



**FEDERAL SIGNAL**  
*Moves. Cleans. Protects.*

**Investor Presentation: September 2024**

# 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 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 (“SEC”). 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. All financial figures in the presentation refer to FY2023 annual results unless otherwise noted.



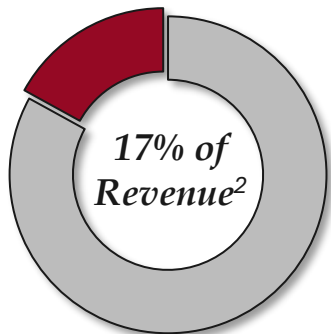


# Federal Signal at a Glance

## Environmental Solutions Group (“ESG”)



## Safety and Security Systems Group (“SSG”)



1901  
Founded

Downers Grove, IL  
Headquarters

~4,500  
Global Employees

23  
Manufacturing  
Locations

11  
Acquisitions Since  
2016

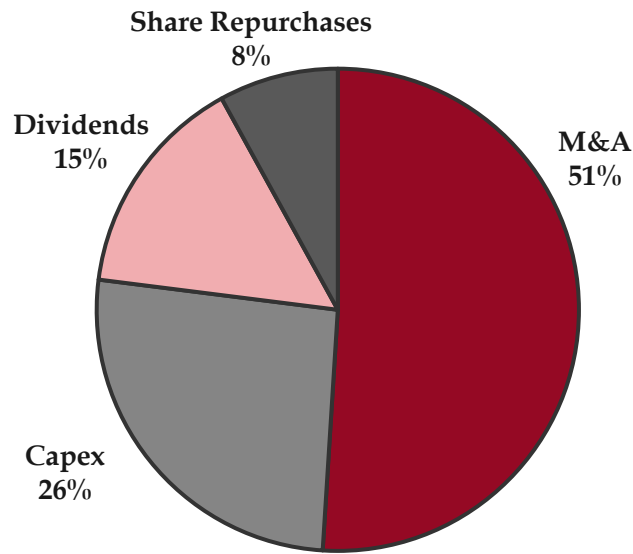
104%  
5-Year Cash  
Conversion<sup>1</sup> Avg.

1) Average cash conversion for each of the five years from 2019 to 2023, with cash conversion computed as net cash provided by operating activities divided by net income. Non-GAAP Measure. See appendix for additional information, including reconciliation to GAAP measure.  
2) Revenue as a percent of FY23 financial results

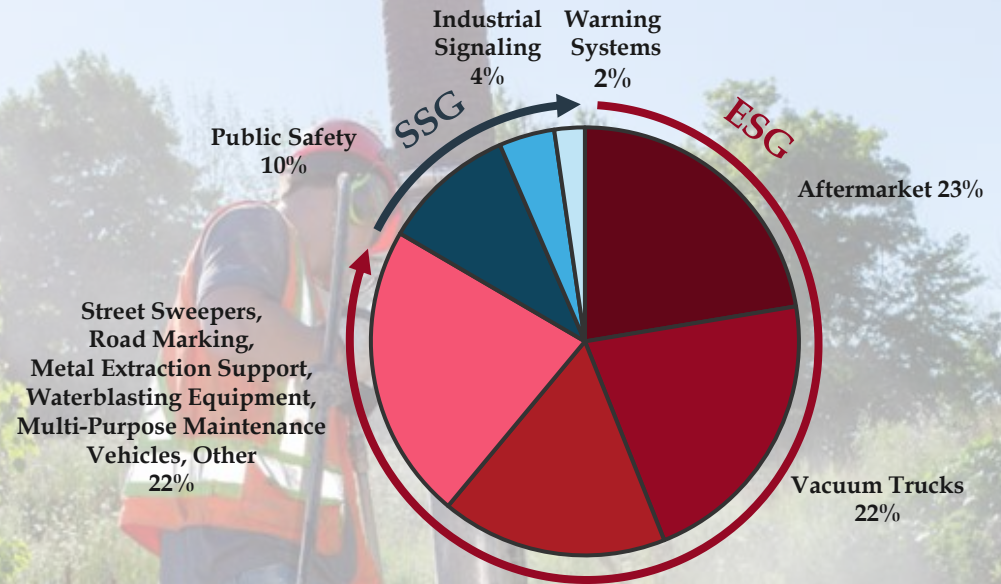
# Leading Safety Equipment & Specialty Vehicle OEM

- Healthy product portfolio mix
- Resilient end market exposure
- Disciplined M&A strategy
- Targeting 100% annual cash conversion<sup>1</sup>
- LTM Net Debt Leverage: 0.6x<sup>2</sup>

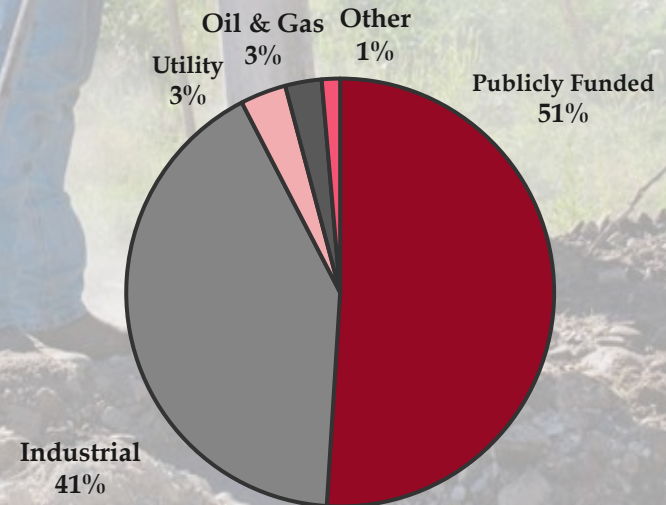
Cash Deployment (2021-2023)



Revenue by Category (2023)<sup>3</sup>








































Revenue by End Market (2023)<sup>3</sup>



1) Operating Cash Flow to Net Income (%)  
 2) Non-GAAP Measure. See appendix for additional information, including reconciliation to GAAP measure  
 3) Source: Management estimates

# Federal Signal Product & Service Offerings

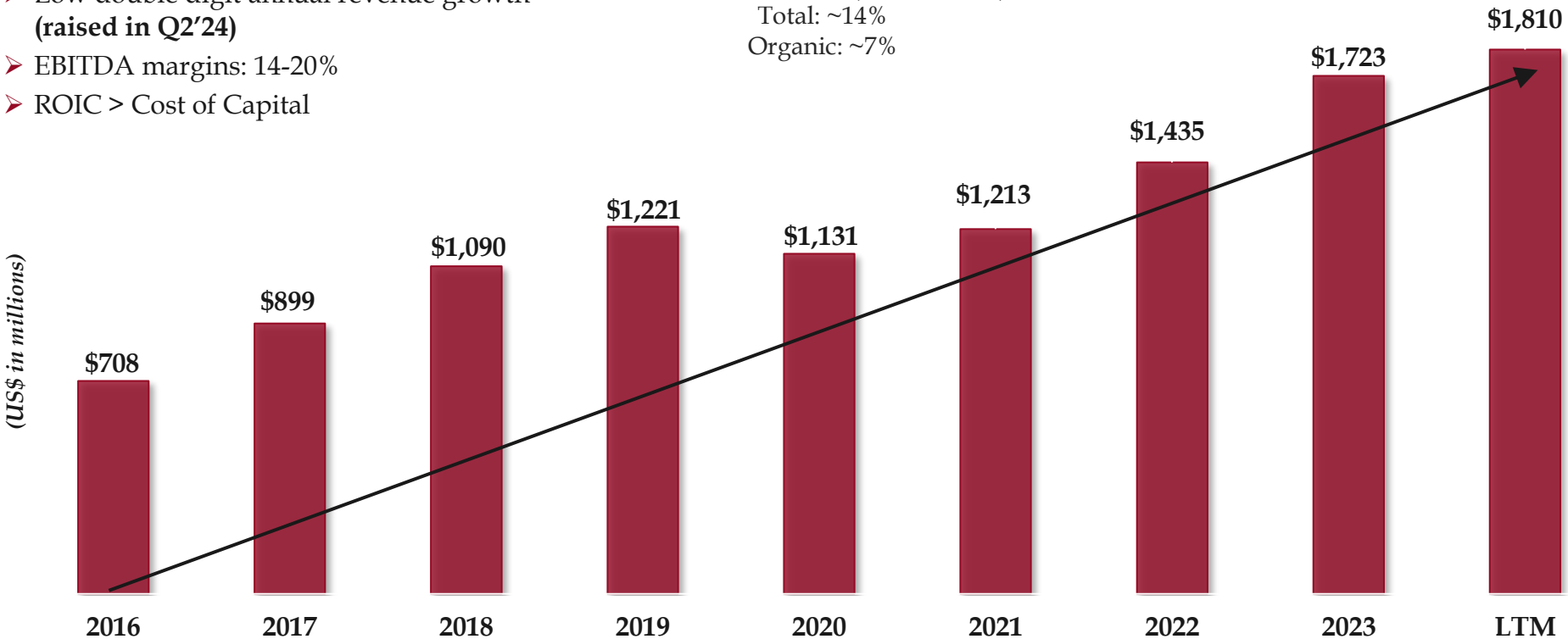
ESG (83% of 2023 Revenue)								SSG (17% of 2023 Revenue)		
Vacuum Trucks	Street Sweepers	Industrial Cleaning	Dump Truck Bodies & Trailers	Multi-Purpose Maint. Vehicles	Road Marking	Metal Extraction Support	Aftermarket	Public Safety Equipment	Signaling	Warning Systems
										
   			      		  	 	 	  	 	
<p>Key End Markets</p> <p>Gov't</p> <p>Industrial</p> <p>Oil &amp; Gas</p> <p>Utility</p>	<p>Key End Markets</p> <p>Gov't</p> <p>Industrial</p> <p>Oil &amp; Gas</p> <p>Utility</p>	<p>Key End Markets</p> <p>Gov't</p> <p>Industrial</p> <p>Oil &amp; Gas</p> <p>Utility</p>	<p>Key End Markets</p> <p>Gov't</p> <p>Industrial</p> <p>Oil &amp; Gas</p> <p>Utility</p>	<p>Key End Markets</p> <p>Gov't</p> <p>Industrial</p> <p>Oil &amp; Gas</p> <p>Utility</p>	<p>Key End Markets</p> <p>Gov't</p> <p>Industrial</p> <p>Oil &amp; Gas</p> <p>Utility</p>	<p>Key End Markets</p> <p>Gov't</p> <p>Industrial</p> <p>Oil &amp; Gas</p> <p>Utility</p>	<p>Key End Markets</p> <p>Gov't</p> <p>Industrial</p> <p>Oil &amp; Gas</p> <p>Utility</p>	<p>Key End Markets</p> <p>Gov't</p> <p>Industrial</p> <p>Oil &amp; Gas</p> <p>Utility</p>	<p>Key End Markets</p> <p>Gov't</p> <p>Industrial</p> <p>Oil &amp; Gas</p> <p>Utility</p>	<p>Key End Markets</p> <p>Gov't</p> <p>Industrial</p> <p>Oil &amp; Gas</p> <p>Utility</p>

# Delivering on our Growth Strategy

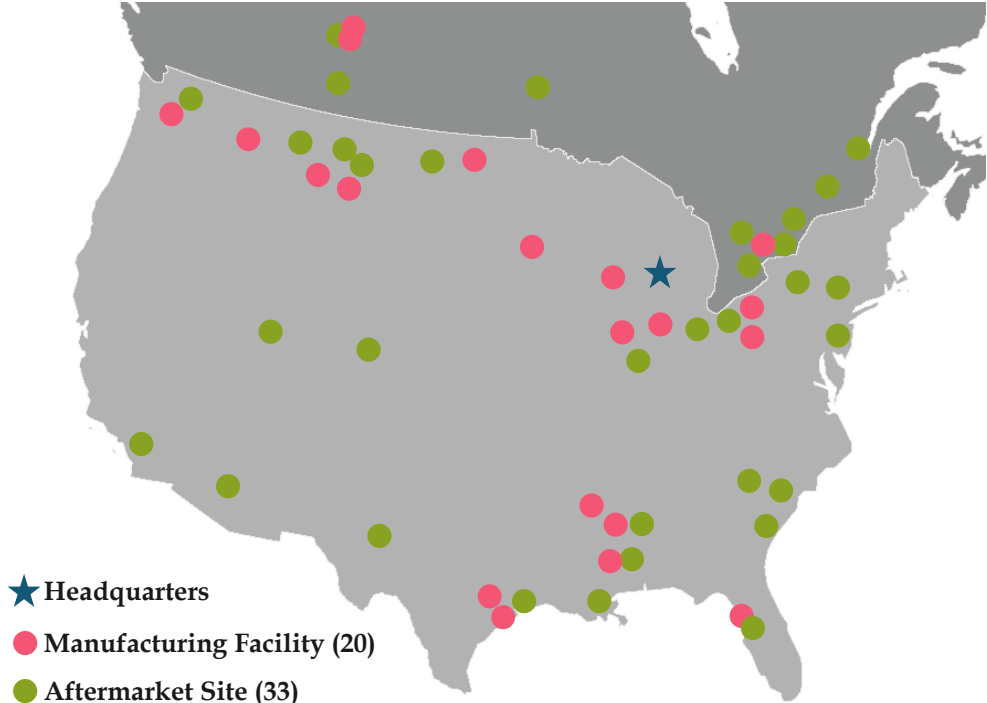
## Key Financial Targets

- Low double digit annual revenue growth (raised in Q2'24)
- EBITDA margins: 14-20%
- ROIC > Cost of Capital

Net Sales CAGR ('16A - '23A)  
 Total: ~14%  
 Organic: ~7%



# ESG<sup>1</sup>: Growing A Best-In-Class Specialty Vehicle Platform



- ★ Headquarters
- Manufacturing Facility (20)
- Aftermarket Site (33)

### Recent Highlights

- **Q4'23:** Raised ESG EBITDA margin targets to 17-22% (from 15-18%)
- **2021:** Purchased Elgin, IL manufacturing facility (Street Sweepers)
- **2020:** Expanded capacity at Lake Crystal, Rugby, and Billings manufacturing facilities (Dump Truck Bodies/Road-Marking)
- **2019:** Expanded capacity at largest manufacturing facility (Streator, IL) by ~40% (Vacuum Trucks)

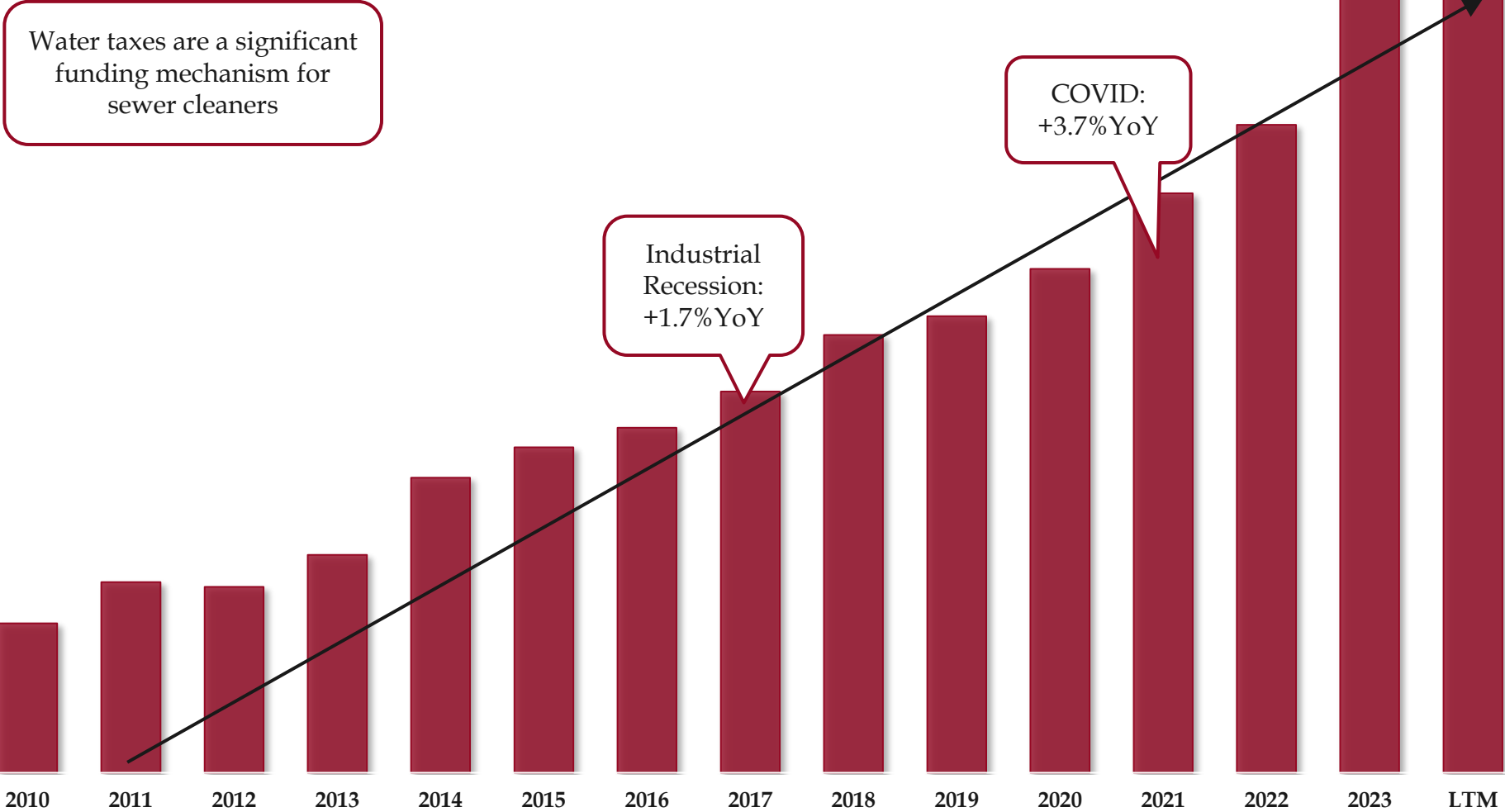
Vehicle Product	Market Share Rank <sup>2</sup>
Vacuum Trucks	#1
Street Sweepers	#1-2
Industrial Cleaning (Waterblasting Equipment)	#2
Dump Truck Bodies & Trailers	#1
Multi-Purpose Maintenance Vehicles	#1
Road-Marking and Line-Removal	#1
Metal & Mineral Extraction Support	#1



# ESG: Resilient End-Market Characteristics

## Water Taxes<sup>1</sup> Funding – United States

CAGR ('10A - '23A): ~4.0%





# SSG<sup>1</sup>: Industry Leader in Audible & Visual Safety Equipment

Product	Market Share Rank <sup>2</sup>
Public Safety Equipment	#2
Industrial Signaling Equipment	#1
Warning Systems	#1



### Key Multi-Year Trends:

- Strategically positioned in end-markets with high barriers to entry given stringent regulatory requirements for safety equipment
- The increase in natural and man-made disasters drives increasing need for safety devices globally including from government customers
- Proliferation of use cases for audible & visual safety devices offer new market penetration opportunities
- Robust new product development pipeline given increasing need for more complex safety devices
- Disciplined pricing strategy and margin opportunities

### Recent Highlights:

- **Q1'23:** Raised SSG EBITDA margin targets to 17-21% (from 15-18%)
- **2022 & 2023:** Completed several capacity investments to insource certain production and achieve cost savings
- **2022:** Purchased University Park, IL Manufacturing Facility
- **2022:** SSG began to supply ESG with critical components to boost vehicle output

1) SSG = Safety and Security Systems Group  
2) Management estimates

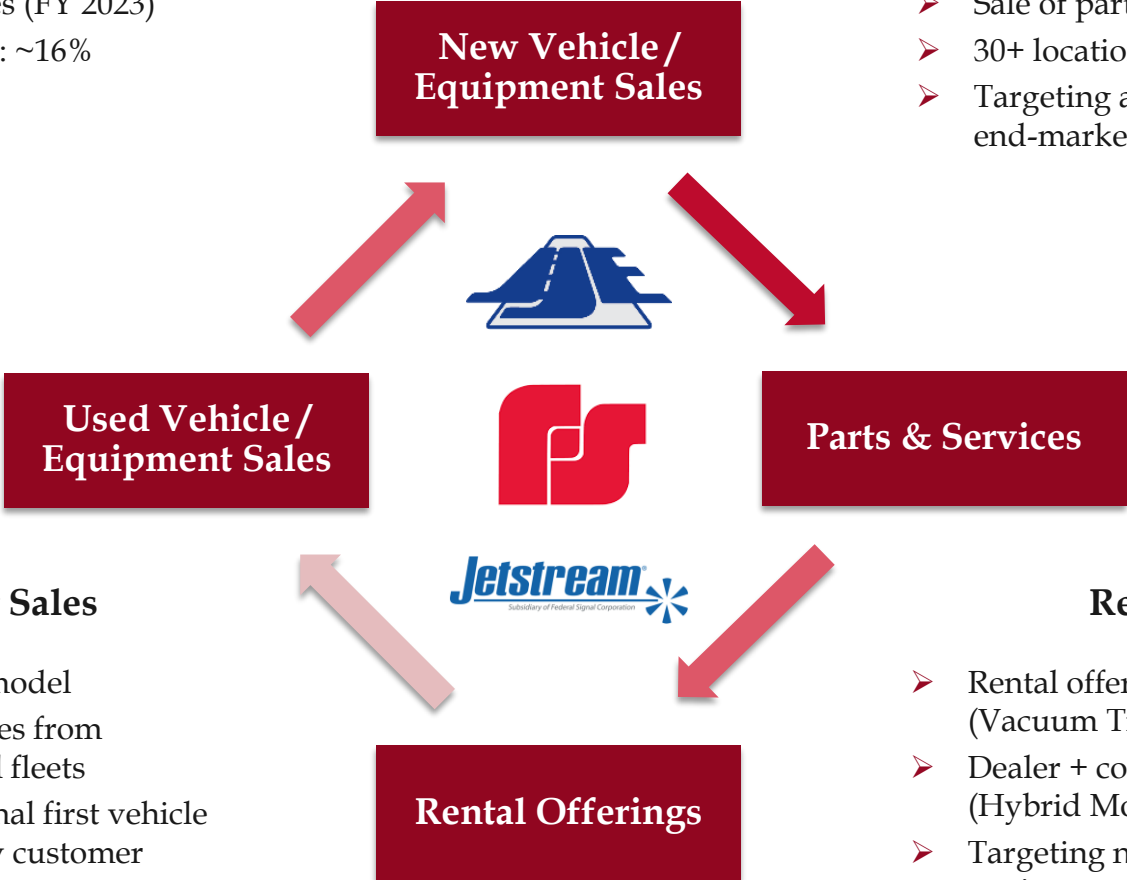
# Strategic Pillars: Aftermarket Ecosystem Optimization

## Aftermarket Snapshot

- Size: ~27% of ESG Sales (FY 2023)
- 2015-2023 Sales CAGR: ~16%

## Parts & Services

- Sale of parts/services/refurbishment
- 30+ locations across US + Canada
- Targeting all FSS customers regardless of end-market (Municipal, Commercial, etc.)



## Used Equipment Sales

- Frequent rent to own model
- Used sales opportunities from company owned rental fleets
- Targeting non-traditional first vehicle owners; opening a new customer cohort for FSS
- Dealer rental replenishment needs foster new vehicle sales
- Certified-owned program

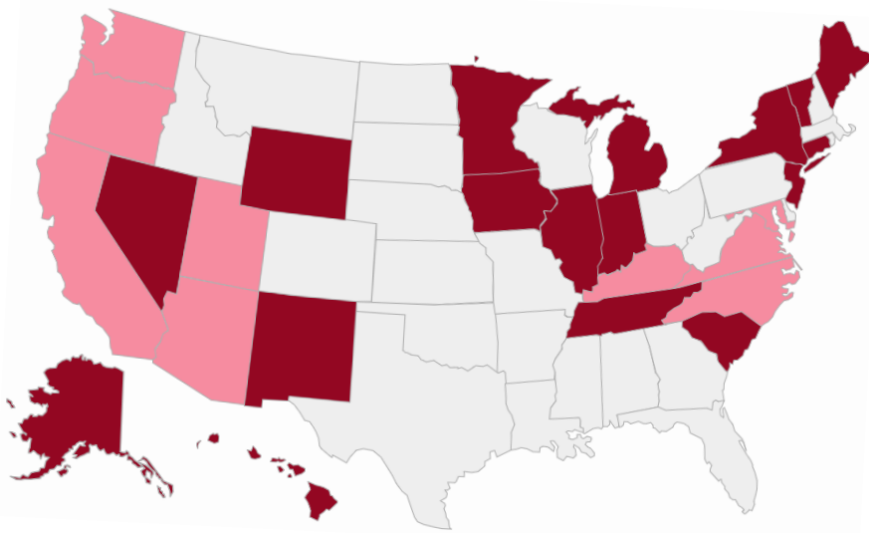
## Rental Offerings

- Rental offerings for key vehicle verticals (Vacuum Trucks, Industrial Cleaning, etc.)
- Dealer + company owned rental fleet (Hybrid Model)
- Targeting non-traditional owners of equipment, project-based needs and/or general commercial customers

# Strategic Pillars: “Safe Digging” Market Acceleration

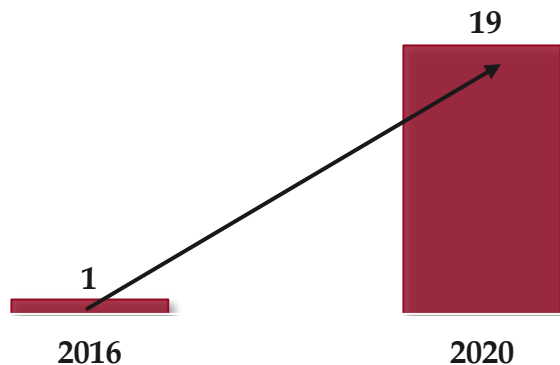
## Map of State Adoptions<sup>1</sup>

OSHA’s National Emphasis Program on Trenching and Excavation



- Adopted Safe Digging as best practice<sup>2</sup>
- Indication of intent to adopt Safe Digging as best practice

## State Adoptions Since 2016<sup>1</sup>



## Commentary

- 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, shovels, and mechanical excavators
- Application has been widely accepted and mandated in certain applications in Canada; US is behind but accelerating
- “Safe Digging” benefits vs. conventional digging methods:
  - More environmentally friendly than conventional digging
  - Safer & more productive
  - Minimizes damage to underground infrastructure/environment
- Incremental opportunity for proliferation of use cases in existing and new markets
- Insurance industry could be an important catalyst for adoption given safety benefits



# Strategic Pillars: "Safe Digging" Use Cases

## Use Cases

Airports

Environmental

**Construction**

Gas Industry

Industrial

Landscaping

Military

Nuclear

**Oil Fields**

Power Industry

Railroad

Road Construction

**Telecommunications**

Tunneling

**Utilities**

Water & Sewer Systems



TRUVAC FLXX



TRUVAC APXX

Expanding use case with growth potential from IIJA funding



TRUVAC Paradigm®

## Select Examples & Benefits

- Less disruptive/damage to worksite (truck can be parked far away vs. driving an excavator over worksite)
- Safely identify/locate existing utilities prior to using large excavators
- Safely and efficiently dig holes for fencing installation
- Less destructive to tree care environment (i.e. root systems)
  
- Safely expose buried pipeline for maintenance, repair, or expansion
- More efficient method for cleaning holding tanks and drill rigs
- Provides flexibility to address, clean-up, and contain oil contaminated soil on drill pads
  
- Excavate safely around underground utilities with water or air
- Safer excavation around maintaining utilities
- More productive than hand digging
- Provide power for hydraulic, pneumatic, or electric tools


# Strategic Pillars: Innovation & Product Development

## New Product Examples



Fully-electric street sweeper 



Switch-N-Go® system on electric chassis 



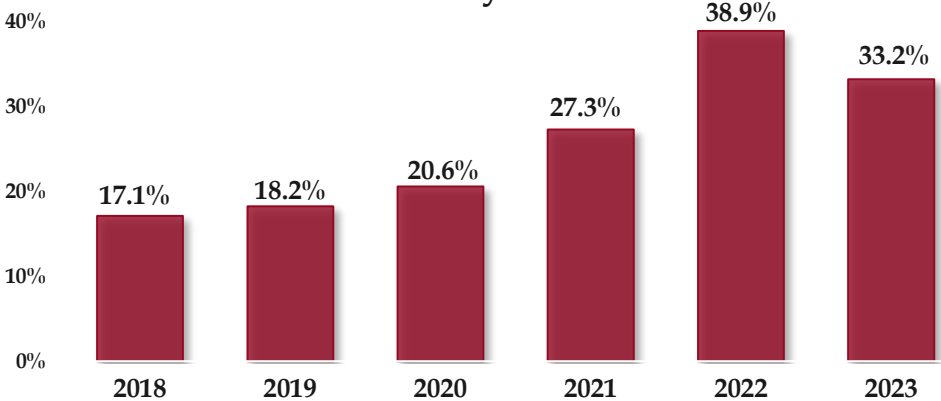
Trackless MTe 



Elgin RegenX

 Denotes electrification project

## U.S. Public Safety Equipment New Product Vitality Index<sup>1</sup>



## Select Product Development Highlights:

- ~20% of R&D budget is spent on electrification projects
- Launched a sweeper without a CDL requirement to operate
- Seeing increased orders for fully electric/hybrid sweepers
- Launched new Switch-N-Go interchangeable body system on Class 3 chassis in Q2 2024
- SSG Warning Systems: Scaling of CommanderOne installed base; leverages recurring revenue model
- SSG Public Safety Equipment: Launch of new range of law enforcement products, including light bar, and programmable siren and light controller to penetrate the Latin American market (\$10mm+ revenue recognized in 2023)



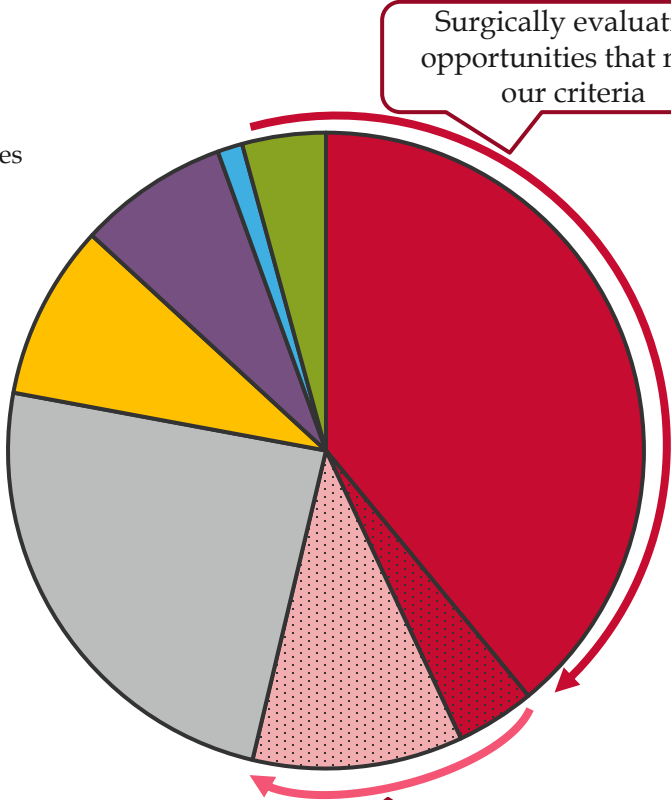
<sup>1</sup>) Represents percentage of revenue generated from products introduced within the last 3 years for the applicable businesses

# Strategic Pillars: Executing on our M&A Pipeline

## Specialty Vehicle Market – North America

Includes All Systems Built on Class 3-8 Commercial Chassis (~395K Units)

- Other Specialty vehicles
- Dump Truck
- Dry & Reefer Bodies
- Walk-In Vans
- School Bus
- Transit Bus
- Refuse & Fire



Current FSS product portfolio directly addresses ~15% of the overall specialty vehicle market, resulting in a \$4-5bn annual TAM. FSS market share ranges from 20-50% in those categories.

## M&A Target Criteria

- Return on capital greater than cost of capital, risk adjusted
- Niche market leader (product, geography, end-market)
- Sustainable competitive advantage
- Deep domain expertise (technology, application, manufacturing)
- Strong management team
- Leverages existing distribution & manufacturing capabilities
- Growth potential
- Opportunity for through cycle margins in line or higher than FSS targets
- Identifiable synergies

## Latest Transaction (April 2023)



Manufacturer of multi-purpose, maintenance vehicles based in Ontario, Canada

### Rationale:

- Leverage distribution & increase Trackless geographic reach
- Highly complementary to existing publicly-funded FSS product portfolio (sewer cleaners, street sweepers)
- Further expands FSS exposure to valued industry sub-segments such as snow & ice, tree care & vegetation
- Operates within EBITDA margin range



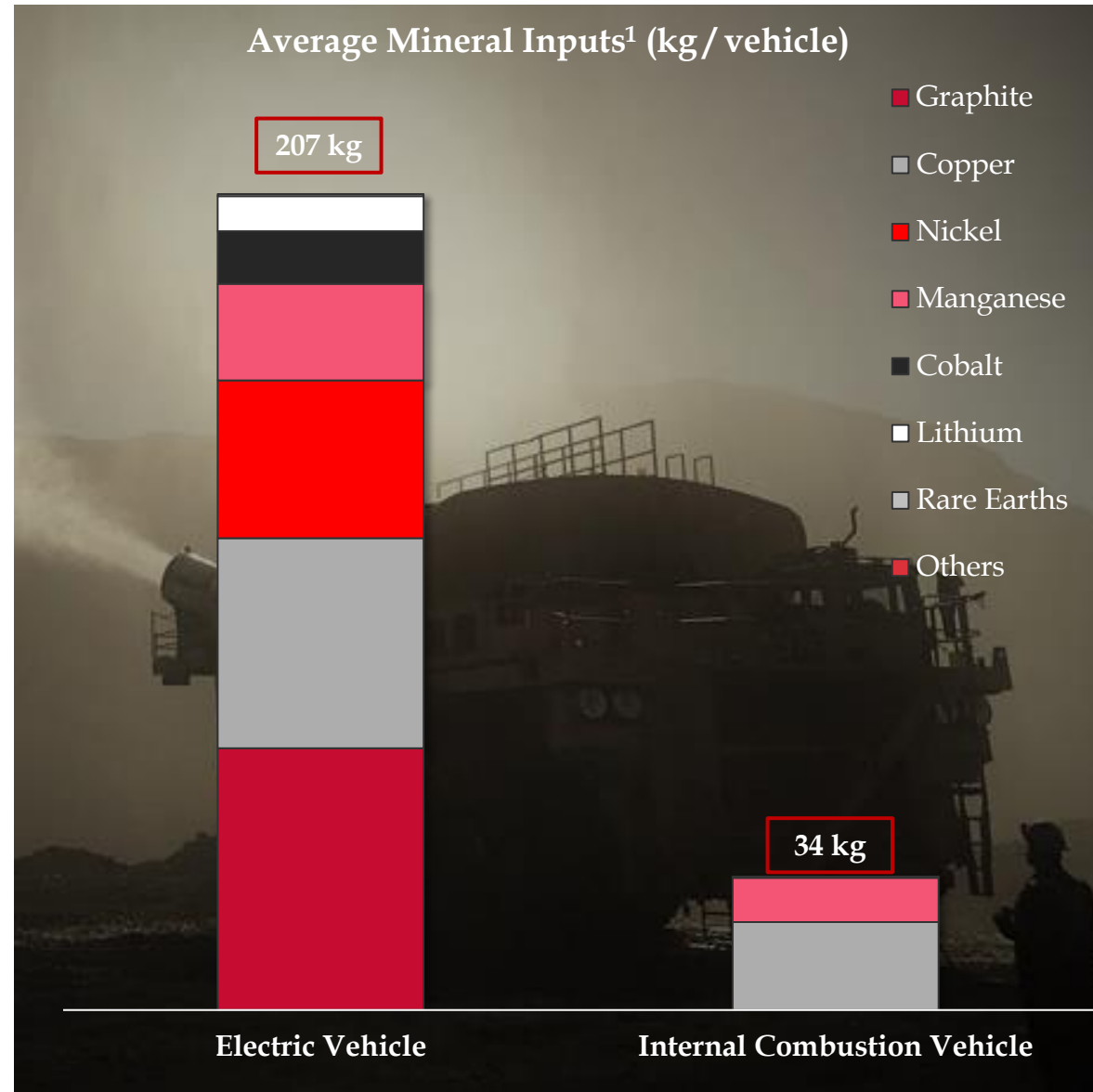
# M&A Case Study: Ground Force & TowHaul

## M&A Checklist

- ✓ Niche-market leader in specialty vehicles
- ✓ Growth platform for M&A and organic growth in metal extraction & support equipment space
- ✓ Long-term growth potential given significant exposure to metals (gold, copper, silver, nickel and lithium) that should benefit from EV
- ✓ Well-run businesses led by an experienced and professional management team
- ✓ Strong financial profile with margins in line with current targets

## Progress

- Realized ~\$3mm of synergies in 2023 on revenue of ~\$75mm
  - Revenue synergies consist of leveraging dealer networks to sell additional products, attachments & parts
  - Cost synergies consist of steel cost reductions and procurement of other parts and services
- Electronic controls and hydraulics cost-cutting measures to drive further synergies being evaluated currently



# Update on Current Environment

## Demand Remains Strong

### **Tight Commercial Driver's License Labor Pool**

- The qualified CDL driver market for many specialty vehicle applications remains tight, exacerbated by the legalization of marijuana across North America. This is leading to rising customer needs for ease in equipment functionality, design and training

### **American Rescue Plan Act**

- \$350bn of government spending designated for cities, states, tribal governments and U.S. territories
  - First \$175bn distributed in 2021; second \$175bn in 2022. Funds to be obligated by end of 2024 and expended by end of 2026

### **Infrastructure Investment and Jobs Act**

- \$550bn of spending over five years to improve the nation's transportation, water, electric power and infrastructure

### **Rising Complexity of Vehicles**

- Investments in autonomous infrastructure and increasing "smart" features in vehicles are driving increased need for our road-marking and line removal offerings
- Higher mineral content in electric vehicles is driving demand for Federal Signal's metal extraction support equipment

## Supply Chain Fluidity Remains a Constraint but Improving

- Episodic supply chain issues remain for several ESG businesses; but we expect gradual production improvements through the year
- Chassis supply for key offerings has eased with heavy duty readily available and medium-duty availability improving
- Lead times for certain product lines remain stretched beyond normal levels



# Infrastructure Bill Impacts in Early Innings of Multiyear Opportunities

## Select IIJA<sup>1</sup> Awards FY 2022

WA-1 Segment: Ogden Junction

Rockport Bridge Rehabilitation Freight Rail Project

**Otay Mesa East Port of Entry Project**

North Baton Rouge Mobility Projects

Presque Isle Corridor Project

Downeast Coastal US 1 Rehabilitation Project

I-90 Austin Bridges Improvement Project

US 212 Freight Mobility & Safety Project

**I-70 Floyd Hill to Veterans Memorial Tunnels Improvements**

I-4 West Central Florida Truck Parking Facility

US-395 & Virginia Street North Valleys

I-85 FUTURES

Hunts Point Terminal Produce Market Intermodal Facility

Border Highway Connector Project

**I-375 Community Reconnection Project**

Western Hills Viaduct Replacement



## Potential Market Opportunities:

**Description:** Constructs a new toll road and Port of Entry facility at Otay Mesa

**Duration:** 2023 - 2026 (3 years)

**Potential Equipment:** Road Marking, Street Sweeping, Industrial Cleaning and Materials Hauling

**Description:** Adds a travel lane, constructs a frontage road connection, and adds a new ramp

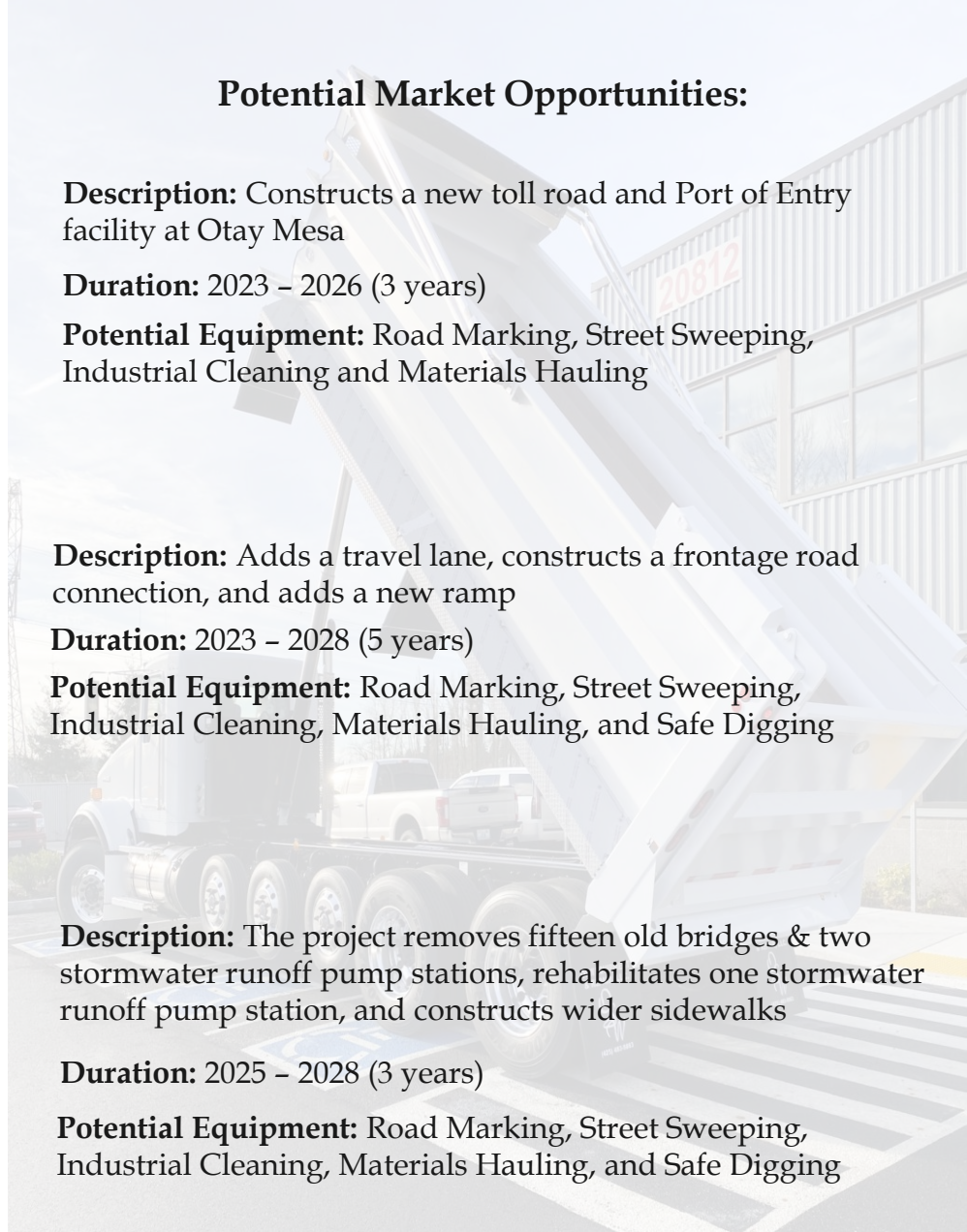
**Duration:** 2023 - 2028 (5 years)

**Potential Equipment:** Road Marking, Street Sweeping, Industrial Cleaning, Materials Hauling, and Safe Digging

**Description:** The project removes fifteen old bridges & two stormwater runoff pump stations, rehabilitates one stormwater runoff pump station, and constructs wider sidewalks

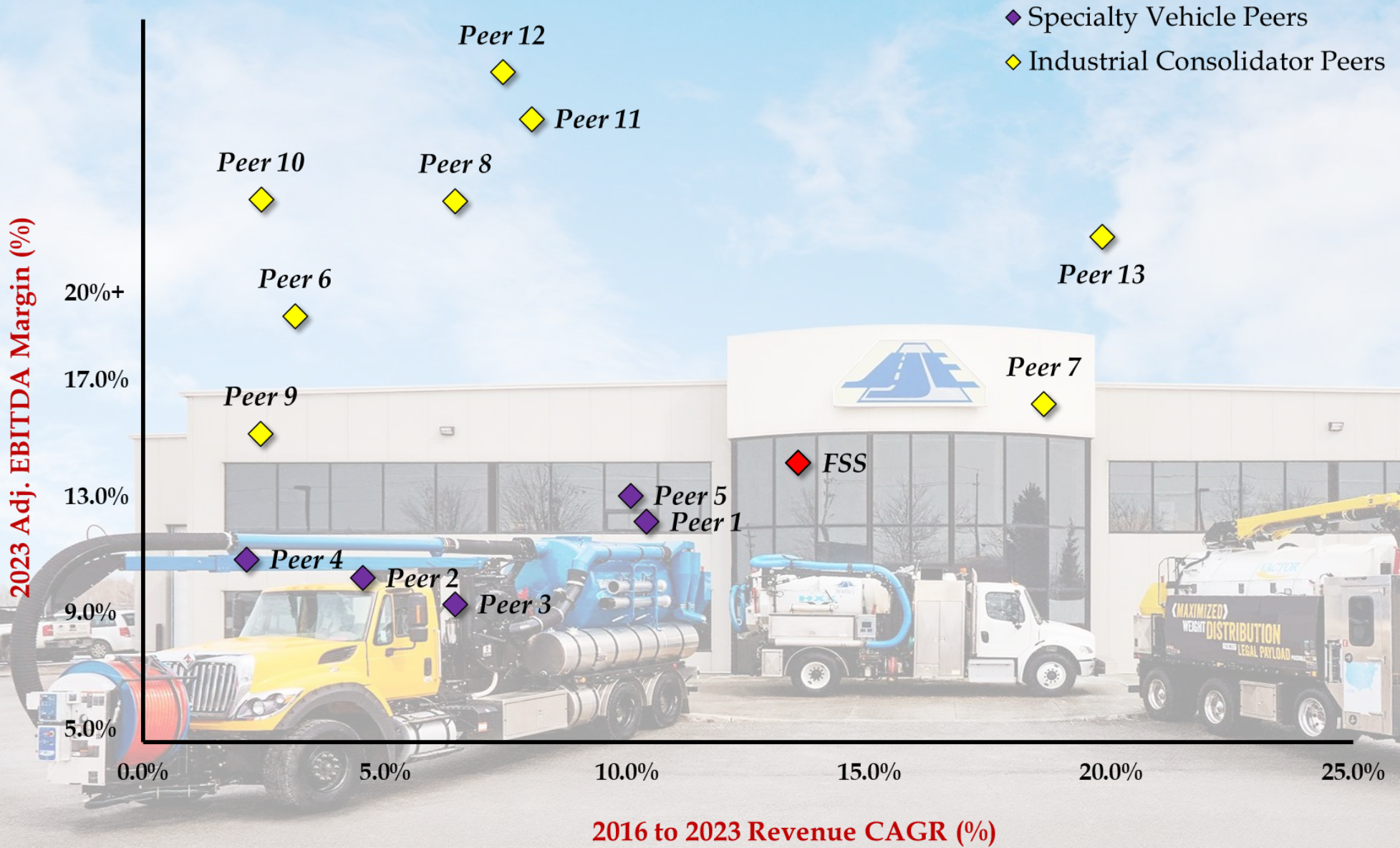
**Duration:** 2025 - 2028 (3 years)

**Potential Equipment:** Road Marking, Street Sweeping, Industrial Cleaning, Materials Hauling, and Safe Digging





# Targeting Best in Class Growth & Continued Margin Expansion



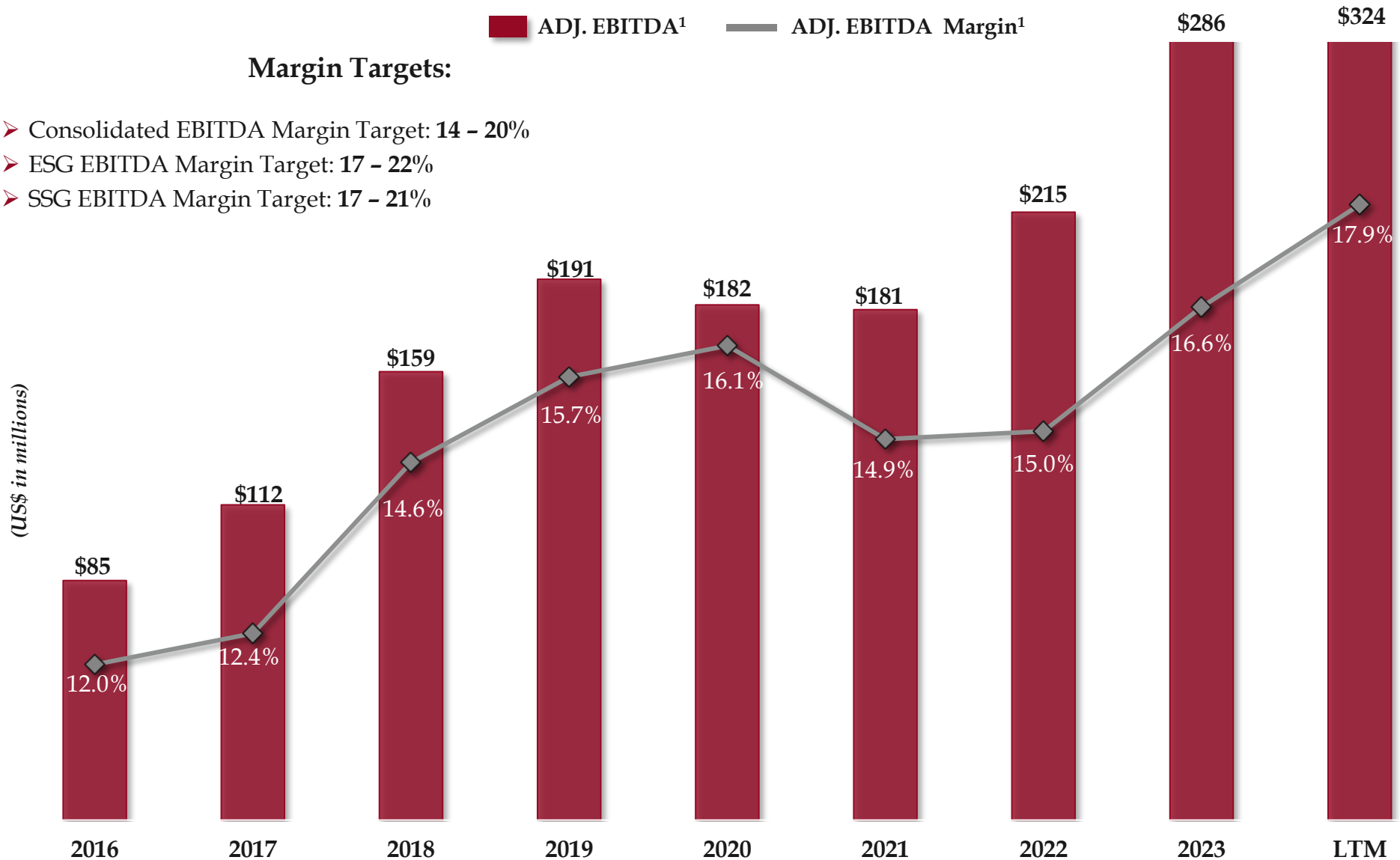
**2016 to 2023 Revenue CAGR (%)**

# Industry-Leading Margin Performance Through the Business Cycle

■ ADJ. EBITDA<sup>1</sup>    — ADJ. EBITDA Margin<sup>1</sup>

## Margin Targets:

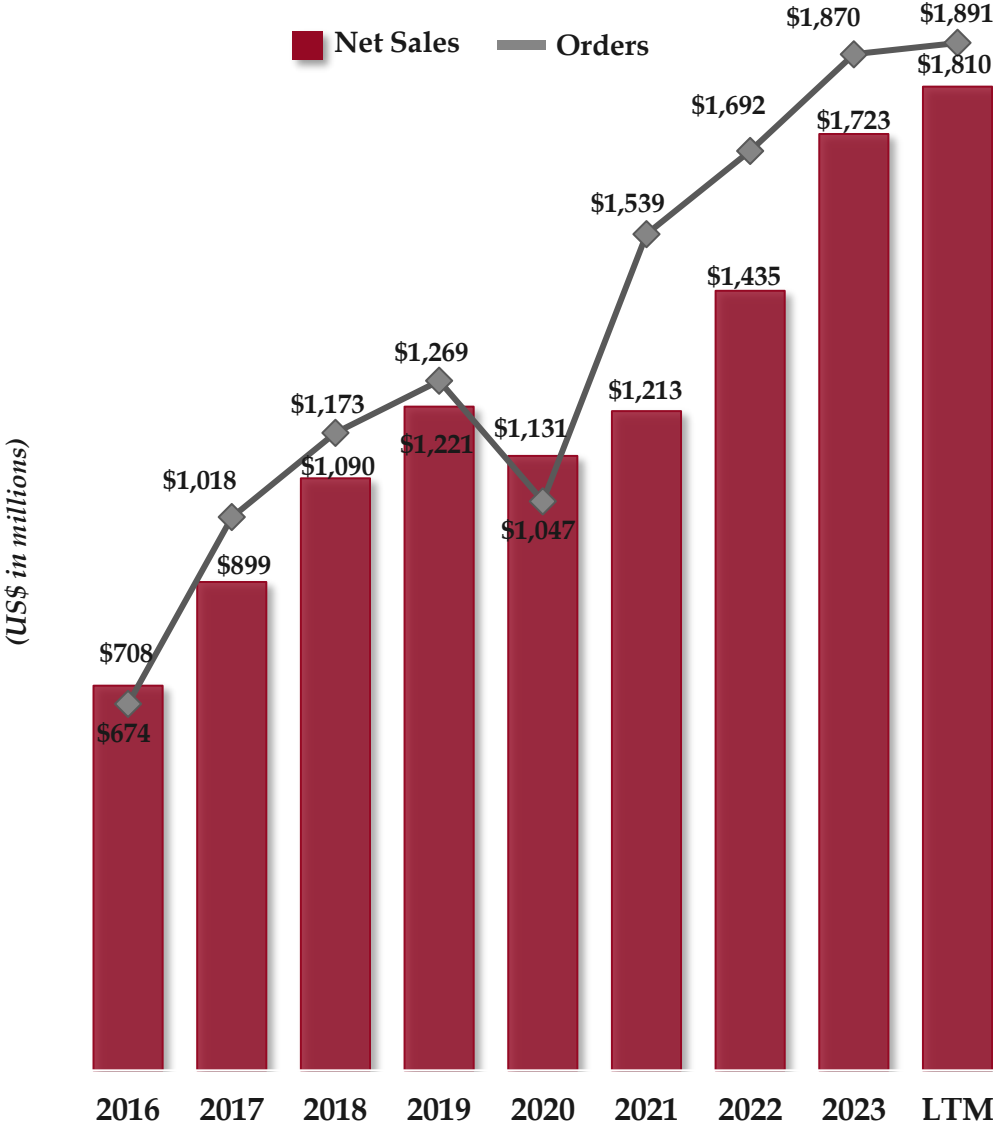
- Consolidated EBITDA Margin Target: 14 - 20%
- ESG EBITDA Margin Target: 17 - 22%
- SSG EBITDA Margin Target: 17 - 21%



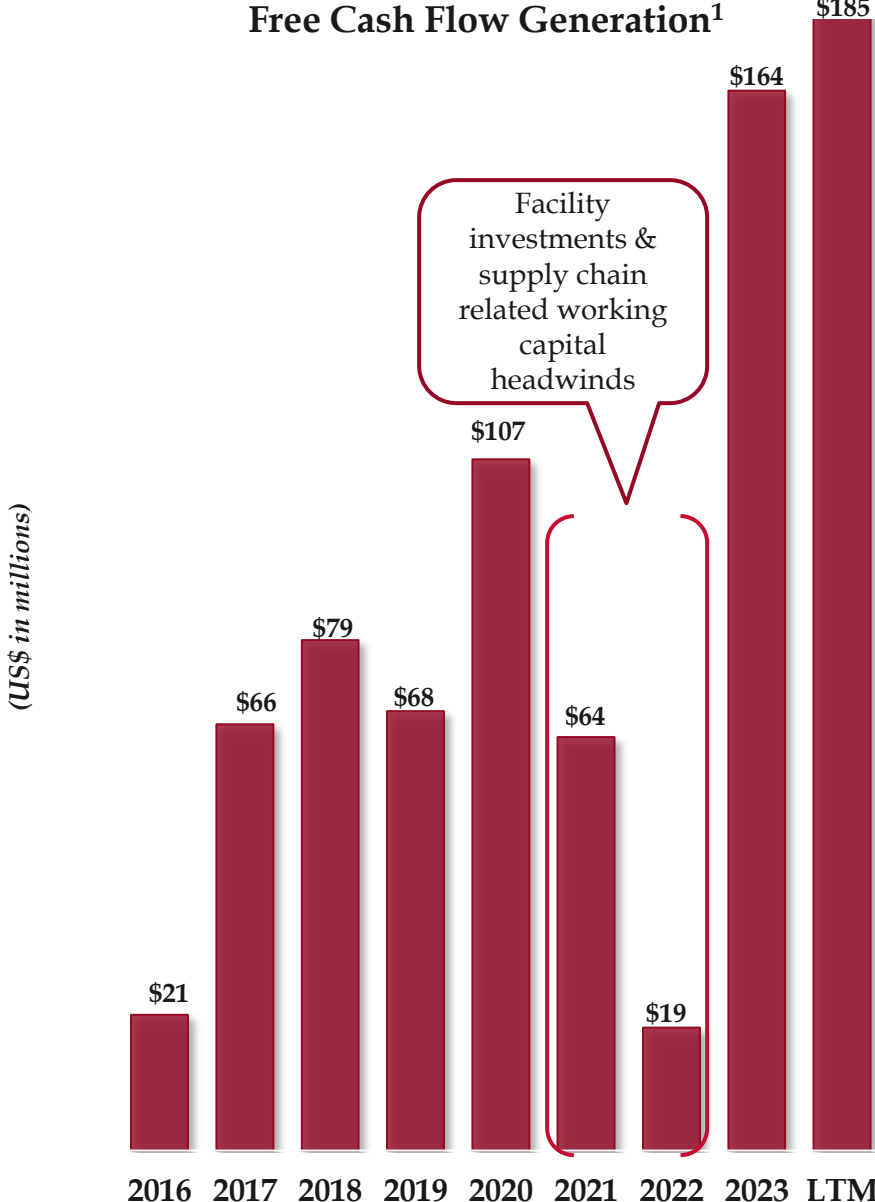
# Financial Performance

## Net Sales & Orders

■ Net Sales — Orders



## Free Cash Flow Generation<sup>1</sup>



Source: Company Filings  
 1) Non-GAAP measure, calculated as: Net cash provided by operating activities – Purchases of Properties and Equipment (Capital Expenditures). See Appendix for additional information, including reconciliation to GAAP measure.



# Raising 2024 Outlook

- **Raising Full-Year Adjusted EPS<sup>1</sup> Outlook to a new range of \$3.20 to \$3.35**
  - Increased from the prior range of \$2.95 to \$3.15
  - New range would represent YoY growth of 24% - 30%, and the highest EPS level in our history
- **Full-year net sales of \$1.85bn to \$1.90bn**
  - Would represent YoY growth of 7% - 10%
- **Double-digit improvement in pre-tax earnings**
- **Capital expenditures of \$35mm to \$40mm**

## Assumptions

- No significant deterioration in current supply chain conditions; assumes continued improvement in 2024, with steady flow of customer-provided chassis
- No significant increase in current input costs
- Interest expense of ~\$13mm - \$14mm, without additional M&A
- Q3-Q4 effective tax rate of 25%-26%, **excluding** discrete items
- ~62mm weighted average shares outstanding
- Depreciation & amortization expense of ~\$64mm - \$66mm



1. 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).



# Appendix

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- I. Our Portfolio of Brands & Products
- II. Extensive Geographic Footprint Across North America
- III. Federal Signal Operating System
- IV. Sustainability Initiatives
- V. Non-GAAP Measures
- VI. Executive Compensation
- VII. Investor Information

# Appendix I: Our Portfolio of Brands & Products

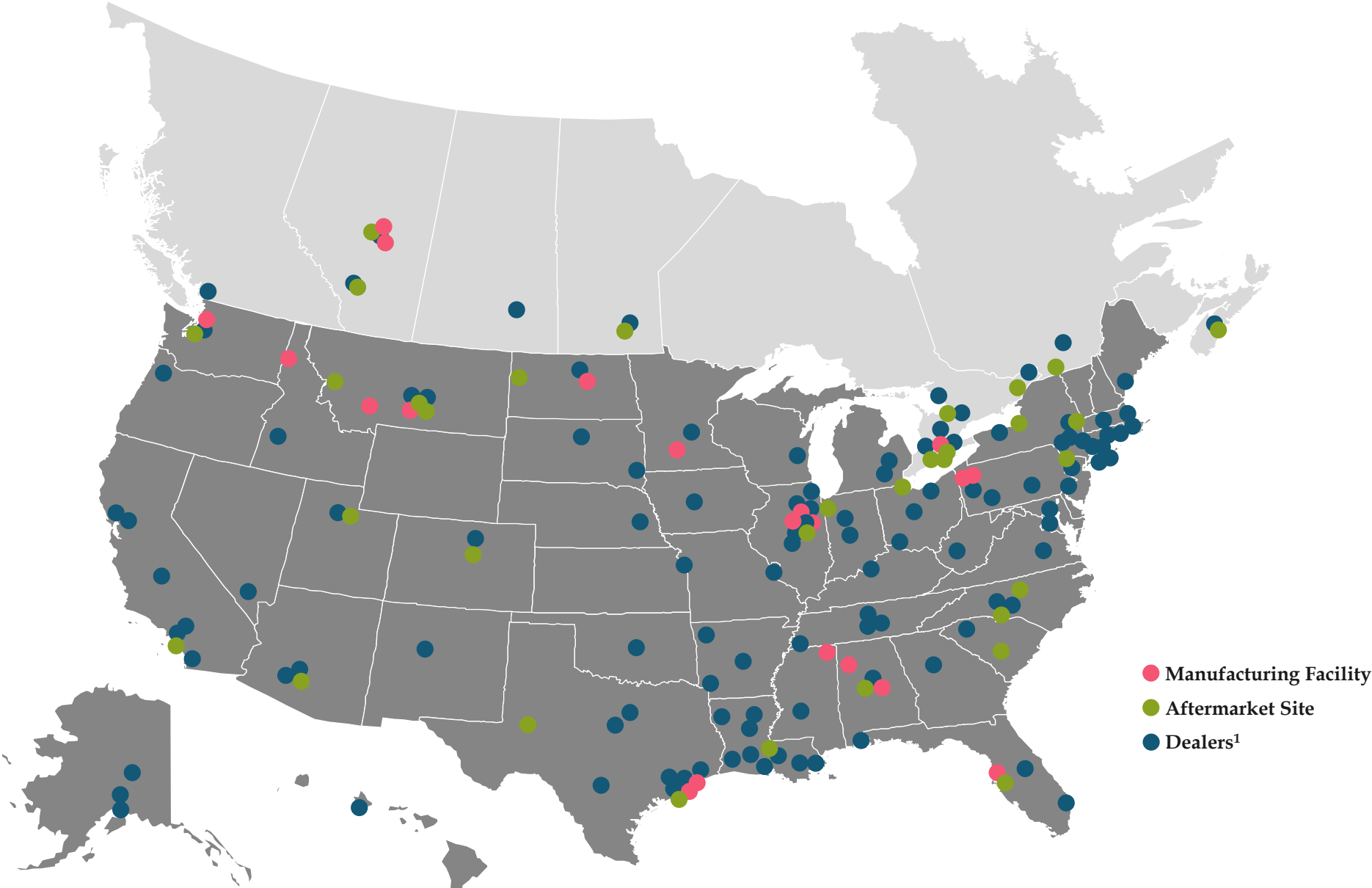
## ESG



## SSG



# Appendix II: Extensive Geographic Footprint Across North America



1) Defined as dealer-managed locations from dealers that sell Elgin, Truvac, and Vactor products

# Appendix III: Federal Signal Operating System

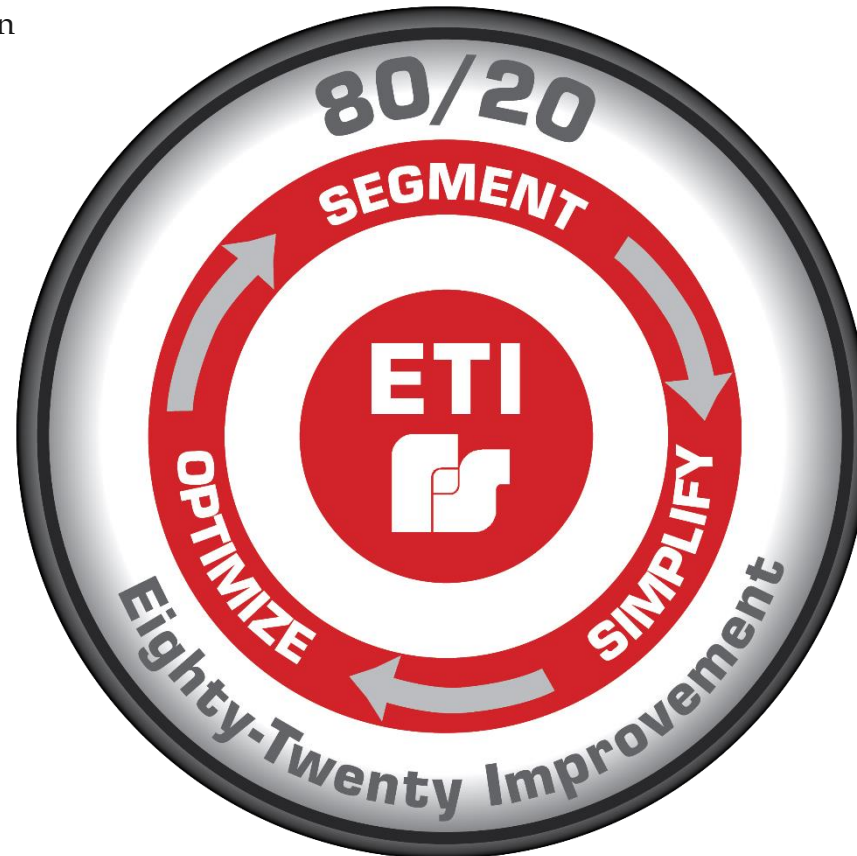
## Material Cost Reduction

- Waste reduction
- SKU rationalization
- Savings through volume aggregation
- Sourcing optimization



## Pricing Strategy

- Parts pricing strategy
- Effective “options” pricing



## Manufacturing Efficiency

- Lean manufacturing focus
- Throughput flexibility
- Labor pool management
- Flexible manufacturing model
- Recent investments in machinery expected to result in productivity improvements



## Working Capital Optimization

- Derived benefits from manufacturing efficiencies and SKU rationalization
- Improved cycle times



# Appendix IV: Environmental, Social and Governance Initiatives

➤ **Products**

- Continue to search for ways to integrate electrification into our suite of products, with a focus on improved air quality and a reduced carbon footprint
- Booked several orders for fully electric and hybrid street sweepers
- Several fully electric dump truck bodies on display at NTEA Truck Show in 2024

➤ **Resource Consumption**

- Ongoing energy consumption assessments and adopting energy efficient measures to reduce CO2 emissions and energy intensity
- During 2022, our electricity and water consumption intensity were both more than 10% lower than our 2018 baseline, achieving our stated goal early
- Recently announced new goals to reduce energy, fuels and water consumption, and CO2 emissions by 10% by 2030, using 2022 as the baseline
- Launched environmental education and awareness programs to implement best practices
- Enhanced measuring and reporting practices and energy consumption audits

➤ **Diversity, Equity, & Inclusion (DEI)**

- Ongoing DEI training at executive and employee level
- Workforce data analysis and various programs promoting diverse cultures and viewpoints found at Federal Signal
- 40% of current executive officers are gender diverse

➤ **Community Engagement**

- Active participation with local charities, promoting and participating in educational and wellness programs
- Volunteering in local communities
- Federal Signal and our employees are committed to giving back and improving our surrounding areas at a national and local level

➤ **Board Composition**

- 38% of directors are gender diverse
- 50% of directors are considered diverse
- Lead independent director is gender diverse

➤ **Sustainability Report**

- Published 2024 Sustainability Report in Q2 2024
- Completed annual Materiality Assessment
- Held Environmental Compliance Oversight Committee review



# Appendix V: Non-GAAP Measures (Adjusted EBITDA)

## Adjusted EBITDA and Adjusted EBITDA Margin

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

Adjusted EBITDA is a non-GAAP measure that represents the total of net income, interest expense, pension settlement charges, hearing loss settlement charges, acquisition and integration-related expenses (benefits), coronavirus-related expenses, restructuring activity, executive severance costs, debt settlement charges, purchase accounting effects, other income/expense, income tax expense, depreciation and amortization expense, and the impact of adoption of a new lease accounting standard, where applicable. 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, acquisition and integration-related expenses (benefits), coronavirus-related expenses, restructuring activity, executive severance costs, debt settlement charges, purchase accounting effects, other income/expense, income tax expense, depreciation and amortization expense, and the impact of adoption of a new lease accounting standard, where applicable, divided by net sales for the applicable period(s).

(\$ in millions)	2016	2017	2018	2019	2020	2021	2022	2023	LTM
	Q2 2021	Q2 2021	Q2 2021	Q2 2021	Q2 2021	Q2 2021	Q2 2021	Q2 2021	Q2 2021
Net income	39.4	\$ 60.5	\$ 93.7	\$ 108.4	\$ 96.1	\$ 100.6	\$ 120.4	\$ 157.4	\$ 202.1
Add (less):									
Interest expense	1.9	7.3	9.3	7.9	5.7	4.5	10.3	19.7	15.8
Pension settlement charges	-	6.1	-	-	-	10.3	-	-	-
Hearing loss settlement charges	-	1.5	0.4	-	-	-	-	-	-
Acquisition and integration-related expenses (benefits)	1.4	2.7	1.5	2.5	2.1	(2.1)	(0.5)	0.4	0.8
Coronavirus-related expenses	-	-	-	-	2.3	1.2	-	-	-
Restructuring	1.7	0.6	-	-	1.3	-	-	-	-
Executive severance costs	-	0.7	-	-	-	-	-	-	-
Debt settlement charges	-	-	-	-	-	-	0.1	-	-
Purchase accounting effects (a)	3.6	4.4	0.7	0.2	0.3	0.3	-	0.7	0.7
Other expense (income), net	1.8	(0.8)	0.6	0.6	1.1	(1.7)	(0.5)	1.8	1.2
Income tax expense	17.4	0.5	17.9	30.2	28.5	17.0	30.5	45.6	41.9
Depreciation and amortization	19.1	30.0	36.4	41.5	44.8	50.4	54.7	60.4	61.8
Deferred gain recognition (b)	(1.9)	(2.0)	(1.9)	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>\$ 84.7</b>	<b>\$ 111.5</b>	<b>\$ 158.6</b>	<b>\$ 191.3</b>	<b>\$ 182.2</b>	<b>\$ 180.5</b>	<b>\$ 215.0</b>	<b>\$ 286.0</b>	<b>\$ 324.3</b>
<b>Net Sales</b>	<b>\$ 707.9</b>	<b>\$ 898.5</b>	<b>\$1,089.5</b>	<b>\$1,221.3</b>	<b>\$1,130.8</b>	<b>\$1,213.2</b>	<b>\$ 1,434.8</b>	<b>\$ 1,722.7</b>	<b>\$ 1,810.1</b>
<b>Adjusted EBITDA Margin</b>	<b>12.0%</b>	<b>12.4%</b>	<b>14.6%</b>	<b>15.7%</b>	<b>16.1%</b>	<b>14.9%</b>	<b>15.0%</b>	<b>16.6%</b>	<b>17.9%</b>

(a) Excludes purchase accounting effects reflected in depreciation and amortization of \$0.3 M, \$0.4 M, \$0.5 M, \$0.6 M, \$0.4 M and \$0.4 M for 2016, 2017, 2018, 2019, 2020 and 2021, 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 V: Non-GAAP Measures (Cash Conversion, Net Debt Leverage and Free Cash Flow)

## Cash Conversion

Cash conversion is a non-GAAP measure that is computed by dividing net cash provided by continuing operating activities by net income (represented as a percentage). The Company believes that cash conversion provides investors with a view of the Company's ability to generate convert its earnings into cash. Other companies may use different methods to calculate cash conversion.

(\$ in millions)	2019	2020	2021	2022	2023	Total
Net Cash Provided by Continuing Operating Activities (A)	\$ 103.4	\$ 136.3	\$ 101.8	\$ 71.8	\$ 194.4	\$ 607.7
Net Income (B)	\$ 108.5	\$ 96.2	\$ 100.6	\$ 120.4	\$ 157.4	\$ 583.1
<b>Average Cash Conversion (2019-2023) (A/B)</b>						<b>104%</b>

## Net Debt Leverage

Net debt leverage is a non-GAAP measure that is computed as total borrowings and finance lease obligations less cash and cash equivalents, divided by Adjusted EBITDA (as separately defined within). The Company believes that net debt leverage provides investors with a view of the Company's ability to generate earnings sufficient to service its debt. Other companies may use different methods to calculate net debt leverage.

(\$ in millions)	LTM Q2 2024
Total Borrowings and Finance Lease Obligations	\$ 255.3
Less: Cash and Cash Equivalents	(48.6)
Net Debt as of Q2 2024	\$ 206.7
Adjusted EBITDA	\$ 324.3
<b>Net Debt Leverage</b>	<b>0.6x</b>

## Free Cash Flow

Free cash flow is a non-GAAP measure that is computed as net cash provided by continuing operating activities less purchases of property and equipment. Management believes that free cash flow provides investors with a relevant measure of liquidity and is a useful basis for assessing the Company's ability to fund its activities and obligations. Other companies may use different methods to calculate free cash flow.

(\$ in millions)	2016	2017	2018	2019	2020	2021	2022	2023	LTM Q2 2024
Net Cash Provided by Continuing Operating Activities	\$ 26.7	\$ 73.5	\$ 92.8	\$ 103.4	\$ 136.3	\$ 101.8	\$ 71.8	\$ 194.4	\$ 223.3
Less: Purchases of Property and Equipment	(6.1)	(8.0)	(14.1)	(35.4)	(29.7)	(37.4)	(53.0)	(30.3)	(38.8)
<b>Free Cash Flow</b>	<b>\$ 20.6</b>	<b>\$ 65.5</b>	<b>\$ 78.7</b>	<b>\$ 68.0</b>	<b>\$ 106.6</b>	<b>\$ 64.4</b>	<b>\$ 18.8</b>	<b>\$ 164.1</b>	<b>\$ 184.5</b>

# 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 (i) creating disciplined growth; (ii) improving manufacturing efficiencies and costs; (iii) leveraging invested capital; and (iv) diversifying our customer base

## One Year

## Three Years

## Ten Years

<b>Cash Bonus (STIP)</b> ➤ Earnings (60%) ➤ EBITDA Margin (20%) ➤ Individual Objectives (20%)		<b>Short-Term</b> <u>Annual Goals</u> 1. Profitability and growth 2. Market share
<b>Performance Share Units</b> ➤ EPS (75%) ➤ Return on Invested Capital (25%) ➤ Relative TSR (modifier)		<b>Long-Term</b> <u>3-year Performance and Vesting Periods</u> 1. Profitability and growth 2. Shareholder value creation 3. Efficient use of capital 4. Facilitates stock ownership 5. Executive retention 6. TSR component introduced in 2022 to measure performance vs. peers
<b>Restricted Stock Awards</b>		<b>Long-Term</b> <u>3-year Cliff Vesting</u> 1. Executive recruitment 2. Executive retention
<b>Share Price Appreciation</b> ➤ Stock Options		<b>Longer-Term</b> <u>3-year Ratable Vesting Period and 10-year Exercise Period</u> 1. Shareholder value creation 2. Facilitates stock ownership 3. Executive retention



# Appendix VI: Investor Information

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**Stock Ticker: NYSE:FSS**

**Company website: [federalsignal.com/investors](https://federalsignal.com/investors)**

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