



**Third Quarter Fiscal Year 2019
Earnings Call
February 7, 2019**

***Saving Money & the Environment –
One Turbine at a Time.***

Safe Harbor



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

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 Capstone's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other periodic filings with the Securities and Exchange Commission that may cause Capstone's actual results to be materially different from any future results expressed or implied in such statements. Because of the risks and uncertainties, Capstone cautions you not to place undue reliance on these statements, which speak only as of the date of this presentation. We undertake no obligation, and specifically disclaim any obligation, to release any revision to any forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events.

Changing Energy Markets



THE IMMINENT CHANGE IN GLOBAL ENERGY

“Change is the law of life. And those who look only to the past or the present are certain to miss the future.”

– *John F. Kennedy*

Capstone Technology & Mission



Capstone accepts the challenge to be a leading global manufacturer of high-tech low emission products that are a cost competitive alternative to traditional low-cost engine-based technologies. Building affordable, clean energy products on a smaller scale than your large competitors requires extraordinary effort, determination, lean manufacturing prowess, but most of all relentless creativity.

Capstone is dedicated to its core mission, which is to generate positive cash flows while having a significant positive impact on the global environment around us, as it's essential to ensure the future is prosperous for everyone including our loyal customers, dedicated employees, valued vendors, and long-term shareholders.

Signature





C1000S Rental Unit
Permian Basin in Texas

**3.6 MEGAWATTS WERE SHIPPED TO THE PERMIAN
SHALE BASIN AS PART OF THE NEWLY EXPANDED
CAPSTONE FACTORY LONG-TERM RENTAL PROGRAM**

Technology for Multiple Markets



ENERGY EFFICIENCY



NATURAL RESOURCES



RENEWABLE ENERGY



CRITICAL POWER SUPPLY



MICROGRID SYSTEMS

APPLICATIONS INCLUDE:

Large Retailers, Hospitality, Office Buildings, Recreation

- SL Green Realty
- Related Properties
- Tishman Speyer
- Brandywine
- Capreit
- Host Properties
- Marriott
- Wyndham
- Woods Bagot

Oil & Gas, Land Rigs, Water Conversion, Gas Compression

- Shell
- EQT Corporation
- XTO Energy
- California Resource
- Williams Company
- Anadarko
- Occidental
- Pioneer
- Pacific Resources

Wastewater Treatment Plants, Farm Digesters, Landfills, Food Processing

- Durango WWTP
- Oneida WWTP
- Dallas WWTP
- Tuscany WWTP
- Carmel WWTP
- Great Neck WWTP
- Taiwan Swine Farm
- Malaysian Palm Oil Farms

Data Centers, Hospitals, Telecom, Power Rentals

- Intel Data Center
- Kaiser Hospital
- Kings County
- Dryden Hospital
- Auburn Hospital
- Pertamina Hospital
- Memorial Sloan Kettering
- White Memorial

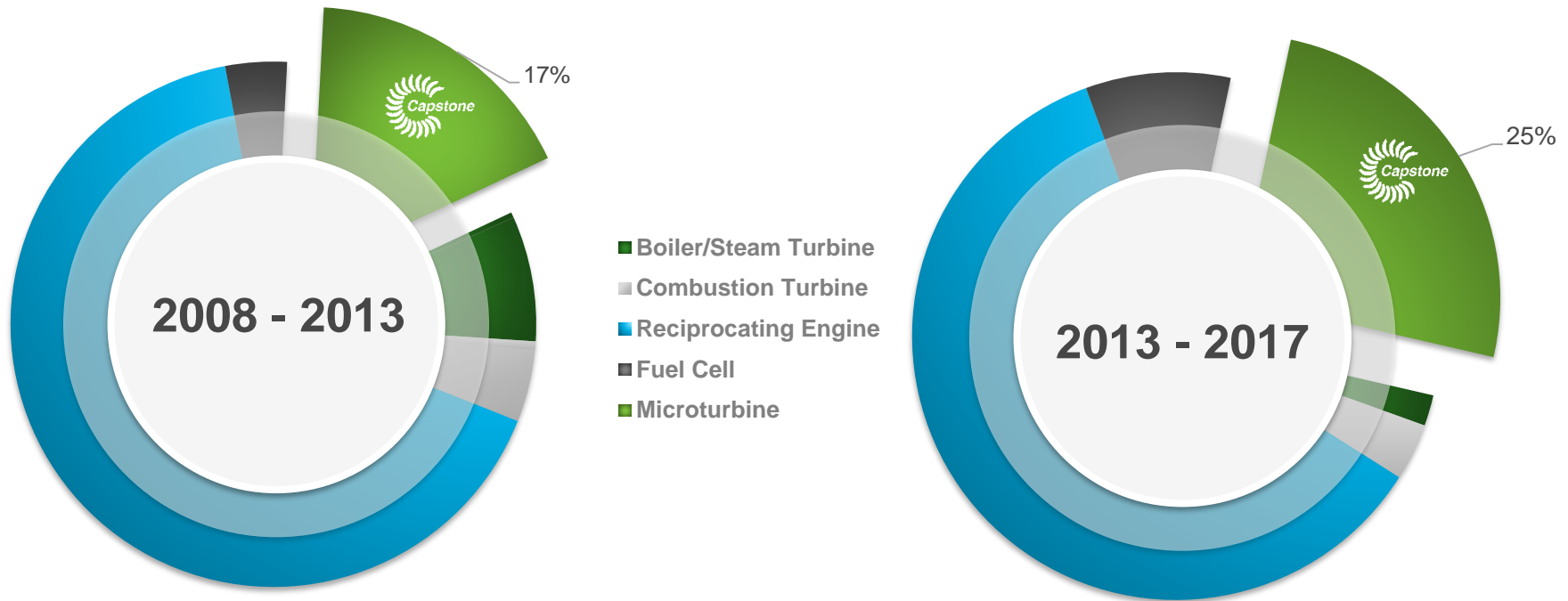
Manufacturing, Retail, Hospitality, Data Center

- Sierra Nevada
- Philly Navy Shipyard
- Stone Edge Farms
- Open Access Tech
- Goldwind, China
- Gordon Bubolz
- Plaza Extra
- Mali, Africa

CHP Market Share is Increasing



U.S. CHP Installations by Technology 100 kW – 5 MW



Q3 FY2019 Business Highlights



- In the third quarter of fiscal 2019, Capstone built and shipped 10.3 MW across a diverse set of geographies and distributors.
- Secured orders from 20 distributors, representing 14 different countries.
- 3.6 MW were shipped to the Permian shale basin in Texas as part of the newly expanded Capstone factory rental program.
- The grand total of deployed microturbines in the quarter was 13.9 MW.
- Solid book-to-bill ratio of 1.3:1, compared to 0.7:1 in the year-ago third quarter, which we believe is a good indication of future product revenue growth.
- The Oil & Gas business accounted for 44% of the product shipments in the quarter compared to just 15% in the same quarter last year.
- Nine months to date the Oil & Gas business makes up 51% of Capstone product shipments compared to just 27% last year.
- Energy Efficiency vertical accounted for 53% of the product shipped in the quarter compared to 66% in the same quarter last year.

Q3 FY2019 Business Highlights



- Gross margin improved in the quarter on the continued growth of Capstone's aftermarket service business.
- Three new large Factory Protection Plan (FPP) service contracts totaling 3.1 MW booked during the third quarter.
- FPP long-term service contract backlog stands at \$72.8 million at the end of the quarter.
- Several large FPP contracts pending that the company anticipates closing in the fourth quarter, which is projected to add an estimated 14 MW to the growing FPP backlog.
- In the Company's 30+ year history the upcoming fourth quarter could be the quarter that service backlog eclipses its product backlog.
- Distributor Support System (DSS) which was launched back in early 2018, generated \$1.4 million of revenue during the calendar year.
- DSS could generate an estimated \$2.4 million in the upcoming calendar year.

Management Focus



- Capstone team is focused on improving the business in areas that it has direct control of, and in areas that are not subject to, or impacted by, outside market forces, macroeconomic conditions, geopolitical events or trade wars.
- Current focus is in the following areas to improve the business:
 - Reducing direct material costs
 - Increasing aftermarket spare parts margins
 - Expanding long-term FPP service contract attachment rates
 - Developing and expanding the new DSS Program
 - Expanding new factory rental program
- Recent improvements to Capstone's business:
 - Consolidation of two manufacturing facilities
 - Lean manufacturing improvements at Capstone
 - Lean manufacturing improvements within our supply chain
 - Successful negotiation to eliminate the perpetual Carrier royalty
 - Expanded remanufacturing capabilities in the UK hub
 - Ongoing collection of the fully reserved Russian Turbine International
 - New Goldman Sachs \$30 million 3-year term note

FY2019 Strategic Business Goals



1

Improve Cash Flows

Quarterly working capital, cash flow, and balance sheet

- DSS program
- Collect fully reserved Russian receivable
- Target SG&A of \$6M per quarter
- Grow aftermarket margins to 50%
- Lean manufacturing
- Lower DMC costs
- Improved vendor terms
- Facility consolidation
- Relentless creativity



2

Grow Double-Digits

Through accelerating global product sales

- Drive higher book-to-bill ratios compared the year-ago quarter
- Increase marketing and customer acquisition activities over prior year
- New DSS program to help accelerate future product revenues and improve global brand identification
- New Rental Program to penetrate new customers
- Product remanufacturing



3

More Diversification

Into new market verticals and new geographies

- Improved diversification between O&G and CHP/CCHP markets
- Target 50/50 split between U.S. and International sales
- Product modification for Microgrid and Marine
- Expand into Africa, Latin America, Caribbean and Middle East
- Rebuild Russia and CIS distributor business



4

Increase Absorption

Service/OpEx percentage to 100% absorption

- Close 14 MW of pending aftermarket service contracts
- Increased remanufacturing of spare parts
- Higher service contract attachment rates in O&G
- Sell air bearings into adjacent technologies
- Recurring revenues from DSS and Rental Programs
- Spare parts price increase

Cash & Working Capital



Improve quarterly working capital, cash flow and balance sheet.

- During this quarter we continue to improve our quarterly working capital, quarterly cash flow and strengthen our balance sheet by:
 - New Goldman Sachs \$30 million 3-year term note
 - Collected the scheduled payment of \$400,000 from Turbine International
 - Generated cash of approx. \$3.0 million from accounts receivables
 - \$675,000 in revenue from the new Distributor Support System program
 - Net cash used for operating activities lowest level in the last three quarters
 - Deployed 3.6 MW for a recurring rental income as part of our new factory rental program to one of the world's largest Oil & Gas producers

Double-Digit Revenue Growth



Double-digit revenue growth through accelerating product sales.

- Second strategic objective is to achieve double-digit revenue growth
 - Solid book-to-bill ratio of 1.3:1, compared to 0.7:1 in the year-ago third quarter, which is a good indication of future product revenue growth
 - Market conditions were challenged by a number of macro issues that created headwinds during the quarter so revenue for the quarter did not meet our long-term goal
 - Market conditions improved towards the end of the quarter as demonstrated by our solid book-to-bill ratio
 - Capstone expects to see both product and aftermarket service revenue growth in the coming quarters

Diversify Market Vertical & Geographies



Diversify the company into new market verticals and new geographies.

- During the quarter, we secured orders from 20 different distributors, representing 14 different countries.

20
Distributors

14
Countries



Service Growth = Path to Sustained Profitability



4

FY18 Q3/Q4 POSITIVE ADJUSTED EBITDA*

25%

Absorption in
FY16

77%

Absorption in Q3
FY18

100%

Absorption by
FY21

GOAL

Gross margin for the quarter improved sequentially as a direct result of improvements in the aftermarket service businesses which included the long-term FPP service contracts, the DSS program and the newly expanded factory rental program. Combined gross margin for A,P&S for Q3FY19 was 36% versus our future goal of 50%.

Expanded recurring revenue sources from the factory rental program, new spare parts pricing, growing FPP service revenue and DSS program will move us even closer towards our goal of 100% absorption of our quarterly operating expenses by FY21.



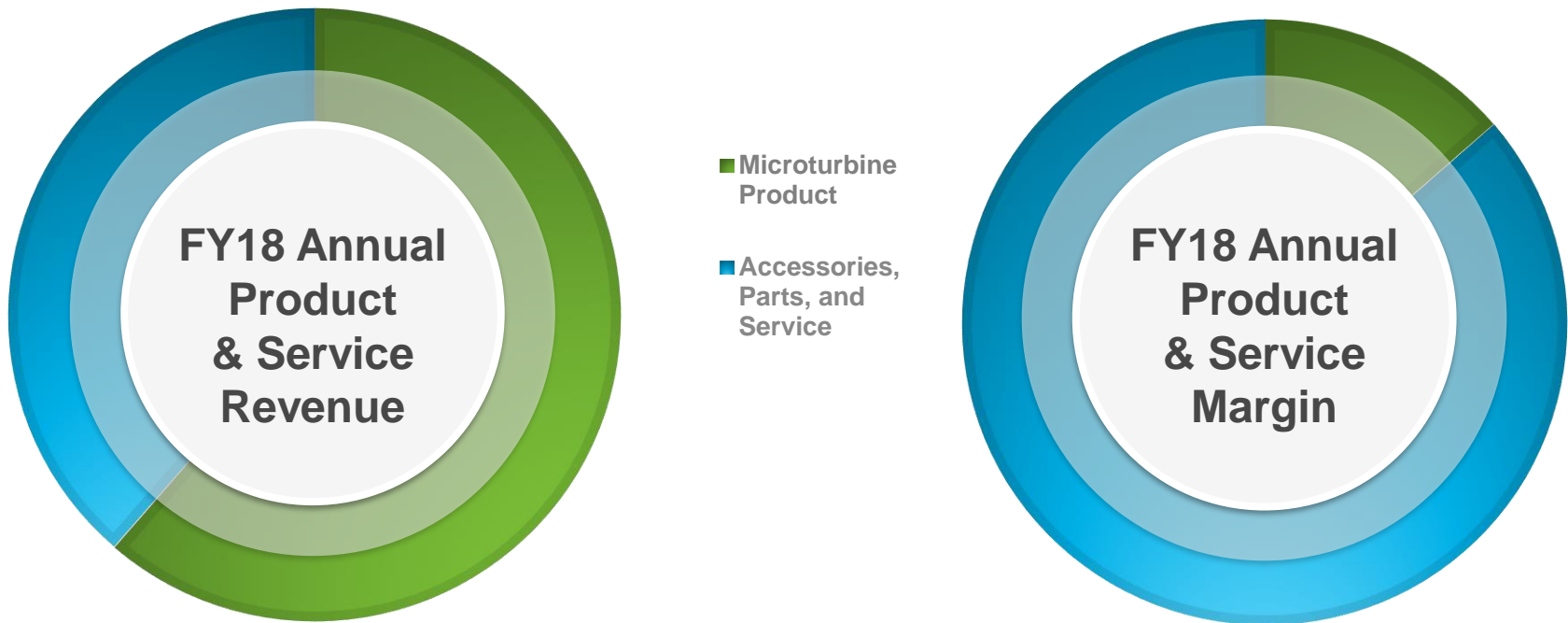
*See Appendix, Slide 25

100% Absorption Limits Downside & Allows Product Growth With Market-Based Pricing

Service Driven Business Model



Clean, Efficient, and Reliable Energy Product and Service Enterprise



FY18 Capstone Aftermarket Service Business Was 39% of Revenue but 81% of Margin

Q3FY2019 vs. Q3FY2018 Financial Results



<i>(In millions, except per share data)</i>	Q3FY19	Q3FY18
Microturbine Product	\$10.1	\$14.6
Accessories, Parts & Service	\$7.9	\$8.2
Total Revenue	\$18.0	\$22.8
Gross Margin	\$2.2	\$5.0
Gross Margin Percent	12%	22%
R&D Expenses	\$0.9	\$1.0
SG&A Expenses	\$4.6	\$4.0
Total Operating Expenses	\$5.5	\$5.0
Net Loss	\$(3.5)	\$(0.3)
Adjusted EBITDA*	\$(2.3)	\$0.4
Basic Net Loss Per Share	\$(0.05)	\$(0.01)
Adjusted EBITDA* Basic Net Earnings (Loss) Per Share	\$(0.03)	\$0.01

*See Appendix, Slide 25

Q3/Q2 FY19 Balance Sheet



<i>(In millions)</i>	December 31, 2018	September 30, 2018
Cash & Cash Equivalents, Including Restricted Cash	\$16.7	\$18.3
Cash used in Operating Activities (*Approx. \$3.0 million for Carrier settlement agreement)	\$0	\$(6.6)*
Accounts Receivable, Net of Allowances	\$13.2	\$16.5
Total Inventories	\$19.5	\$16.6
Accounts Payable & Accrued Expenses	\$15.7	\$14.1

Cash Was Used for the Deployment of 3.6 MW of Long-Term Rental Units



ANALYST Q&A SESSION



APPENDIX

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Nasdaq: **CPST**

Technology Roadmap



6

STEPS TO
SUCCESS

C65 SIGNATURE
SERIES

ELECTRONICS
MODERNIZATION

NEW FUEL
CAPABILITIES

NEW C250S
& C1250S

MICROGRID
PRODUCT

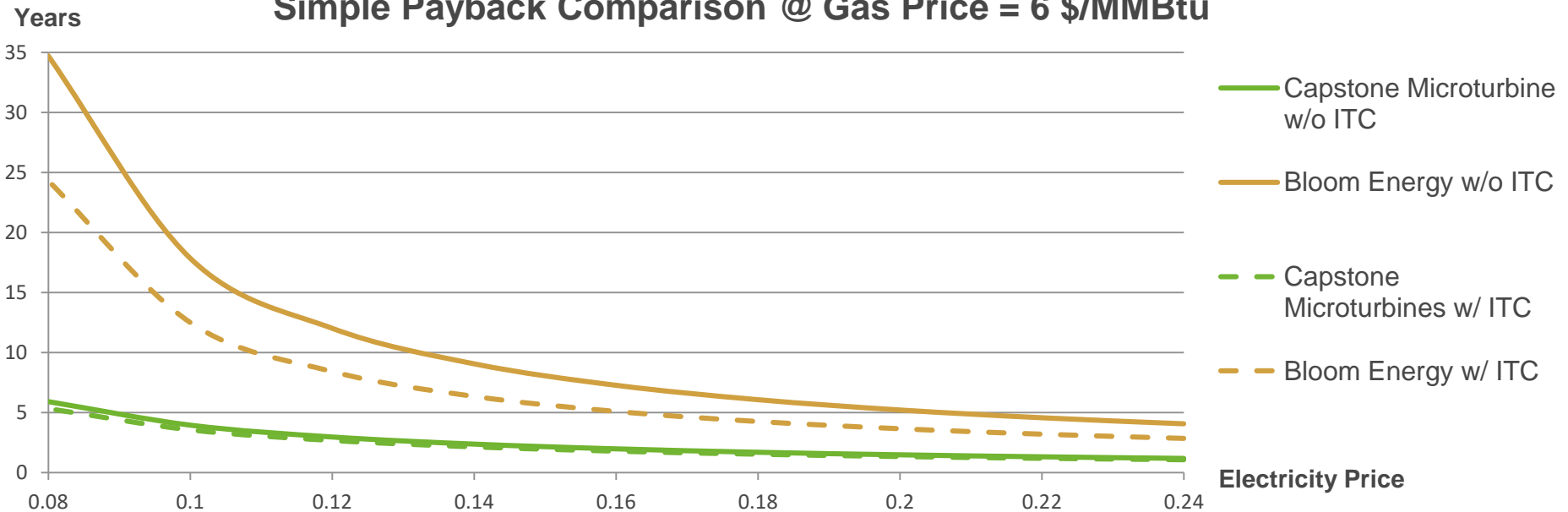
ADVANCED
TECHNOLOGY

Microturbine vs. Fuel Cell Payback

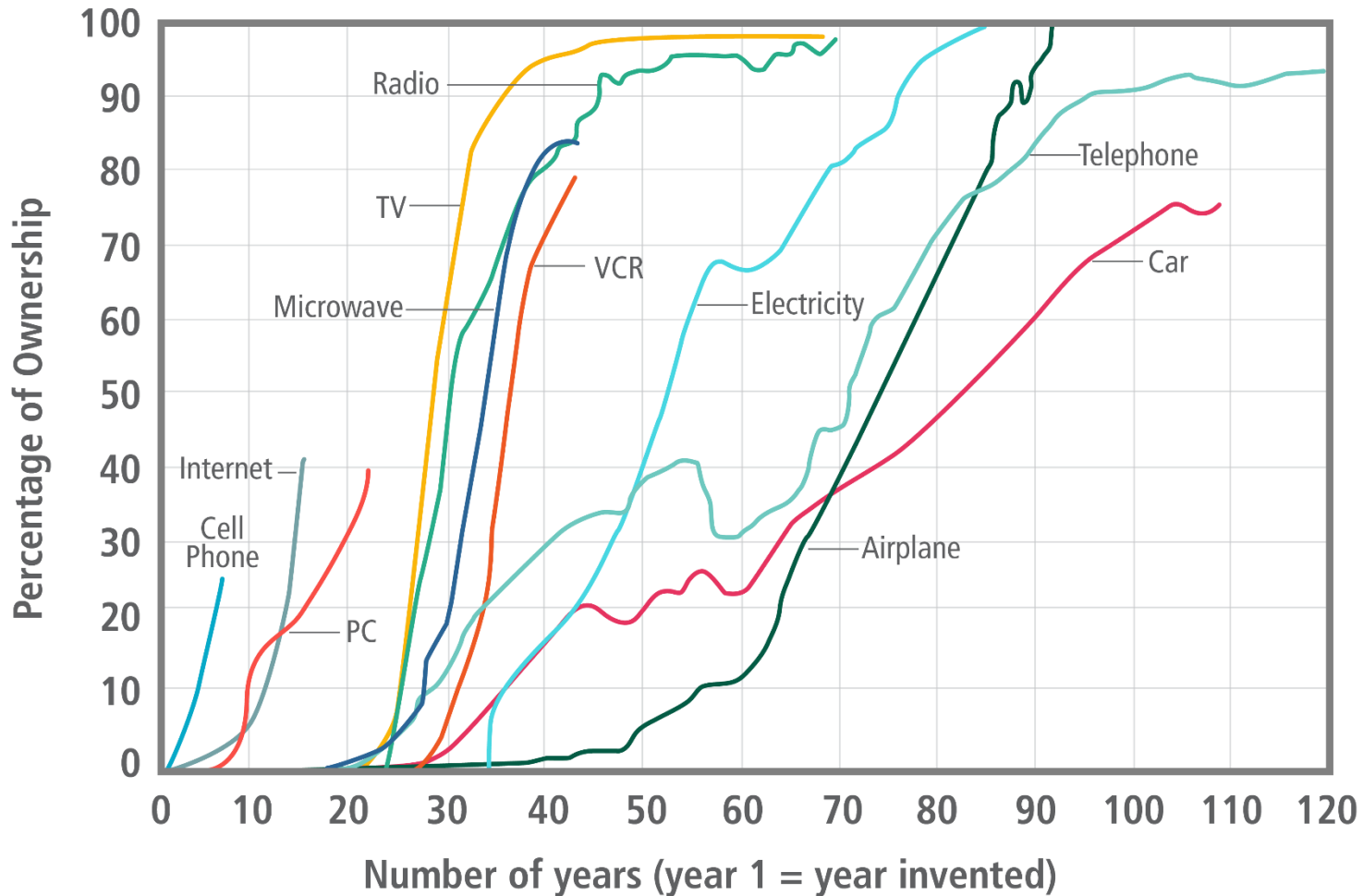


Economics		Microturbines	Fuel Cell
Total System Cost	\$/kW	2,100	6,440
Investment Tax Credit	\$/kW	210	1,930
Annual Maintenance Cost	\$/kW	140	200

Simple Payback Comparison @ Gas Price = 6 \$/MMBtu



Technology Adoption Timelines



Stock Price Comparison – Annual Stock Return



Company	Closing 2/5/18	Closing 2/4/19	% Return
Capstone Turbine Corporation	\$0.70	\$0.92	31%
<i>Peer Group – Distributed Generation</i>			
American Superconductor Corporation	\$5.08	\$12.85	153%
Ballard Power Systems	\$3.28	\$3.43	5%
Bloom Energy Corporation ⁽¹⁾	\$15.00	\$10.76	-28%
CUI Global, Inc	\$2.69	\$1.57	-42%
Energous Corporation	\$17.74	\$7.67	-57%
FuelCell Energy	\$1.55	\$0.48	-69%
Ideal Power, Inc	\$1.29	\$0.34	-74%
Maxwell Technologies, Inc.	\$5.57	\$4.59	-18%
Plug Power Inc.	\$1.80	\$1.38	-23%
Tecogen, Inc.	\$2.34	\$3.98	70%
UQM Technologies, Inc.	\$1.34	\$1.65	23%
Westport Fuel Systems, Inc.	\$2.79	\$1.32	-53%
Avg. Selected Companies	\$5.04	\$4.17	-17%

(1) Bloom Energy Corporation's July 25, 2018, initial public offering price
Data from Nasdaq

Reconciliation of Non-GAAP Financial Measure



Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Net loss, as reported	\$ (3,450)	\$ (323)	\$ (12,704)	\$ (8,083)
Interest expense	202	170	506	489
Provision for income taxes	—	—	5	7
Depreciation and amortization	388	272	957	854
EBITDA	(2,860)	119	(11,236)	(6,733)
Stock-based compensation	292	102	743	409
Restructuring charges	300	58	1,072	277
Change in warrant valuation	—	84	—	741
Adjusted EBITDA	\$ (2,268)	\$ 363	\$ (9,421)	\$ (5,306)

To supplement the Company's unaudited financial data presented on a generally accepted accounting principles (GAAP) basis, management has used EBITDA and Adjusted EBITDA, non-GAAP measures. These non-GAAP measures are 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 these non-GAAP measures 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.

EBITDA is defined as net income before interest, provision for income taxes, depreciation and amortization expense. Adjusted EBITDA is defined as EBITDA before stock-based compensation expense, restructuring charges, the change in warrant valuation and warrant issuance expenses. Restructuring charges includes facility consolidation costs and costs related to the company's cost reduction initiatives.

EBITDA and Adjusted EBITDA are not measures of the company's 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 its 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 the company's GAAP results and by using EBITDA and 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.



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