



1333 Butterfield Road, Suite 500
Downers Grove, Illinois 60515
630.954.2000
federalsignal.com

FOR IMMEDIATE RELEASE

Federal Signal Reports Second Quarter Results Including Double-Digit Sales and Earnings Growth; Raises Full-Year Outlook

Downers Grove, Illinois, July 25, 2024 — Federal Signal Corporation (NYSE:FSS) (the “Company”), a leader in environmental and safety solutions, today reported results for the second quarter ended June 30, 2024.

Second Quarter Highlights

- Net sales of \$490 million, up \$48 million, or 11%, from last year
- Operating income of \$81.1 million, up \$21.7 million, or 37%, from last year
- GAAP EPS of \$0.99, up \$0.33, or 50%, from last year
- Adjusted EPS of \$0.95, up \$0.28, or 42%, from last year
- Backlog of \$1.08 billion, up \$73 million, or 7%, from last year
- Raises 2024 adjusted EPS* outlook to a new range of \$3.20 to \$3.35, from the prior range of \$2.95 to \$3.15

Consolidated net sales for the second quarter were \$490 million, an increase of \$48 million, or 11%, compared to the prior-year quarter. Net income for the second quarter was \$60.8 million, or \$0.99 per diluted share, compared to \$40.3 million, or \$0.66 per diluted share, in the prior-year quarter.

The Company also reported adjusted net income for the second quarter of \$58.8 million, or \$0.95 per diluted share, compared to \$41.4 million, or \$0.67 per diluted share, in the prior-year quarter. The Company is reporting adjusted results to facilitate comparisons of underlying performance on a year-over-year basis. A reconciliation of these and other non-GAAP measures is provided at the conclusion of this news release.

Double-Digit Organic Improvement in Net Sales and Earnings; Customer Demand Remains High

“Our businesses were able to deliver double-digit year-over-year organic net sales and earnings growth, gross margin expansion, and a 280-basis point improvement in adjusted EBITDA margin during the second quarter,” commented Jennifer L. Sherman, President and Chief Executive Officer. “Within our Environmental Solutions Group, we were able to deliver 10% year-over-year net sales growth and a 25% increase in adjusted EBITDA, with increased production at several of our businesses and continued price realization representing meaningful year-over-year growth drivers. Our Safety and Security Systems Group also delivered impressive results, with 18% top line growth and an adjusted EBITDA margin of 23.7%.”

In the Environmental Solutions Group, net sales for the second quarter were \$409 million, up \$36 million, or 10%, compared to the prior-year quarter. In the Safety and Security Systems Group, net sales were \$82 million, up \$12 million, or 18%, compared to the prior-year quarter.

Consolidated operating income for the second quarter was \$81.1 million, up \$21.7 million, or 37%, compared to the prior-year quarter. Consolidated operating margin for the second quarter was 16.5%, up from 13.4% in the prior-year quarter.

Consolidated adjusted earnings before interest, tax, depreciation and amortization (“adjusted EBITDA”) for the second quarter was \$97.7 million, up \$22.2 million, or 29%, compared to the prior-year quarter, and consolidated adjusted EBITDA margin was 19.9%, up from 17.1% in the prior-year quarter.

In the Environmental Solutions Group, adjusted EBITDA for the second quarter was \$88.2 million, up \$17.5 million, or 25%, compared to the prior-year quarter, and its adjusted EBITDA margin was 21.6%, up from 19.0% last year. In the Safety and Security Systems Group, adjusted EBITDA for the second quarter was \$19.3 million, up \$4.1 million, or 27%, compared to the prior-year quarter, and its adjusted EBITDA margin was 23.7%, up from 21.9% last year.

Consolidated orders for the second quarter were \$473 million, compared to \$480 million in the prior-year quarter. Consolidated backlog at June 30, 2024 was \$1.08 billion, an increase of \$73 million, or 7%, from last year.

Increased Operating Cash Flow Further Strengthens Financial Position, Providing Flexibility to Fund Growth Opportunities and Cash Returns to Stockholders

Operating cash flow during the second quarter was \$41 million, an increase of \$5 million, or 13%, from the prior-year quarter.

At June 30, 2024, consolidated debt was \$255 million, total cash and cash equivalents were \$49 million and the Company had \$533 million of availability for borrowings under its credit facility.

“The improved cash flow facilitated additional debt repayment of approximately \$17 million during the quarter,” said Sherman. “With our operating cash flow generation in the first half of 2024 increasing by 67% compared to last year, our financial position has been strengthened further, providing significant flexibility to invest in organic growth initiatives, pursue additional strategic acquisitions, and fund cash returns to stockholders through dividends and opportunistic share repurchases.”

The Company funded dividends of \$7.4 million during the second quarter, reflecting a dividend of \$0.12 per share, and recently announced a similar \$0.12 per share dividend that will be payable in the third quarter of 2024.

Outlook

“Demand for our products and aftermarket offerings remains high, with our strong order intake this quarter contributing to a backlog of \$1.08 billion,” noted Sherman. “With our second quarter performance, our current backlog and continued execution against our strategic initiatives, we are raising our full-year adjusted EPS* outlook to a new range of \$3.20 to \$3.35, from the prior range of \$2.95 to \$3.15. We are also reaffirming our full-year net sales outlook of between \$1.85 billion and \$1.90 billion.”

CONFERENCE CALL

Federal Signal will host its second quarter conference call on Thursday, July 25, 2024 at 10:00 a.m. Eastern Time. The call will last approximately one hour. The call may be accessed over the internet through Federal Signal’s website at www.federsignal.com or by dialing phone number 1-877-704-4453 and entering the pin number 13747736. A replay will be available on Federal Signal’s website shortly after the call.

About Federal Signal

Federal Signal Corporation (NYSE: FSS) builds and delivers equipment of unmatched quality that moves material, cleans infrastructure, and protects the communities where we work and live. Founded in 1901, Federal Signal is a leading global designer, manufacturer and supplier of products and total solutions that serve municipal, governmental, industrial and commercial customers. Headquartered in Downers Grove, Ill., with manufacturing facilities worldwide, the Company operates two groups: Environmental Solutions and Safety and Security Systems. For more information on Federal Signal, visit: www.federsignal.com.

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995

This release 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 release 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: economic and political uncertainty, risks and adverse economic effects associated with geopolitical conflicts, legal and regulatory developments, foreign currency exchange rate changes, inflationary pressures, product and price competition, supply chain disruptions, availability and pricing of raw materials, interest rate changes, risks associated with acquisitions such as integration of operations and achieving anticipated revenue and cost benefits, work stoppages, increases in pension funding requirements, cybersecurity risks, increased legal expenses and litigation results and other risks and uncertainties described in filings with the Securities and Exchange Commission.

Contact: Ian Hudson, Chief Financial Officer, +1-630-954-2000, ihudson@federsignal.com

* 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, 2024, we made adjustments to exclude the impact of acquisition and integration-related expenses, net, and certain special tax items. In prior years, we have also made adjustments to exclude the impact of environmental remediation costs of a discontinued operation, purchase accounting effects and certain other unusual or non-recurring items. Should any similar items occur in the remainder of 2024, 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).

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(in millions, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net sales	\$ 490.4	\$ 442.4	\$ 915.3	\$ 827.9
Cost of sales	346.4	325.1	655.3	614.8
Gross profit	144.0	117.3	260.0	213.1
Selling, engineering, general and administrative expenses	58.3	53.4	115.5	105.4
Amortization expense	3.8	3.9	7.4	7.5
Acquisition and integration-related expenses, net	0.8	0.6	1.7	1.3
Operating income	81.1	59.4	135.4	98.9
Interest expense, net	3.2	5.6	6.4	10.3
Other expense, net	0.4	1.1	0.6	1.2
Income before income taxes	77.5	52.7	128.4	87.4
Income tax expense	16.7	12.4	16.0	19.7
Net income	\$ 60.8	\$ 40.3	\$ 112.4	\$ 67.7
Earnings per share:				
Basic	\$ 1.00	\$ 0.66	\$ 1.84	\$ 1.12
Diluted	\$ 0.99	\$ 0.66	\$ 1.82	\$ 1.10
Weighted average common shares outstanding:				
Basic	61.0	60.7	61.0	60.7
Diluted	61.7	61.4	61.7	61.4
Cash dividends declared per common share	\$ 0.12	\$ 0.10	\$ 0.24	\$ 0.19
Operating data:				
Operating margin	16.5 %	13.4 %	14.8 %	11.9 %
Adjusted EBITDA	\$ 97.7	\$ 75.5	\$ 168.3	\$ 130.0
Adjusted EBITDA margin	19.9 %	17.1 %	18.4 %	15.7 %
Total orders	\$ 473.0	\$ 480.2	\$ 975.7	\$ 954.9
Backlog	1,079.9	1,006.5	1,079.9	1,006.5
Depreciation and amortization	15.8	15.5	31.2	29.8

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except per share data)	June 30, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 48.6	\$ 61.0
Accounts receivable, net of allowances for doubtful accounts of \$2.0 and \$2.5, respectively	213.6	186.2
Inventories	326.9	303.4
Prepaid expenses and other current assets	22.7	19.6
Total current assets	611.8	570.2
Properties and equipment, net of accumulated depreciation of \$181.7 and \$173.3, respectively	203.4	190.8
Rental equipment, net of accumulated depreciation of \$51.0 and \$47.5, respectively	154.2	134.8
Operating lease right-of-use assets	27.8	21.0
Goodwill	469.9	472.7
Intangible assets, net of accumulated amortization of \$78.1 and \$70.7, respectively	200.6	207.5
Deferred tax assets	11.7	12.0
Other long-term assets	12.1	11.5
Total assets	\$ 1,691.5	\$ 1,620.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term borrowings and finance lease obligations	\$ 6.5	\$ 4.7
Accounts payable	87.0	66.7
Customer deposits	24.6	27.1
Accrued liabilities:		
Compensation and withholding taxes	32.9	42.3
Current operating lease liabilities	7.3	6.8
Other current liabilities	53.4	48.2
Total current liabilities	211.7	195.8
Long-term borrowings and finance lease obligations	248.8	294.3
Long-term operating lease liabilities	21.3	14.9
Long-term pension and other postretirement benefit liabilities	42.9	44.2
Deferred tax liabilities	55.5	53.2
Other long-term liabilities	11.7	16.2
Total liabilities	591.9	618.6
Stockholders' equity:		
Common stock, \$1 par value per share, 90.0 shares authorized, 70.3 and 70.0 shares issued, respectively	70.3	70.0
Capital in excess of par value	302.0	291.1
Retained earnings	1,013.5	915.8
Treasury stock, at cost, 9.1 and 9.0 shares, respectively	(200.8)	(193.7)
Accumulated other comprehensive loss	(85.4)	(81.3)
Total stockholders' equity	1,099.6	1,001.9
Total liabilities and stockholders' equity	\$ 1,691.5	\$ 1,620.5

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in millions)	Six Months Ended June 30,	
	2024	2023
Operating activities:		
Net income	\$ 112.4	\$ 67.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31.2	29.8
Stock-based compensation expense	8.8	5.8
Changes in fair value of contingent consideration	0.1	(0.2)
Amortization of interest rate swap settlement gain	(1.2)	(1.2)
Deferred income taxes	2.3	2.2
Changes in operating assets and liabilities	(81.7)	(61.1)
Net cash provided by operating activities	71.9	43.0
Investing activities:		
Purchases of properties and equipment	(24.2)	(15.7)
Payments for acquisition-related activity, net of cash acquired	—	(56.0)
Other, net	1.2	0.3
Net cash used for investing activities	(23.0)	(71.4)
Financing activities:		
(Decrease) increase in revolving lines of credit, net	(39.2)	44.7
Payments on long-term borrowings	(1.6)	—
Purchases of treasury stock	(0.1)	—
Redemptions of common stock to satisfy withholding taxes related to stock-based compensation	(5.9)	(5.4)
Payments for acquisition-related activity	—	(0.5)
Cash dividends paid to stockholders	(14.7)	(11.6)
Proceeds from stock-based compensation activity	1.3	2.0
Other, net	(0.3)	—
Net cash (used for) provided by financing activities	(60.5)	29.2
Effects of foreign exchange rate changes on cash and cash equivalents	(0.8)	0.5
(Decrease) increase in cash and cash equivalents	(12.4)	1.3
Cash and cash equivalents at beginning of year	61.0	47.5
Cash and cash equivalents at end of period	\$ 48.6	\$ 48.8

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
GROUP RESULTS (Unaudited)

The following tables summarize group operating results as of and for the three and six months ended June 30, 2024 and 2023:

Environmental Solutions Group

(\$ in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
Net sales	\$ 408.8	\$ 373.0	\$ 35.8	\$ 762.8	\$ 691.8	\$ 71.0
Operating income	72.9	56.2	16.7	124.6	93.8	30.8
Adjusted EBITDA	88.2	70.7	17.5	154.7	121.9	32.8
Operating data:						
Operating margin	17.8 %	15.1 %	2.7 %	16.3 %	13.6 %	2.7 %
Adjusted EBITDA margin	21.6 %	19.0 %	2.6 %	20.3 %	17.6 %	2.7 %
Total orders	\$ 396.2	\$ 408.6	\$ (12.4)	\$ 823.9	\$ 804.4	\$ 19.5
Backlog	1,023.4	939.7	83.7	1,023.4	939.7	83.7
Depreciation and amortization	14.7	14.3	0.4	29.0	27.5	1.5

Safety and Security Systems Group

(\$ in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
Net sales	\$ 81.6	\$ 69.4	\$ 12.2	\$ 152.5	\$ 136.1	\$ 16.4
Operating income	18.3	14.1	4.2	32.1	26.2	5.9
Adjusted EBITDA	19.3	15.2	4.1	34.1	28.4	5.7
Operating data:						
Operating margin	22.4 %	20.3 %	2.1 %	21.0 %	19.3 %	1.7 %
Adjusted EBITDA margin	23.7 %	21.9 %	1.8 %	22.4 %	20.9 %	1.5 %
Total orders	\$ 76.8	\$ 71.6	\$ 5.2	\$ 151.8	\$ 150.5	\$ 1.3
Backlog	56.5	66.8	(10.3)	56.5	66.8	(10.3)
Depreciation and amortization	1.0	1.1	(0.1)	2.0	2.2	(0.2)

Corporate Expenses

Corporate operating expenses were \$10.1 million and \$10.9 million for the three months ended June 30, 2024 and 2023, respectively. For the six months ended June 30, 2024 and 2023, corporate operating expenses were \$21.3 million and \$21.1 million, respectively.

SEC REGULATION G NON-GAAP RECONCILIATION

The financial measures presented below are unaudited and 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 below, and to provide an additional measure of performance which management considers in operating the business.

Adjusted Net Income and Earnings Per Share (“EPS”):

The Company believes that modifying its 2024 and 2023 net income and diluted EPS provides additional measures which are representative of the Company’s underlying performance and improves the comparability of results across reporting periods. During the three and six months ended June 30, 2024 and 2023 adjustments were made to reported GAAP net income and diluted EPS to exclude the impact of acquisition and integration-related expenses, net, environmental remediation costs of a discontinued operation and certain special tax items, where applicable.

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income, as reported	\$ 60.8	\$ 40.3	\$ 112.4	\$ 67.7
Add:				
Income tax expense	16.7	12.4	16.0	19.7
Income before income taxes	77.5	52.7	128.4	87.4
Add:				
Acquisition and integration-related expenses, net	0.8	0.6	1.7	1.3
Environmental remediation costs of a discontinued operation ^(a)	—	0.8	—	0.8
Adjusted income before income taxes	78.3	54.1	130.1	89.5
Adjusted income tax expense ^{(b) (c)}	(19.5)	(12.7)	(31.8)	(20.2)
Adjusted net income	<u>\$ 58.8</u>	<u>\$ 41.4</u>	<u>\$ 98.3</u>	<u>\$ 69.3</u>

(dollars per diluted share)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
EPS, as reported	\$ 0.99	\$ 0.66	\$ 1.82	\$ 1.10
Add:				
Income tax expense	0.27	0.20	0.26	0.33
Income before income taxes	1.26	0.86	2.08	1.43
Add:				
Acquisition and integration-related expenses, net	0.01	0.01	0.03	0.02
Environmental remediation costs of a discontinued operation ^(a)	—	0.01	—	0.01
Adjusted income before income taxes	1.27	0.88	2.11	1.46
Adjusted income tax expense ^{(b) (c)}	(0.32)	(0.21)	(0.52)	(0.33)
Adjusted EPS	<u>\$ 0.95</u>	<u>\$ 0.67</u>	<u>\$ 1.59</u>	<u>\$ 1.13</u>

- (a) 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, net on the Condensed Consolidated Statements of Operations.
- (b) Adjusted income tax expense for the three and six months ended June 30, 2024 was recomputed after excluding discrete tax benefits of \$2.6 million and \$15.6 million, respectively, that were recognized in connection with the amendment of certain federal and state tax returns to claim a worthless stock deduction, and the impact of acquisition and integration-related expenses, net.
- (c) Adjusted income tax expense for the three and six months ended June 30, 2023 was recomputed after excluding the impact of acquisition and integration-related expenses, net, and environmental remediation costs of a discontinued operation.

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.

Consolidated adjusted EBITDA is a non-GAAP measure that represents the total of net income, interest expense, acquisition and integration-related expenses, other income/expense, income tax expense/benefit, 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, other income/expense, income tax expense/benefit, 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 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 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.

Other companies may use different methods to calculate adjusted EBITDA and adjusted EBITDA margin.

Consolidated

The following table summarizes the Company’s consolidated adjusted EBITDA and adjusted EBITDA margin and reconciles net income to consolidated adjusted EBITDA for the three and six months ended June 30, 2024 and 2023:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	\$ 60.8	\$ 40.3	\$ 112.4	\$ 67.7
Add:				
Interest expense, net	3.2	5.6	6.4	10.3
Acquisition and integration-related expenses, net	0.8	0.6	1.7	1.3
Other expense, net	0.4	1.1	0.6	1.2
Income tax expense	16.7	12.4	16.0	19.7
Depreciation and amortization	15.8	15.5	31.2	29.8
Consolidated adjusted EBITDA	<u>\$ 97.7</u>	<u>\$ 75.5</u>	<u>\$ 168.3</u>	<u>\$ 130.0</u>
Net sales	<u>\$ 490.4</u>	<u>\$ 442.4</u>	<u>\$ 915.3</u>	<u>\$ 827.9</u>
Consolidated adjusted EBITDA margin	<u>19.9 %</u>	<u>17.1 %</u>	<u>18.4 %</u>	<u>15.7 %</u>

Environmental Solutions Group

The following table summarizes the Environmental Solutions Group's adjusted EBITDA and adjusted EBITDA margin and reconciles operating income to adjusted EBITDA for the three and six months ended June 30, 2024 and 2023:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating income	\$ 72.9	\$ 56.2	\$ 124.6	\$ 93.8
Add:				
Acquisition and integration-related expenses	0.6	0.2	1.1	0.6
Depreciation and amortization	14.7	14.3	29.0	27.5
Adjusted EBITDA	<u>\$ 88.2</u>	<u>\$ 70.7</u>	<u>\$ 154.7</u>	<u>\$ 121.9</u>
Net sales	<u>\$ 408.8</u>	<u>\$ 373.0</u>	<u>\$ 762.8</u>	<u>\$ 691.8</u>
Adjusted EBITDA margin	<u>21.6 %</u>	<u>19.0 %</u>	<u>20.3 %</u>	<u>17.6 %</u>

Safety and Security Systems Group

The following table summarizes the Safety and Security Systems Group's adjusted EBITDA and adjusted EBITDA margin and reconciles operating income to adjusted EBITDA for the three and six months ended June 30, 2024 and 2023:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating income	\$ 18.3	\$ 14.1	\$ 32.1	\$ 26.2
Add:				
Depreciation and amortization	1.0	1.1	2.0	2.2
Adjusted EBITDA	<u>\$ 19.3</u>	<u>\$ 15.2</u>	<u>\$ 34.1</u>	<u>\$ 28.4</u>
Net sales	<u>\$ 81.6</u>	<u>\$ 69.4</u>	<u>\$ 152.5</u>	<u>\$ 136.1</u>
Adjusted EBITDA margin	<u>23.7 %</u>	<u>21.9 %</u>	<u>22.4 %</u>	<u>20.9 %</u>