



# Management Presentation

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Reliable power when and where you need it.  
Clean and simple.



# Safe Harbor Statement



This presentation contains “forward-looking statements” regarding future events or financial performance of the Company, within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

These statements relate to, among other things, Capstone’s competitive advantage, increased dependence on distributed generation, achievement of Company’s three-pronged business profitability plan, including: continued cost reductions, adoption of Company’s Signature Series product and accessories offerings, and the success of Capstone Energy Finance; increasing revenues from: geographic and market diversification, Capstone Energy Finance, Aftermarket Service growth, the Sell-to-Win Program, FPP Contracts, new spare parts programs, spare parts price increases, and Signature Series upgrade kits; attainment of Company’s continuous improvement business initiatives, including: capitalizing on Capstone Energy Finance, cost reductions, increase CHP product sales, increase in FPP service revenue, increase in spare parts revenue, closing out of the C200 reliability program, continuous and ongoing product development efforts, balance sheet management and cash burn minimization efforts; and achievement of Adjusted EBITDA breakeven and profitability.

Forward-looking statements may be identified by words such as “believe,” “expect,” “objective,” “intend,” “targeted,” “plan” and similar phrases.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties described in Company's Form 10-K, Form 10-Q and other recent filings with the Securities and Exchange Commission that may cause Company's actual results to be materially different from any future results expressed or implied in such statements. Because of the risks and uncertainties, Company cautions you not to place undue reliance on these statements, which speak only as of today. The Company undertakes no obligation, and specifically disclaims any obligation, to release any revision to any forward-looking statements to reflect events or circumstances after the date of this conference call or to reflect the occurrence of unanticipated events.



# What Do These Companies Have in Common?






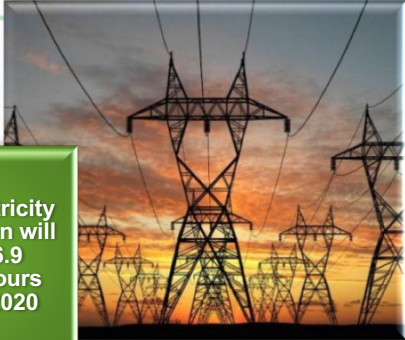
# Distributed Generation Megatrend




Driven by attractive economics and resiliency, power users are increasingly searching for ways to reduce their dependence on grid power. Capstone can solve this problem by providing a highly reliable and efficient power source to solve power demand issues for users across numerous industries.



Annual distributed generation power additions will grow to 200 GW in 2020 from 150 GW currently



Global electricity consumption will rise to 26.9 terawatt-hours (Twh) by 2020



Microgrids account for 27 GW of current distributed generation



\$205 billion will be invested in global distributed power generation annually by 2020 - 42% of total power additions



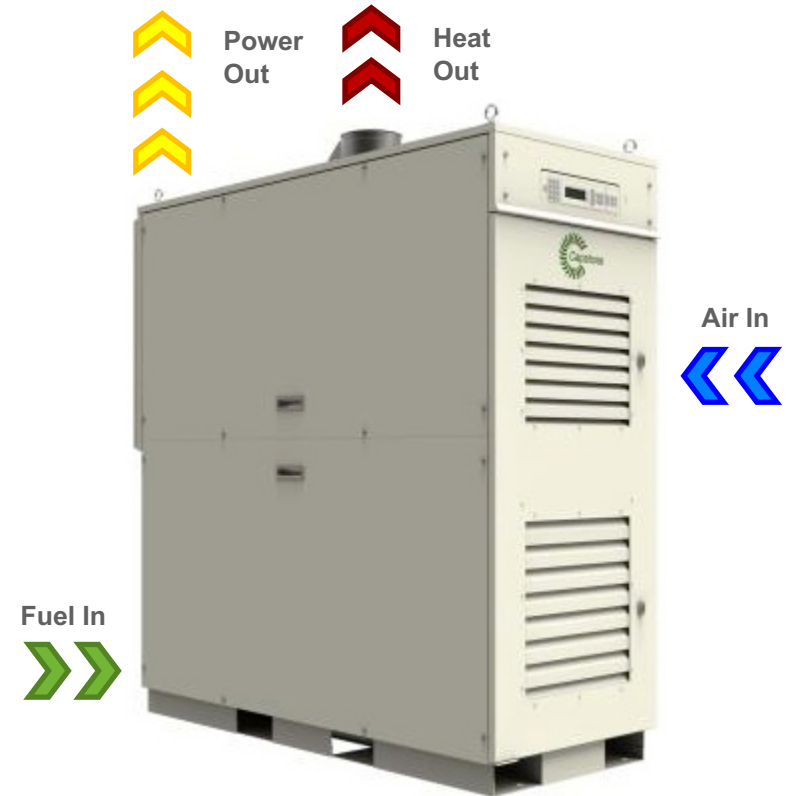
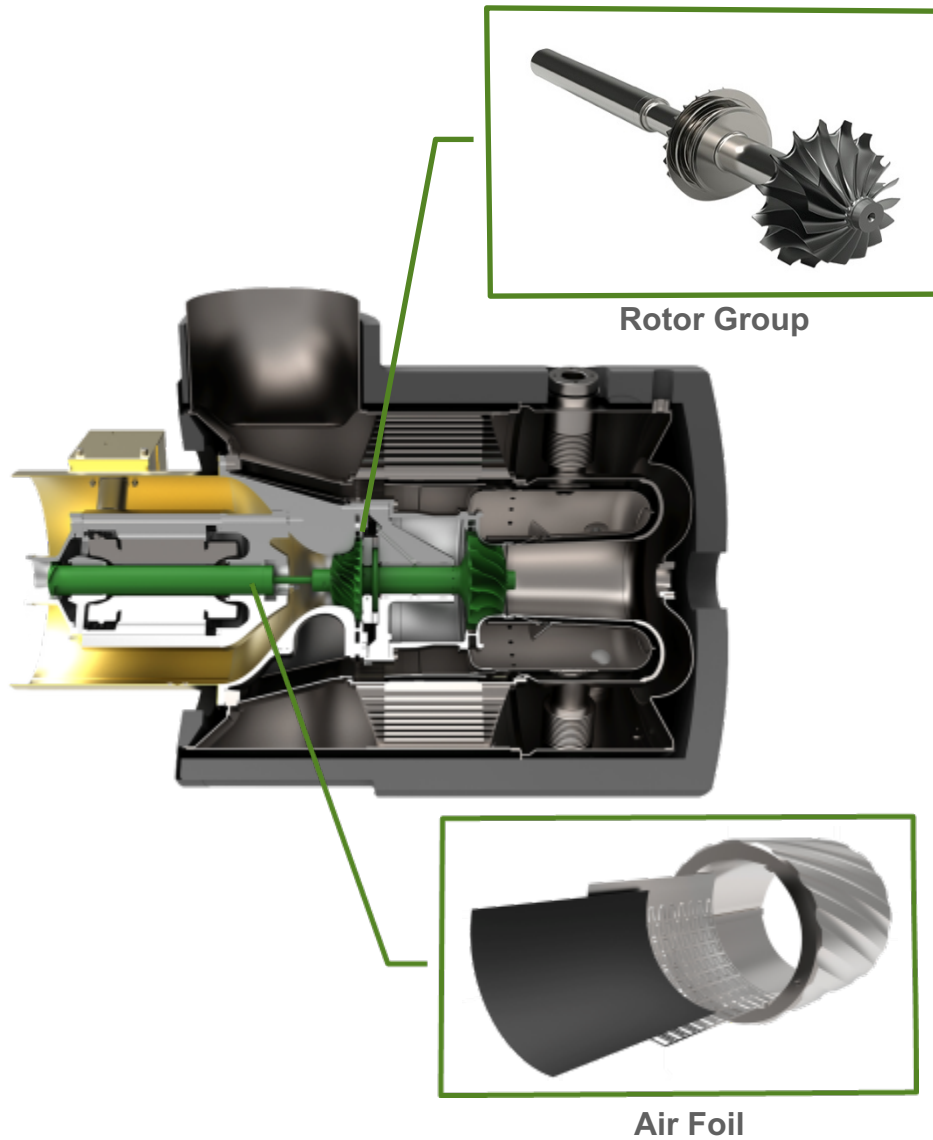
65% of global electricity consumption will be located in emerging markets (Asia, Africa & Middle East) by 2020

Source: GE - Rise of Distributed Power - 2014

## Capstone Has Competitive Advantage Over Incumbent Technology.



# What is a Microturbine?



CHP/TYPE	EFFICIENCY	
	ELECTRIC	TOTAL
Hot Water	33.0%	85.0%
Steam	33.0%	60.0-95.0%
Chilled Water	33.0%	85.0%



# Competitive Advantages



## Features

## Benefits



Inverter based with one moving part

Factory guaranteed low operating costs



Patented air bearing technology

No lubricants or coolants needed - unmanned projects



Stand alone or grid connect

Supports aging utility infrastructure



Fuel availability

Operates on gaseous, renewable and liquid fuels



High power density

Compact footprint, small modular design



Low emissions

No exhaust aftertreatment



Free clean waste heat

Thermal energy for cogeneration/trigeneration



Remote monitoring

View performance and diagnostics 24/7



Scalable to match demand

Multiple applications and industries



# Global Market Verticals



Energy Efficiency



Generate on-site power capture thermal energy from the clean exhaust in CHP and CCHP applications.

- Hotels
- Industrial Applications
- Large Residential Complexes
- Retail Buildings
- Office Buildings



Oil, Gas & Other Natural Resources



Produce on-site power for all phases of oil and gas production in both onshore and offshore applications.

- Drilling Operations
- Flare Gas Reduction
- Gas Compression
- Mining
- Water Conversion



Renewable Energy



Cleanly and efficiently generate onsite power operating on biogas and other waste products to create high-efficiency renewable power and heat.

- Farm Digesters
- Landfills
- Solid Waste Management
- Wastewater Treatment
- Food Waste



Critical Power Supply



Mission critical businesses have an uninterruptible power source with the world's only microturbine-powered UPS solution.

- Data Centers
- Telecom
- Power Rentals
- Hospitals



Transportation



Operate in conjunction with battery packs to provide onboard battery charging and vehicle range extension.

- Commercial Trucks
- Heavy-duty Vehicles
- Supercars
- Transit Buses
- Delivery Vehicles



Marine



Provide onboard power, vessel range extension and utilize thermal energy for onboard heating and cooling.

- Work Boats
- Cargo Ships
- Commercial Vessels
- Tour Boats

FY2017 Percentage of Product Shipments

59%

34%

7%

<1%

Product Demo

Product Demo



# Sample Installations



**Energy Efficiency**  
Healthcare



**Hospital**  
Massachusetts

The C1000 system provides heat and power to the Boston-based hospital 24/7/365. The system will soon approach 40,000 run-time hours.

**(1) C1000**  
1MW Electricity

Commissioned: 2011



**Energy Efficiency**  
Technology



**Software Company**  
Natick, Massachusetts

Four C65 systems power and cool the new headquarters/data center at this computer software company. System is under FPP through 2023.

**(4) C65**  
260kW Electricity  
100-Ton Absorption Chiller

Commissioned: 2014



**Critical Power**  
Microgrid



**Utility Software**  
Bloomington, Minnesota

A C600S system forms the backbone of the microgrid at their new headquarters and data center.

**(1) C600S**  
600kW Electricity  
200-Ton Absorption Chiller

Commissioned: 2017



**Critical Power**  
Data Center



**Data Center**  
Southfield, Michigan

Two C1000 power packages provide power and backup capacity to the growing data center.

**(2) C1000 | PP\***  
2MW Electricity

Projected ROI: 3 yrs

Commissioned: 2016



**Critical Power**  
Utility Power/Microgrid



**Island Power**  
Off the Coast of Maine

Four liquid-fueled microturbines are the primary power source for the remote island. The technology was funded by the U.S. Government.

**(4) C65**  
260kW Electricity

Commissioned: 2016



**Renewable Energy**  
Dairy Plant



**Food Processing**  
Franklin, Massachusetts

Ten combined heat and power (CHP) microturbines utilize digester gas from dairy processing as fuel and captures the hot water in order to heat the digester.

**(10) C65**  
650kW Electricity

Commissioned: 2014

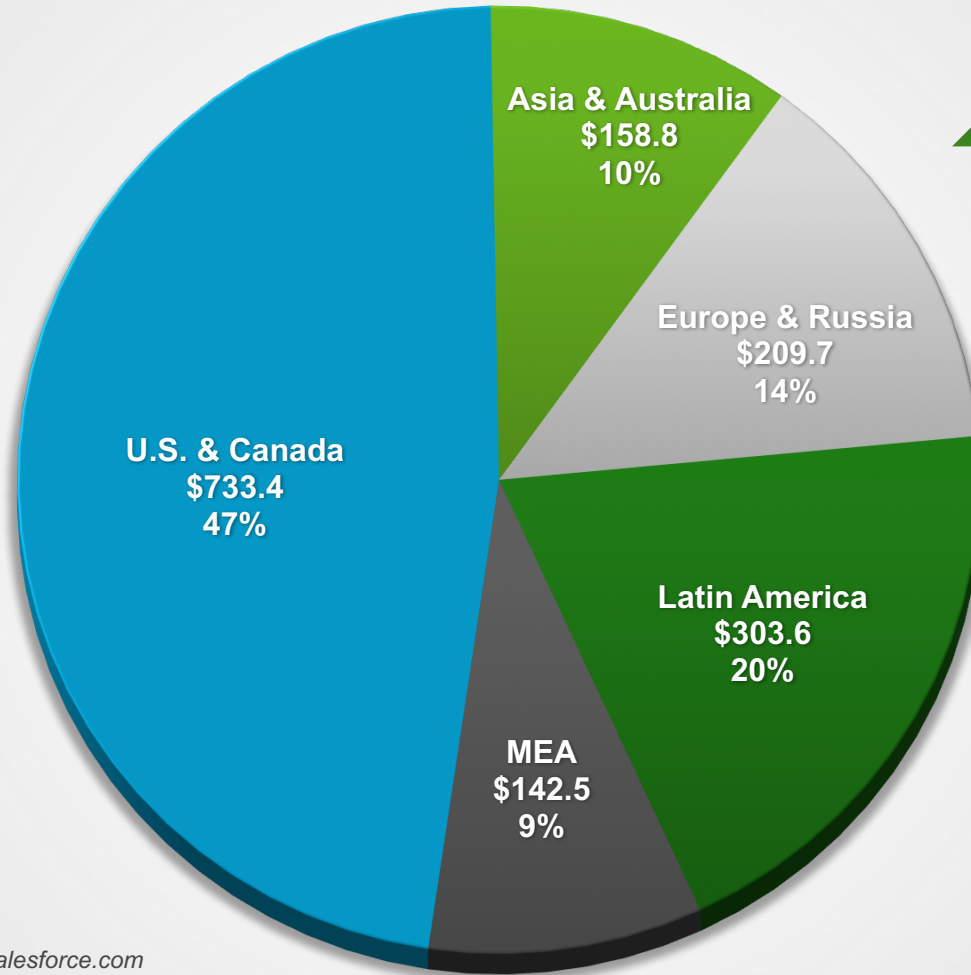
\*PP- Prime Power

Case Studies can be found on [www.capstoneturbine.com/case-studies](http://www.capstoneturbine.com/case-studies) | Projected ROI estimates are at time of sale





# Geographic Diversification Strategic Initiative



**Pipeline Up**  
**\$453M**  
From Q3FY17




Source: Capstone distributors via Salesforce.com  
Amounts in millions

Improving Geographic Diversification of \$1.5 Billion Project Pipeline



# Previous, New and Future Quarterly Business Models



(In thousands)	Old O&G Heavy Model	New CHP Balanced Model	Future Growth Model
Microturbine Product	\$35,000	\$15,000	\$25,000
Accessories, Parts & Service	\$5,000	\$10,000 	\$15,000
<b>Total Revenue</b>	<b>\$40,000</b>	<b>\$25,000</b>	<b>\$40,000</b>
Cost of Good Sold	\$30,000	\$19,500	\$26,250
<b>Gross Margin</b>	<b>\$10,000</b>	<b>\$5,500</b>	<b>\$13,750</b>
<b>Gross Margin Percent</b>	<b>25%</b>	<b>22%</b>	<b>34%</b>
Research & Development Expense	\$2,900	\$1,300	\$1,500
Selling, General & Administrative Expense	\$7,100	\$4,200	\$5,200
<b>Total Operating Expenses</b>	<b>\$10,000</b>	<b>\$5,500</b> 	<b>\$6,700</b>
<b>Adjusted EBITDA*</b>	<b>\$0</b>	<b>\$0</b> 	<b>\$7,050</b>
<b>Adjusted EBITDA* Margin</b>	<b>—</b>	<b>—</b>	<b>18%</b>

\*See Appendix, Slide 23



# Capstone FY2018 Goals



## Continuous Improvement Business Initiatives:

- Capitalize on Capstone Energy Finance
- Continue “War on Costs” initiative
- Increase CHP product sales
- Increase FPP service contract revenue
- Increase spare parts revenue
- Complete C200 reliability program
- Continue Product Development Roadmap
- Manage balance sheet and minimize cash burn
- ***Achieve Adjusted EBITDA\* Breakeven in FY2018***



\*See Appendix, Slide 23

**Leadership Bonus Based on Two Consecutive  
Adjusted EBITDA\* Positive Quarters**



# Capstone Energy Finance JV Initiative



- Several projects in contract negotiation and term sheets in legal review
- Recently added equipment leasing
- Near-term goal is to add limited short-term rental
- Supporting project modeling for Sky Capital
- Pipeline over \$55M (product only)
- Signed agreement with Sky Capital (subsidiary of Sky Solar Group) to provide up to \$150M in project financing



Driving Future Revenue Growth with No Capstone Equity or Debt



# “War on Costs”



<b>Q4 Operating Expenses (in thousands)</b>	<b>\$ 6,156</b>
Non-recurring Q4 expenses	(224)
Q4 reductions in force	(37)
<b>Adjusted Q4 Operating Expenses</b>	<b>\$ 5,895</b>
<b>Continued Cost Reductions</b>	
Lower cost SEC legal counsel	(93)
Lower cost internal audit and tax provider	(42)
Reduced software licensing expenses	(18)
Other	(50)
	(203)
<b>Average Quarterly Operating Expenses FY2018</b>	<b>\$ 5,692</b>
Estimated savings from facility consolidation	(209)
<b>Average Quarterly Operating Expenses</b>	<b>\$ 5,483</b>

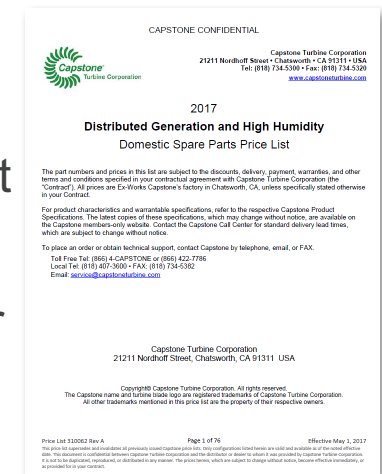
**Final Goal is \$5.5M in Quarterly Expense After Facility Consolidation**



# FY2018 Growth Initiatives



- Launched new “Sell-to-Win” ICHP program
  - **C200S ICHP bundle** - microturbine, heat recovery module (HRM) and pre-paid FPP service contract
  - **C65 ICHP bundle** - microturbine, HRM and pre-paid FPP service contract
  - “Sell-to-Win” drives CHP product, HRM and FPP service contract revenue
  - “Sell-to-Win” program positively impacts working capital and cash flow
- Launched special program for FY18 for all future 5 & 9-year FPP service contracts that are 100% pre-paid
- Launched program to sell “Signature Series” upgrade kits for older systems
- New spare parts price increase (5% domestic, 3% international)
- New creative ways planned to increase the FPP service contract attachment rate planned for second half of fiscal year
- New spare parts programs planned for second half of fiscal year

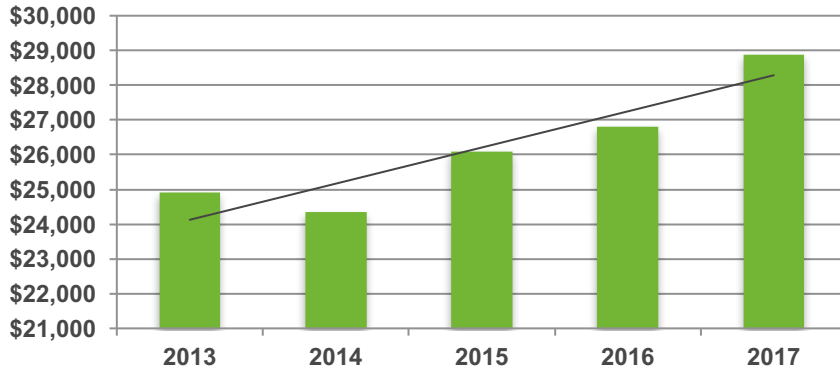




# Aftermarket Service Growth

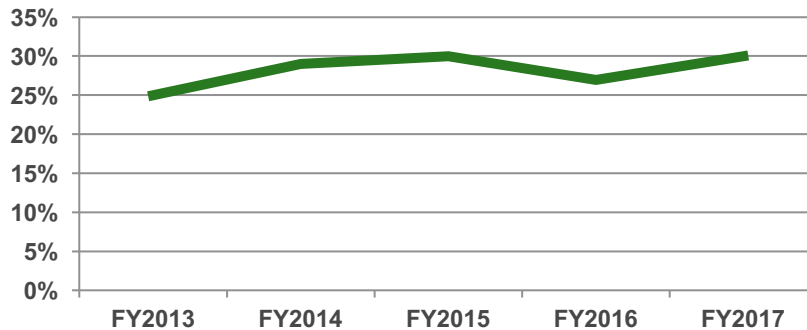


## Accessories, Parts & Service Revenue (Amounts in thousands)

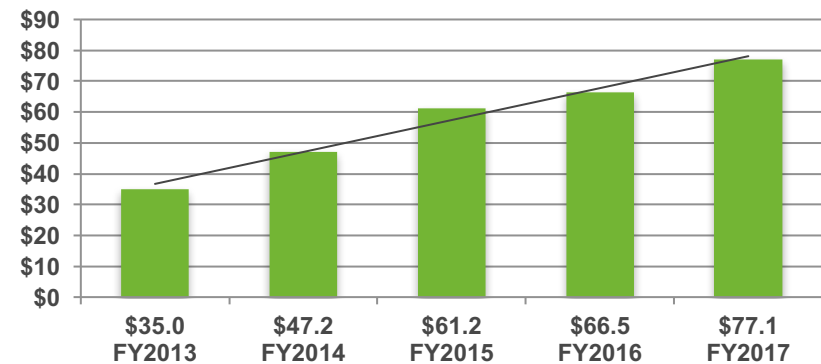


New Signature Series Product Lineup

## Accessories, Parts & Service Gross Margin



## FPP Contract Backlog (\$M)



50% Service Gross Margins Initially Impacted by Early Stage Product Reliability



# C200 Reliability Initiative



## Continuous improvement of the baseline C200 Engine over the past four years:

- Improved combustion liner (2013)
- Improved air bearing coatings (2014)
- Improved bearing housings (2015)
- New high-flow impeller (2015)
- Improved recuperator manufacturing (2015)
- New stator/magnet combination (2016)
- New recuperator diffuser/nozzle sealing (2016)
- ***Extensive on-going product development, qualification and certification testing throughout (2013-2017)***



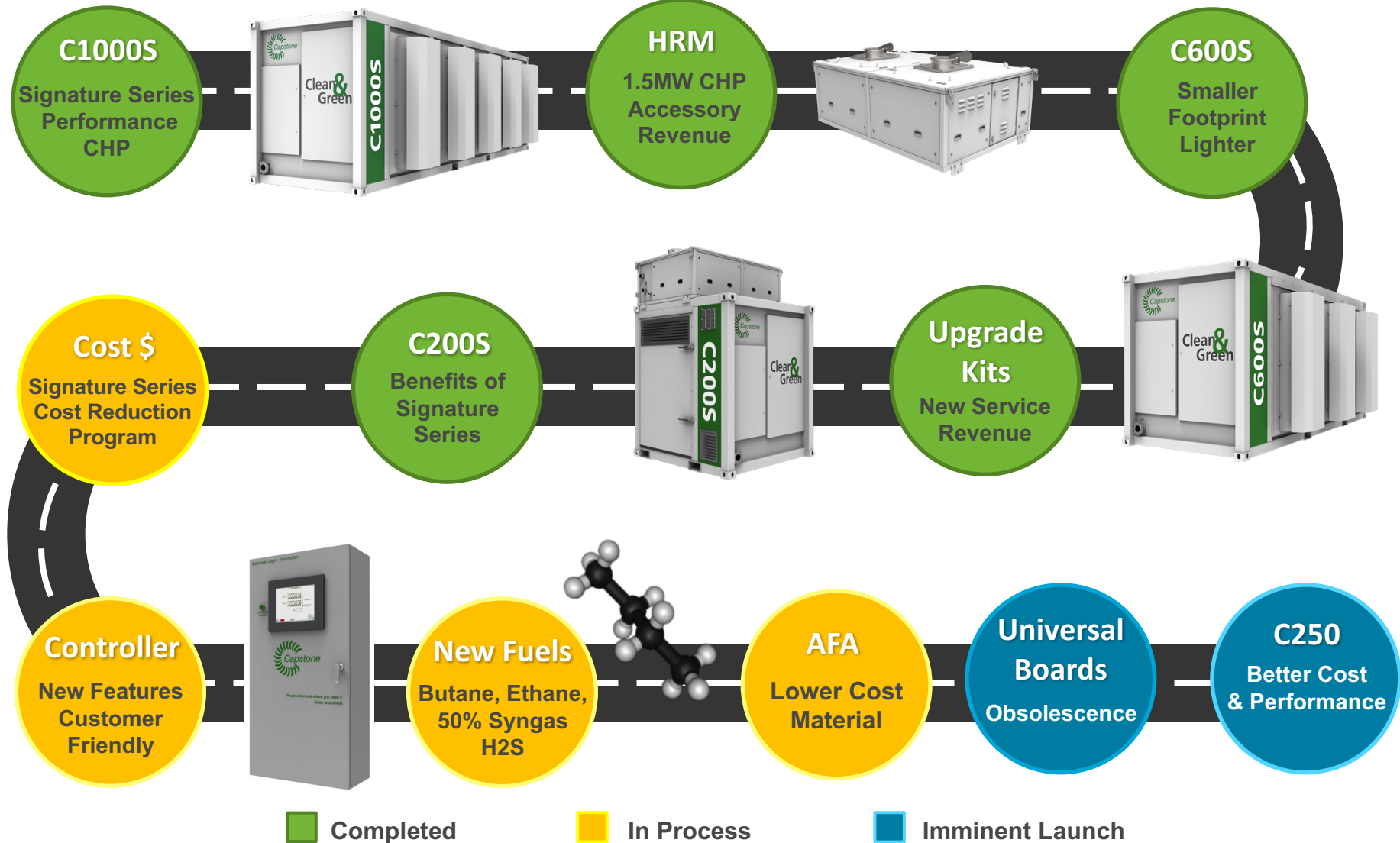
C200 Signature Series

**Aggressively Rolling Out Final Field Upgrades in First Half of FY2018**





## Capstone Product Development Roadmap





# Appendix

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Clean and simple.**



# Financial & Market Statistics Comparison



## Selected Public Companies

(\$ in millions, except per share data)

Company	Financial Statistics					Market Statistics		
	Revenue	Gross Margin	GM %	OPEX	EDITBA	Market Cap (1)	Cash (2)	Q/Q in Cash
Capstone Turbine Corporation(3)	\$22.9	\$2.1	9%	\$6.2	\$(3.6)	\$22.5	\$19.7	\$0.3
Small-Cap Distribution Generation								
American Superconductor Corp.(4)	16.2	2.8	17%	9.8	(4.8)	61.0	26.8	1.8
FuelCell Energy(5)	20.4	0.4	2%	11.8	(8.8)	63.8	84.1	(17.2)
Maxwell Technologies, Inc.(6)	26.7	6.2	23%	15.2	(7.0)	205.5	20.9	(4.5)
Plug Power Inc.(6)	15.2	(4.5)	-30%	15.1	(19.8)	420.1	26.6	(34.2)
Avg. selected companies	\$19.6	\$1.2	3%	\$13.0	\$(10.1)	\$201.3	\$39.6	\$(13.5)

(1) Source: Nasdaq as of June 9, 2017

(2) Cash, cash equivalents and restricted cash

(3) Source: Capstone Turbine Corporation's June 2017 Form 10-K filing

(4) Source: American Superconductor Corporation's May 2017 Form 10-K filing

(5) Source: FuelCell Energy's June 2017 Form 10-Q filing

(6) Source: Plug Power Inc.'s May 2017 Form 10-Q filing

Capstone Beats Average in All Areas Except Cash and Market Cap



# New Hydrogen Fuel Project

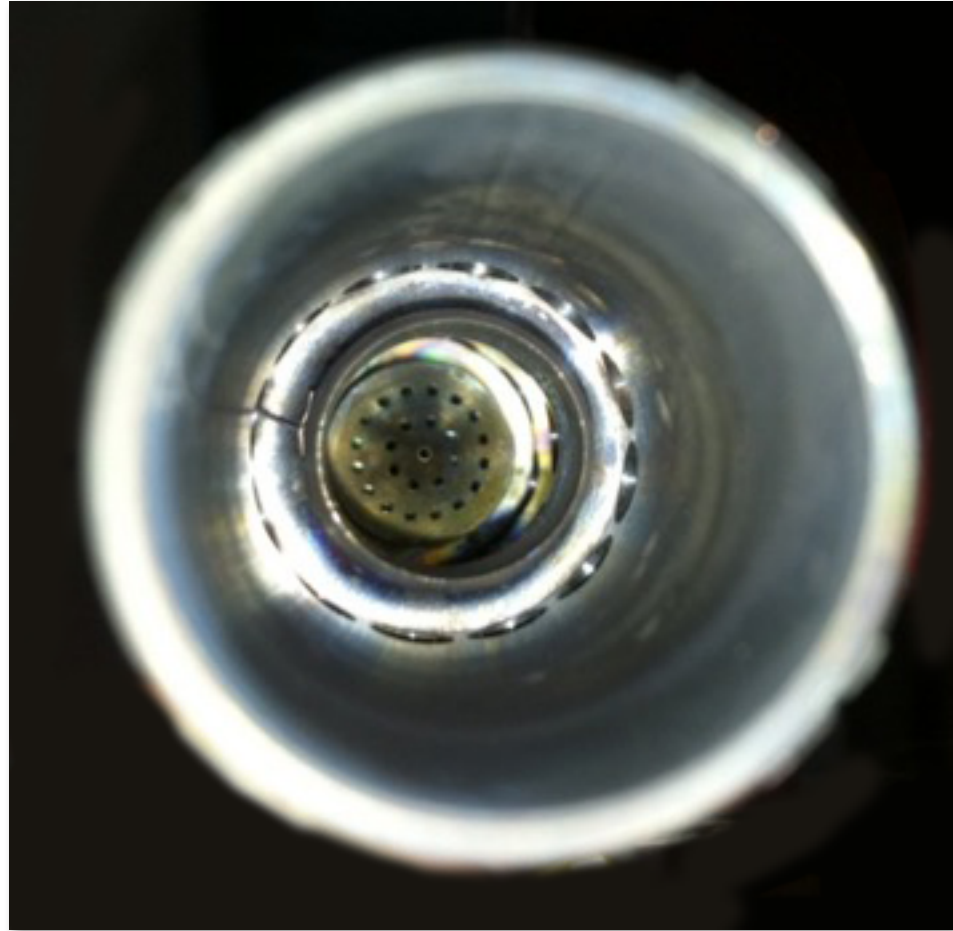


**Syngas (50%  
Hydrogen  
Content) Fuel**

**C65 at  
Argonne is  
Commissioned**

**Modeling Work  
in Process**

**UC Irvine PhD  
Intern Onboard**

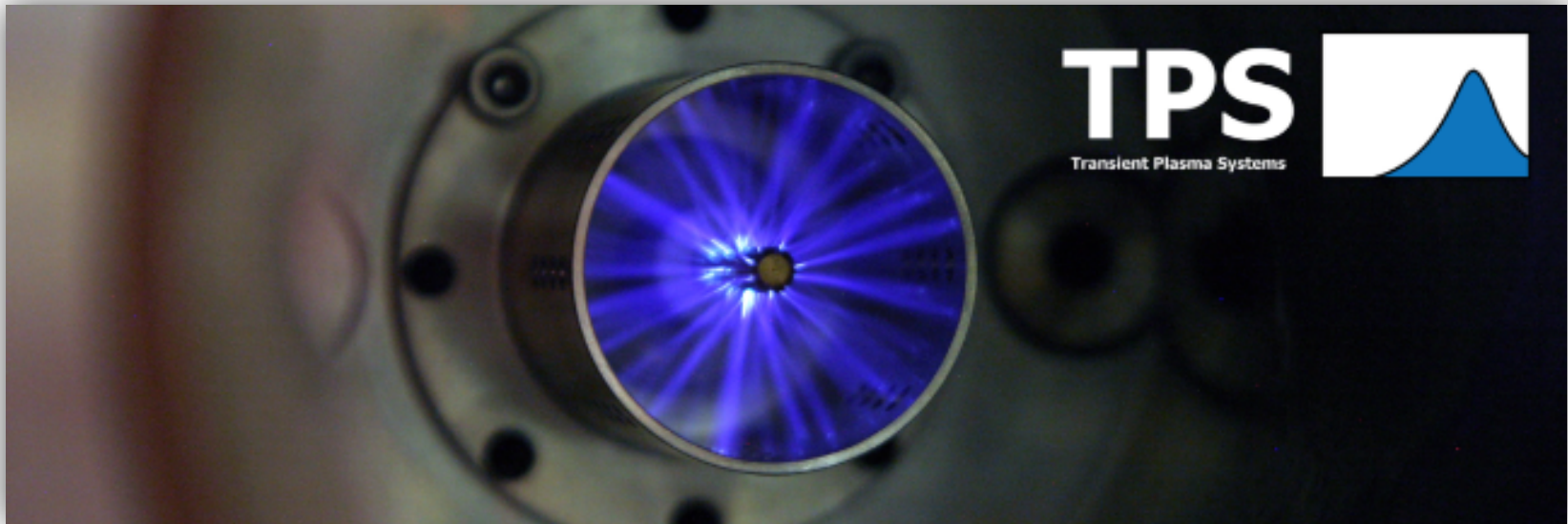


Hydrogen Capable Fuel Injector

**Next Goal is 10% Hydrogen Sulfide (H<sub>2</sub>S)**



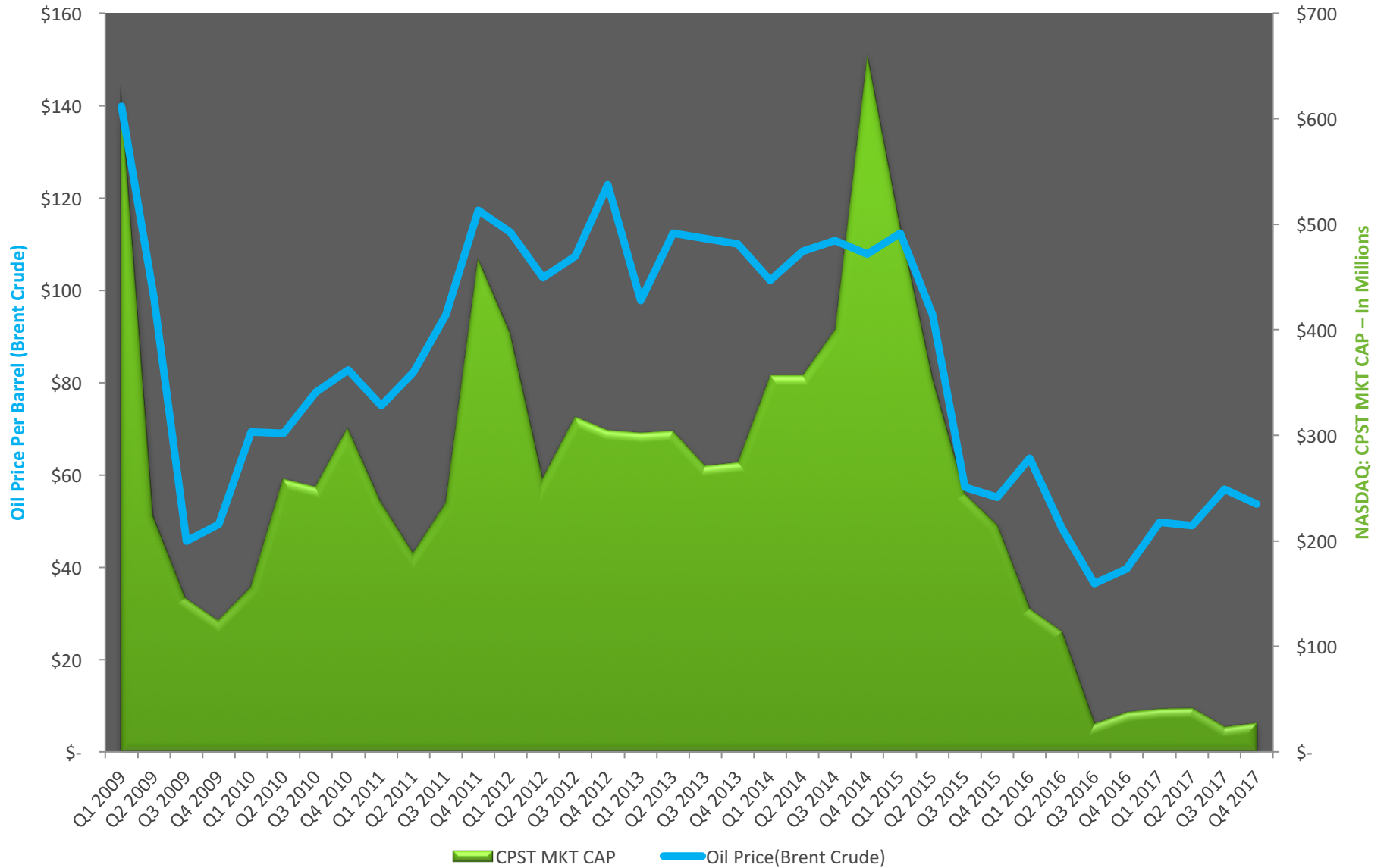
# Transient Plasma Technology



- Department of Energy funded project at Argonne using Capstone's C65
- High voltage nanosecond pulses produce streamers
- Potential benefits to Capstone:
  - Easy ignition of liquid fuels
  - Lower NOx emissions (1 ppm on any fuel)
  - Lower VOC emissions (1 ppm on any fuel)
  - Uses very little power (2kW on C65)
  - Mature technology but not cost effective on a engines



# Market Cap of CPST vs. Oil Price (Brent Crude)





# Reconciliation of Non-GAAP Financial Measure



## Reconciliation of Reported Net Loss to Adjusted EBITDA

	Fiscal Year Ended March 31,	
	2017	2016
Net loss, as reported	\$ (23,921)	\$ (25,191)
Interest	505	640
Provision for income taxes	19	20
Depreciation and amortization	1,577	1,746
Stock-based compensation	810	2,570
Change in fair value or warrant liability	(1,323)	—
Adjusted EBITDA	\$ (22,333)	\$ (20,215)

To supplement the Company's unaudited financial data presented on a generally accepted accounting principles (GAAP) basis, management has used Adjusted EBITDA, a non-GAAP measure. This non-GAAP measure is among the indicators management uses as a basis for evaluating the Company's financial performance as well as for forecasting future periods. Management establishes performance targets, annual budgets and makes operating decisions based in part upon these metrics. Accordingly, disclosure of this non-GAAP measure provides investors with the same information that management uses to understand the Company's economic performance year over year. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net income or other measures prepared in accordance with GAAP.

Adjusted EBITDA is defined as net income before interest, provision for income taxes, depreciation and amortization expense, stock-based compensation expense and change in fair value of warrant liability. Adjusted EBITDA is not a measure of our liquidity or financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of our liquidity.

While management believes that the non-GAAP financial measures provide useful supplemental information to investors, there are limitations associated with the use of these measures. The measures are not prepared in accordance with GAAP and may not be directly comparable to similarly titled measures of other companies due to potential differences in the exact method of calculation. Management compensates for these limitations by relying primarily on our GAAP results and by using Adjusted EBITDA only supplementally and by reviewing the reconciliations of the non-GAAP financial measures to their most comparable GAAP financial measures.

Non-GAAP financial measures are not in accordance with, or an alternative for, generally accepted accounting principles in the United States. The Company's non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP.



**NASDAQ: CPST**

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**[www.capstoneturbine.com](http://www.capstoneturbine.com)**