

A scenic photograph of a city skyline at sunset, with a large bridge on the right side. The sky is a mix of blue and orange, and the water in the foreground reflects the light. The bridge is a steel truss bridge, and the city skyline consists of various skyscrapers.

First Quarter Fiscal Year 2018 Earnings Call

August 9, 2017

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.



Previous, New and Future Quarterly Business Models



(In millions)	Previous O & G Focused Model	New CHP Balanced Service Model	CHP Balanced with Revenue Growth
Microturbine Product	\$35.0	\$15.0	\$25.0
Accessories, Parts & Service	\$5.0	\$10.0	\$15.0
Total Revenue	\$40.0	\$25.0	\$40.0
Cost of Good Sold	\$30.0	\$19.5	\$26.3
Gross Margin	\$10.0	\$5.5	\$13.7
Gross Margin Percent	25%	22%	34%
Total Operating Expenses	\$10.0	\$5.5	\$6.7
Adjusted EBITDA*	\$0	\$0	\$7.0
Adjusted EBITDA* Margin	—	—	18%

*See Appendix, Slide 14



Q1 FY2018 vs. New EBITDA Breakeven Model



<i>(In millions)</i>	Q1 FY2018 Results	New CHP Balanced Service Model	Capstone Initiatives and Management Notes
Microturbine Product	\$12.6	\$15.0	Bookings Up \$37.1M or 82% Last 2 Quarters
Accessories, Parts & Service	\$6.6	\$10.0	FPP Service Revenue at Record Levels
Total Revenue	\$19.2	\$25.0	New Signature Series Products and <i>Sell-to-Win</i> program
Cost of Good Sold	\$17.0	\$19.5	Signature Series Cost Reduction Program
Gross Margin	\$2.2	\$5.5	Product Sales, FPP and Lower Warranty
Gross Margin Percent	11%	22%	Service Margin Expanding to 50%
Total Operating Expenses	\$6.1	\$5.5	Lower Service Provider Costs & Facility Consolidation in Progress
Adjusted EBITDA*	\$(3.4)	\$0	Q1 Lowest in Last 15 Quarters

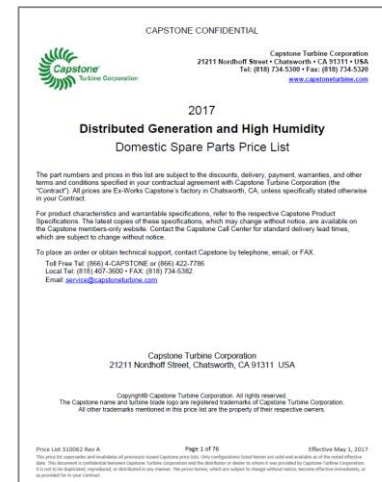
*See Appendix, Slide 14



Revenue Growth Initiative

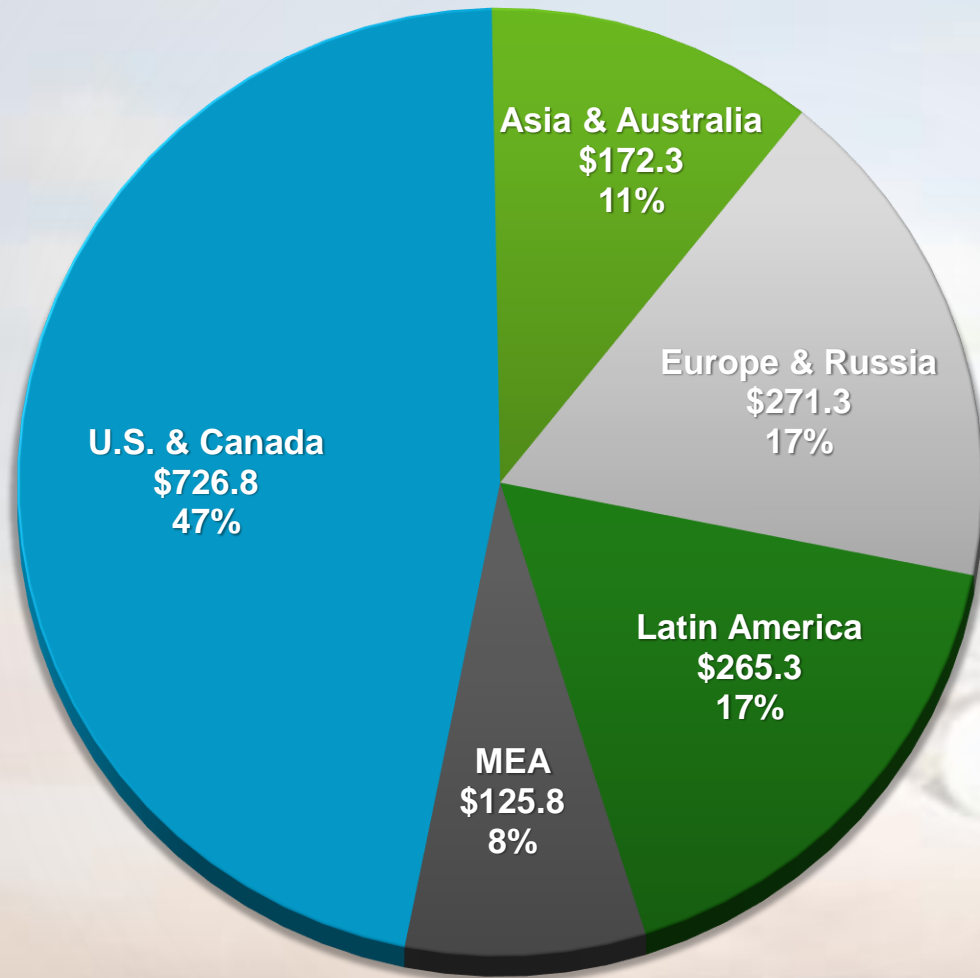


- New Signature Series product focused on CHP market
- Launched new “*Sell-to-Win*” ICHP bundled solutions
 - **C200S ICHP bundle** - microturbine, heat recovery module (HRM) and pre-paid FPP service contract
 - **C65 ICHP bundle** - microturbine, HRM and pre-paid FPP service contract
 - “*Sell-to-Win*” 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 non “Signature Series” systems
- New spare parts price increase (5% domestic, 3% international)
- New creative plan to increase the FPP service contract attachment rate targeted for second half of fiscal year
- New spare parts programs planned for second half of fiscal year
- Focus on Distributor recommended spare parts stocking levels





Revenue Growth Initiative



Pipeline Up
\$467M
Last 6 Months



Net Product Orders Up
82%
Last 6 Months vs. Prior 6 Months

Source: Capstone distributors via Salesforce.com
Amounts in millions

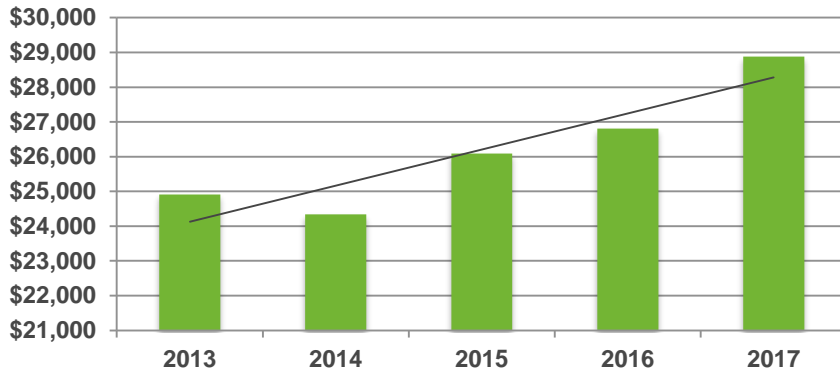
Improving Geographic Diversification of \$1.6 Billion Project Pipeline



Margin Expansion Initiative



Accessories, Parts & Service Revenue (Amounts in thousands)

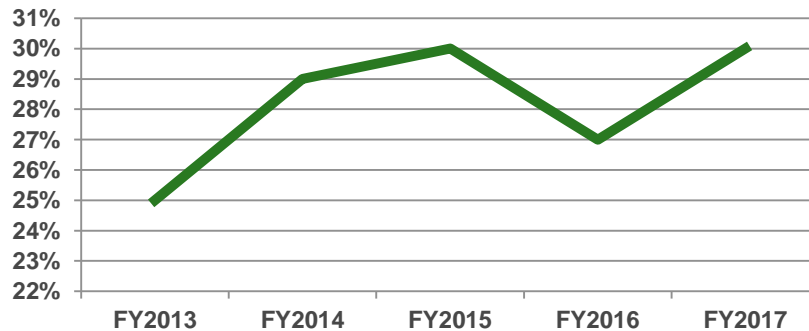


New Accessories & Cost Reduction

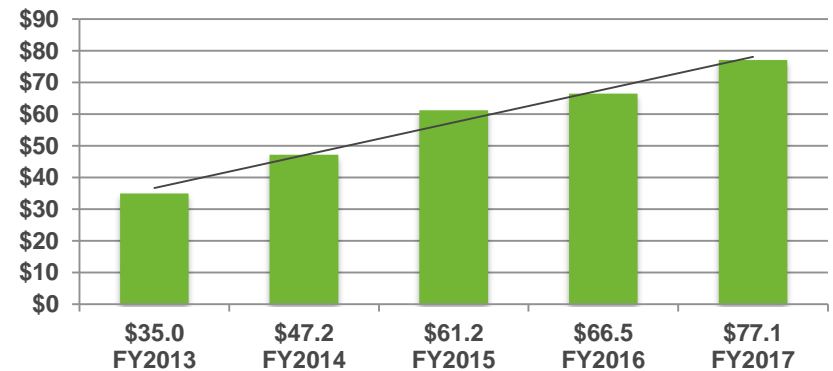


New Signature Series Product Lineup with New Roof Mounted Heat Recovery Accessories for CHP

Accessories, Parts & Service Gross Margin



FPP Contract Backlog (\$M)



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



Cost Reduction Initiative



Q1 Operating Expenses (in millions)	\$ 6.1
Non-recurring Q1 expenses	(0.1)
Adjusted Q1 Operating Expenses	\$ 6.0
Continued Cost Reductions	
Lower service provider costs	(0.1)
Other	(0.1)
	(0.2)
Average Quarterly Operating Expenses FY2018	\$ 5.8
Estimated savings from facility consolidation	(0.3)
Average Quarterly Operating Expenses	\$ 5.5

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



Q1FY18 Financial Results



<i>(In millions, except per share data)</i>	Q1FY18	Q1FY17
Microturbine Product	\$12.6	\$12.1
Accessories, Parts & Service	\$6.6	\$7.0
Total Revenue	\$19.2	\$19.1
Gross Margin	\$2.2	\$3.0
Gross Margin Percent	11%	16%
R&D Expenses	\$1.1	\$1.6
SG&A Expenses	\$5.0	\$5.7
Total Operating Expenses	\$6.1	\$7.3
Net Loss	\$(4.1)	\$(4.5)
Adjusted EBITDA*	\$(3.4)	\$(3.7)
Basic Loss Per Share	\$(0.10)	\$(0.17)
Adjusted EBITDA* Basic Loss Per Share	\$(0.08)	\$(0.14)

*See Appendix, Slide 14



Q1FY18 Financial Results



<i>(In millions)</i>	June 30, 2017	March 31, 2017
Cash & Cash Equivalents, Including Restricted Cash	\$19.1	\$19.7
Cash (used in) in Operating Activities	\$(0.7)	\$(2.9)
Accounts Receivable, Net of Allowances	\$12.2	\$17.0
Total Inventories	\$16.3	\$15.5
Accounts Payable & Accrued Expenses	\$13.6	\$14.7

A wide-angle photograph of a city skyline at sunset. The sun is low on the horizon, casting a golden glow over the water and the buildings. A large steel arch bridge is visible on the right side of the frame. The sky is a mix of blue and orange, with some wispy clouds. The water in the foreground is dark with some reflections of the light.

Appendix

**Reliable power when and where you need it.
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	EBITDA	Revenue Per Employee	Market Cap (1)	Cash (2)	Q/Q in Cash
Capstone Turbine Corporation(3)	\$19.2	\$2.2	11%	\$6.1	\$(3.6)	\$0.11	\$26.8	\$19.2	\$(0.6)
Small-Cap Distribution Generation									
American Superconductor Corp.(4)	8.9	(4.5)	-51%	10.2	(10.9)	0.03	65.4	37.6	10.8
FuelCell Energy(5)	20.4	0.4	2%	11.8	(8.8)	0.04	92.4	84.1	(17.2)
Maxwell Technologies, Inc.(6)	37.1	7.8	21%	16.5	(4.2)	0.11	217.6	19.2	(1.7)
Plug Power, Inc.(6)	20.8	(3.5)	-17%	24.5	(36.1)	0.05	478.7	16.9	(9.7)
Avg. selected companies	\$21.8	\$0.1	-11%	\$15.8	\$(15.0)	\$0.05	\$213.5	\$39.5	\$(4.4)

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

(2) Cash, cash equivalents and restricted cash

(3) Source: Capstone Turbine Corporation's August 2017 Form 10-Q filing

(4) Source: American Superconductor Corporation's August 2017 Form 10-Q filing

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

(6) Source: Maxwell Technologies, Inc. and Plug Power, Inc. August 2017 Form 10-Q filings

Capstone Beats Average in All Areas Except Revenue, Cash and Market Cap



Capstone Energy Finance JV Initiative



- Now offering PPA, Lease, and Rentals
- In negotiation for several projects
- Projects cover wide variety of markets and applications
- Pipeline over \$60M (product only)
- Actively working with Sky Capital (subsidiary of Sky Solar Group) to provide up to \$150M in project financing
- Partnering with additional banks to broaden competitive lease rates





Reconciliation of Non-GAAP Financial Measure



Reconciliation of Reported Net Loss to Adjusted EBITDA

	Three months ended June 30,			
	2017		2016	
Net loss, as reported	\$	(4,092)	\$	(4,516)
Interest		221		134
Provision for income taxes		—		3
Depreciation and amortization		304		407
Stock-based compensation		154		238
Change in fair value or warrant liability		—		—
Adjusted EBITDA	\$	(3,413)	\$	(3,734)

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

www.capstoneturbine.com