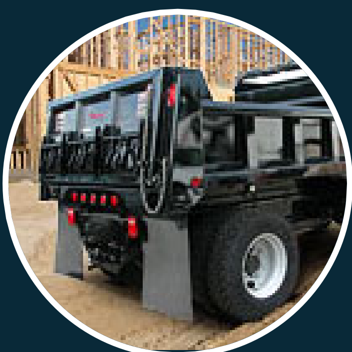
Federal Signal Q2 2023 Earnings Call
July 27, 2023





Jennifer Sherman, President & Chief Executive Officer
Ian Hudson, SVP, Chief Financial Officer

Safe Harbor

This presentation contains unaudited financial information and various forward-looking statements as of the date hereof and we undertake no obligation to update these forward-looking statements regardless of new developments or otherwise. Statements in this presentation that are not historical are forward-looking statements. Such statements are subject to various risks and uncertainties that could cause actual results to vary materially from those stated. Such risks and uncertainties include but are not limited to: direct and indirect impacts of the coronavirus pandemic and the associated government response, risks and adverse economic effects associated with emerging geopolitical conflicts, product and price competition, supply chain disruptions, work stoppages, availability and pricing of raw materials, cybersecurity risks, risks associated with acquisitions such as integration of operations and achieving anticipated revenue and cost benefits, foreign currency exchange rate changes, interest rate changes, increased legal expenses and litigation results, legal and regulatory developments and other risks and uncertainties described in filings with the Securities and Exchange Commission (SEC).

This presentation also contains references to certain non-GAAP financial information. Such items are reconciled herein, in our earnings news release provided as of the date of this presentation or in other investor materials filed with the SEC.

Q2 Highlights *

- Record net sales of $442 M, up $76 M, or 21%
  - Organic growth of $54 M, or 15%
- Operating income of $59.4 M, up $13.2 M, or 29%
- Adjusted EBITDA of $75.5 M, up $17.3 M, or 30%
  - Adjusted EBITDA margin of 17.1%, compared to 15.9%
- GAAP EPS of $0.66, up $0.11, or 20%
- Record adjusted EPS of $0.67, up $0.14, or 26%
- Record orders of $480 M, up $67 M, or 16%
- Record backlog of $1.01 B, up $212 M, or 27%

** Comparisons versus Q2 of 2022*

Group and Corporate Results

$ millions, except %		Q2 2023	Q2 2022	% Change
ESG	**Orders**	**408.6**	**351.7**	**16%**
	Sales	**373.0**	**306.3**	**22%**
	Operating income	**56.2**	**39.1**	**44%**
	Operating margin	*15.1%*	*12.8%*	
	Adjusted EBITDA	**70.7**	**51.6**	**37%**
	Adjusted EBITDA margin	*19.0%*	*16.8%*	
SSG	**Orders**	**71.6**	**61.6**	**16%**
	Sales	**69.4**	**60.4**	**15%**
	Operating income	**14.1**	**10.3**	**37%**
	Operating margin	*20.3%*	*17.1%*	
	Adjusted EBITDA	**15.2**	**11.4**	**33%**
	Adjusted EBITDA margin	*21.9%*	*18.9%*	
Corporate expenses		**10.9**	**3.2**	**241%**
Consolidated	**Orders**	**480.2**	**413.3**	**16%**
	Sales	**442.4**	**366.7**	**21%**
	Operating income	**59.4**	**46.2**	**29%**
	Operating margin	*13.4%*	*12.6%*	
	Adjusted EBITDA	**75.5**	**58.2**	**30%**
	Adjusted EBITDA margin	*17.1%*	*15.9%*	

Consolidated Statement of Operations

$ millions, except % and per share	Q2 2023	Q2 2022	$ Change	% Change
Net sales	$ 442.4	$ 366.7	$ 75.7	21%
Gross profit	117.3	89.8	27.5	31%
SEG&A expenses	53.4	42.1	11.3	27%
Amortization expense	3.9	3.2	0.7	22%
Acquisition and integration related expenses (benefits)	0.6	(1.7)	2.3	N/M
Operating income	59.4	46.2	13.2	29%
Interest expense	5.6	1.9	3.7	195%
Other income, net	1.1	(0.3)	1.4	N/M
Income tax expense	12.4	11.1	1.3	12%
Net income	40.3	33.5	6.8	20%
Diluted EPS	$ 0.66	$ 0.55	$ 0.11	20%
Diluted adjusted EPS	$ 0.67	$ 0.53	$ 0.14	26%
Gross Margin	26.5%	24.5%		
SEG&A expenses as a % of net sales	12.1%	11.5%		
Effective tax rate	23.5%	24.9%		

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Adjusted Earnings per Share

($ in millions)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net income, as reported	$ 40.3	$ 33.5	$ 67.7	$ 54.0
Add:				
Income tax expense	12.4	11.1	19.7	18.2
Income before income taxes	52.7	44.6	87.4	72.2
Add:				
Acquisition and integration-related expenses (benefits)	0.6	(1.7)	1.3	(1.4)
Environmental remediation costs of a discontinued operation (1)	0.8	-	0.8	-
Adjusted income before income taxes	54.1	42.9	89.5	70.8
Adjusted income tax expense (2)	(12.7)	(10.7)	(20.2)	(17.9)
Adjusted net income	**$ 41.4**	**$ 32.2**	**$ 69.3**	**$ 52.9**
Diluted EPS, as reported	$ 0.66	$ 0.55	$ 1.10	$ 0.88
Adjusted diluted EPS	**$ 0.67**	**$ 0.53**	**$ 1.13**	**$ 0.87**

(1) Environmental remediation costs of a discontinued operation in the three and six months ended June 30, 2023 relate to estimated environmental clean up costs at a facility associated with a business that was discontinued in 2009. Such charges are included as a component of Other expense (income), net on the Condensed Consolidated Statements of Operations.

(2) Adjusted income tax expense for the three and six months ended June 30, 2023 and 2022 was recomputed after excluding the impact of acquisition and integration-related expenses (benefits) and environmental remediation costs of a discontinued operation, where applicable.

Financial Strength and Flexibility *

Strong capital structure	• Cash and cash equivalents of $49 M • Net debt of ~$360 M ** • In October 2022, executed a five-year, $800 M revolving credit facility, with opportunity to increase further by the greater of (i) $400 M or (ii) 100% of TTM consolidated EBITDA, subject to lenders approval • Net debt leverage remains low • Compliant with all covenants with significant headroom
Healthy cash flow and access to cash facilitate organic growth investment, M&A and cash returns to stockholders	• Generated ~$36 M of cash from operations in Q2 2023, up ~$21 M vs. Q2 2022 • ~$381 M of availability under revolving credit facility • Anticipating cap ex of $25 M-$30 M in 2023, including investments in our plants to add capacity and gain efficiencies through automation • Completed acquisition of Blasters, Inc. on January 3, 2023 for initial payment of ~$13 M • Completed acquisition of Trackless Vehicles on April 3, 2023 for initial payment of ~$43 M • Paid $6.1 M for dividends, reflecting increased dividend of $0.10 per share; recently declared similar dividend for Q3 2023 • ~$59 M of authorization remaining under current share repurchase program (~2% of market cap)

** Dollar amounts as of, or for the quarter ending 6/30/2023, unless otherwise noted*

*** Net debt is a non-GAAP measure and is computed as total debt of $409.2 M, less total cash and cash equivalents of $48.8 M*

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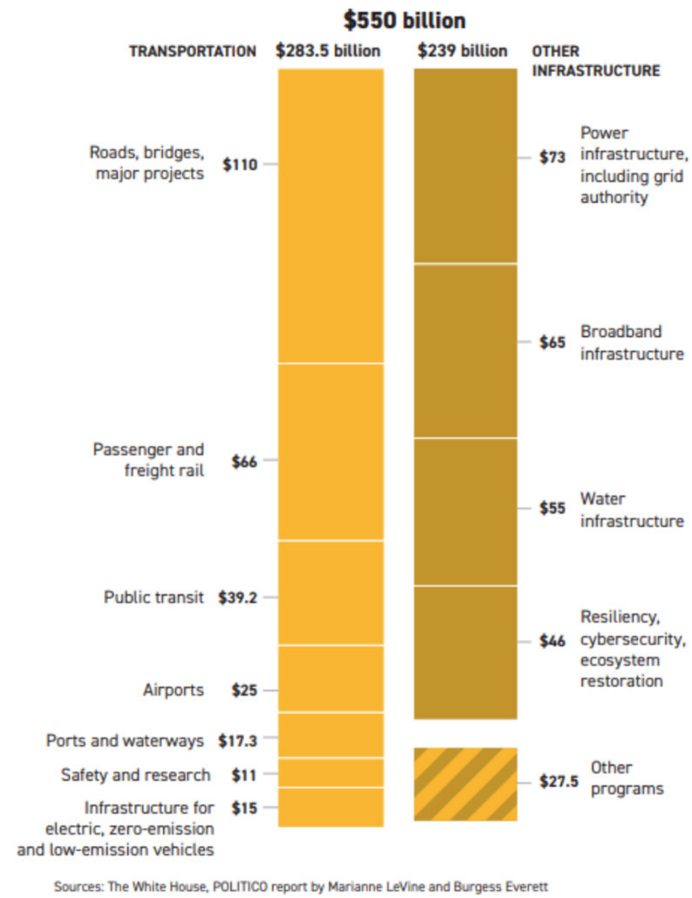
CEO Remarks – Q2 Performance

- Impressive execution by both groups contributed to a record-setting quarter
- Environmental Solutions Group highlights:
  - YoY net sales growth of 22% and a 220-basis point improvement in adjusted EBITDA margin
  - Third consecutive quarter of production improvement at our largest manufacturing facility; supply chain continuing to improve, overall
  - Aftermarket revenues up 18%, with notable strength in parts sales
  - Completed acquisition of Trackless in April 2023
- Safety and Security Group highlights:
  - YoY net sales growth of 15% and a 300-basis point improvement in adjusted EBITDA margin
  - In-sourcing investments continue to support production improvements
- Published fourth annual Sustainability Report during Q2

CEO Remarks – Market Conditions

- Demand for our products and aftermarket offerings remains at unprecedented levels with **Q2 orders and backlog again setting new company records**
- Public funding for infrastructure investments continues to fuel demand
- *American Rescue Plan Act*
  - $350 B for maintenance of essential infrastructure, such as sewer systems and streets
- *Infrastructure Investment and Jobs Act*
  - $550 B earmarked for new investments in roads, bridges, power, water, and broadband infrastructure, public transportation, and airports
  - $6.5 B for FEMA, including outdoor warning systems
- *Inflation Reduction Act*
  - U.S. Department of Energy released a notice of intent to invest $2 B to accelerate domestic manufacturing of electrified vehicles



Outdoor Warning

CEO Remarks – Growth Initiatives

- *Eighty-twenty improvement initiatives*
  - Elgin street sweeper lean initiatives aimed at increasing throughput
  - Travis trailer product line simplification
- *Aftermarket expansion*
  - Aftermarket revenues represented ~28% of ESG’s total revenues in Q2
  - 1H 2023 rental fleet investment to support ongoing demand for rentals and used equipment
- *New product development*
  - Highlighter Elite mini-lightbar launch
  - Dump body product launches, designed for chassis models that currently have more supply
- *M&A*
  - Closed Trackless acquisition in April 2023

MT7 Tractor

Snow Attachments

Maintenance Attachments

Grass Attachments

Raising 2023 Outlook

Raising Full-Year Adjusted EPS* Outlook to a new range of $2.30 to $2.46, from the previous range of $2.21 to $2.43

Would represent highest EPS in Company's history and YoY growth of 17%-26%, despite aggregate headwind of ~$0.22 from higher interest expense and increase in effective tax rate

Key Assumptions

- Also **raising low end of full-year net sales outlook by $30 M**, establishing new range of $1.65 B to $1.72 B
  - Represents YoY growth of 15% - 20% vs. $1.43 B in 2022
- Double-digit improvement in pre-tax earnings
- Depreciation and amortization expense of ~$61 M - $63 M
- Capital expenditures of $27 M to $30 M
- Interest expense of ~$21-22 M; YoY EPS headwind of ~$0.14
- Effective tax rate of ~24%, excluding additional discrete items; YoY EPS headwind of ~$0.08
- ~61-62 M weighted average shares outstanding
- No significant deterioration in current supply chain environment; assumes continued supply chain improvement in 2H 2023, with steady flow of customer-provided chassis
- No significant increase in current input costs

*Adjusted earnings per share ("EPS") is a non-GAAP measure, which includes certain adjustments to reported GAAP net income and diluted EPS. In the three and six months ended June 30, 2023, we made adjustments to exclude the impact of acquisition and integration-related expenses (benefits) and environmental remediation costs of a discontinued operation. In prior years, we have also made adjustments to exclude the impact of debt settlement charges and certain other unusual or non-recurring items. Should any similar items occur in the remainder of 2023, 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).

Q&A

July 27, 2023

Jennifer Sherman, President & Chief Executive Officer
Ian Hudson, SVP, Chief Financial Officer

Investor Information

Stock Ticker - NYSE:FSS

Company website: federalsignal.com/investors

HEADQUARTERS

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Appendix

Consolidated Adjusted EBITDA

$ millions, except %	Q2 2023	Q2 2022
Net income	$ 40.3	$ 33.5
Add:		
Interest expense	5.6	1.9
Acquisition and integration-related expenses (benefits)	0.6	(1.7)
Other income, net	1.1	(0.3)
Income tax expense	12.4	11.1
Depreciation and amortization	15.5	13.7
Consolidated adjusted EBITDA	$ 75.5	$ 58.2
Net Sales	$ 442.4	$ 366.7
Consolidated adjusted EBITDA margin	17.1%	15.9%

Segment Adjusted EBITDA

ESG

$ millions, except %	Q2 2023	Q2 2022
Operating Income	$ 56.2	$ 39.1
Add:		
Acquisition and integration-related expenses (benefits)	0.2	(0.1)
Depreciation and amortization	14.3	12.6
Adjusted EBITDA	$ 70.7	$ 51.6
Net Sales	$ 373.0	$ 306.3
Adjusted EBITDA margin	19.0%	16.8%

SSG

$ millions, except %	Q2 2023	Q2 2022
Operating Income	$ 14.1	$ 10.3
Add:		
Depreciation and amortization	1.1	1.1
Adjusted EBITDA	$ 15.2	$ 11.4
Net Sales	$ 69.4	$ 60.4
Adjusted EBITDA margin	21.9%	18.9%

Non-GAAP Measures

- Adjusted net income and earnings per share ("EPS") - The Company believes that modifying its 2023 and 2022 net income and diluted EPS provides additional measures which are representative of the Company's underlying performance and improves the comparability of results between reporting periods. During the three and six months ended June 30, 2023 and 2022, adjustments were made to reported GAAP net income and diluted EPS to exclude the impact of acquisition and integration-related expenses (benefits), and environmental remediation costs of a discontinued operation, where applicable.

- Adjusted EBITDA and adjusted EBITDA margin - The Company uses adjusted EBITDA and the ratio of adjusted EBITDA to net sales ("adjusted EBITDA margin"), at both the consolidated and segment level, 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, at both the consolidated and segment level, are meaningful metrics to investors in evaluating the Company's underlying financial performance. Other companies may use different methods to calculate adjusted EBITDA and adjusted EBITDA margin.

- Consolidated adjusted EBITDA is a non-GAAP measure that represents the total of net income, interest expense, acquisition and integration-related expenses (benefits), other income/expense, income tax expense, and depreciation and amortization expense, as applicable. Consolidated adjusted EBITDA margin is a non-GAAP measure that represents the total of net income, interest expense, acquisition and integration-related expenses (benefits), other income/expense, income tax expense, and depreciation and amortization expense, as applicable, divided by net sales for the applicable period(s).

- Segment adjusted EBITDA is a non-GAAP measure that represents the total of segment operating income, acquisition and integration-related expenses (benefits), and depreciation and amortization expense, as applicable. Segment adjusted EBITDA margin is a non-GAAP measure that represents the total of segment operating income, acquisition and integration-related expenses (benefits), and depreciation and amortization expense, as applicable, divided by net sales for the applicable period(s). Segment operating income includes all revenues, costs and expenses directly related to the segment involved. In determining segment income, neither corporate nor interest expenses are included. Segment depreciation and amortization expense relates to those assets, both tangible and intangible, that are utilized by the respective segment.


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