



Nasdaq: CPST

Saving Money and the Environment
– One Turbine at a Time.



Safe Harbor



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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*

FY19 Total Customer Benefits



ENERGY RESILIENCY

**95.6% Global Availability
in FY19**



CARBON SAVINGS

**FY19 350,000 Tons in
Carbon Savings**

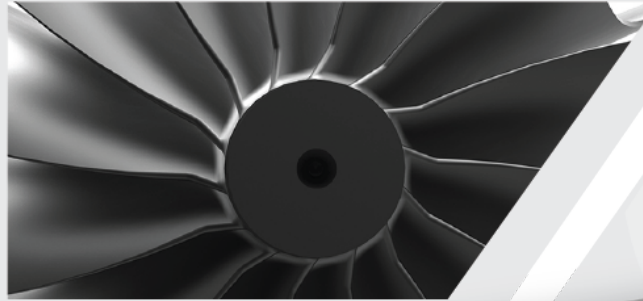


FINANCIAL SAVINGS

**\$253 Million Saved
in FY19**



Capstone Value Proposition



HEAT OUT

AIR IN

ENERGY EFFICIENCY

Overall **ELECTRIC EFFICIENCY** of 33%

85%



COLD WATER

60-95%



STEAM

85%



HOT WATER

POWER OUT



C200S

Clean & Green

FUEL IN

Capstone Advantages



FEATURES & BENEFITS



Inverter Based w/ One Moving Part

Factory guaranteed low operating costs



Patented Air Bearing Technology

No lubricants or coolants needed



Low Emissions

No exhaust aftertreatment



High Power Density

Compact footprint, small modular design



Stand Alone Or Grid Connect

Supports aging utility infrastructure



Fuel Availability

Operates on gaseous, renewable, and liquid fuels



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

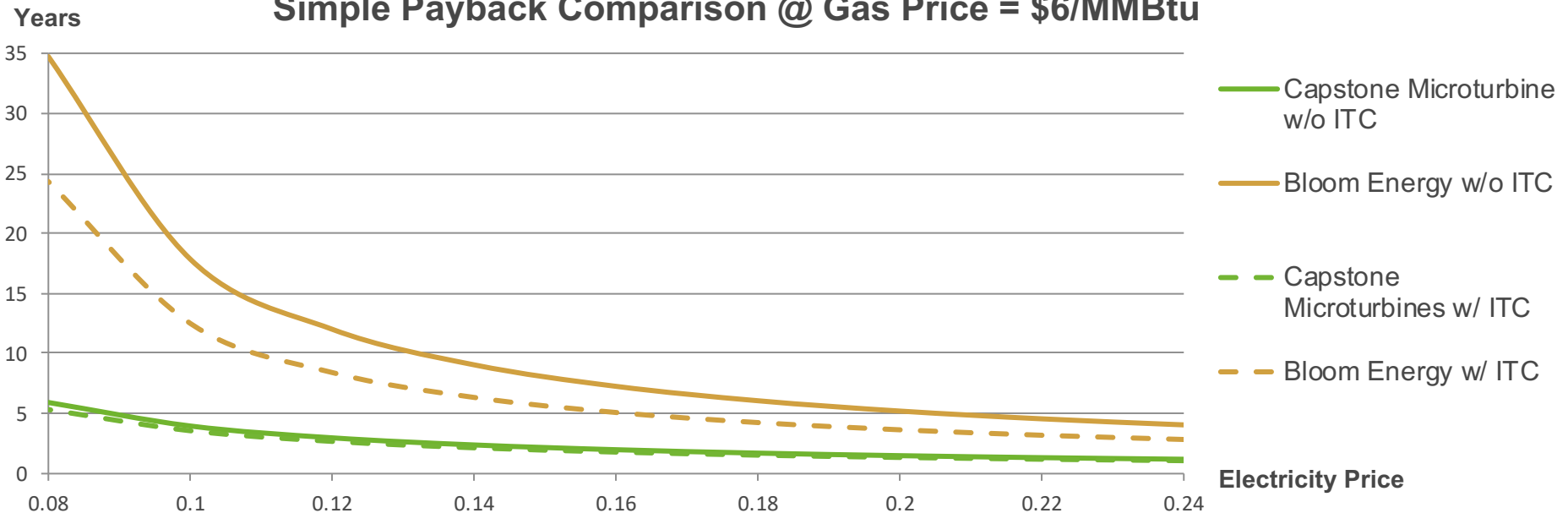


Sample Customer Economics

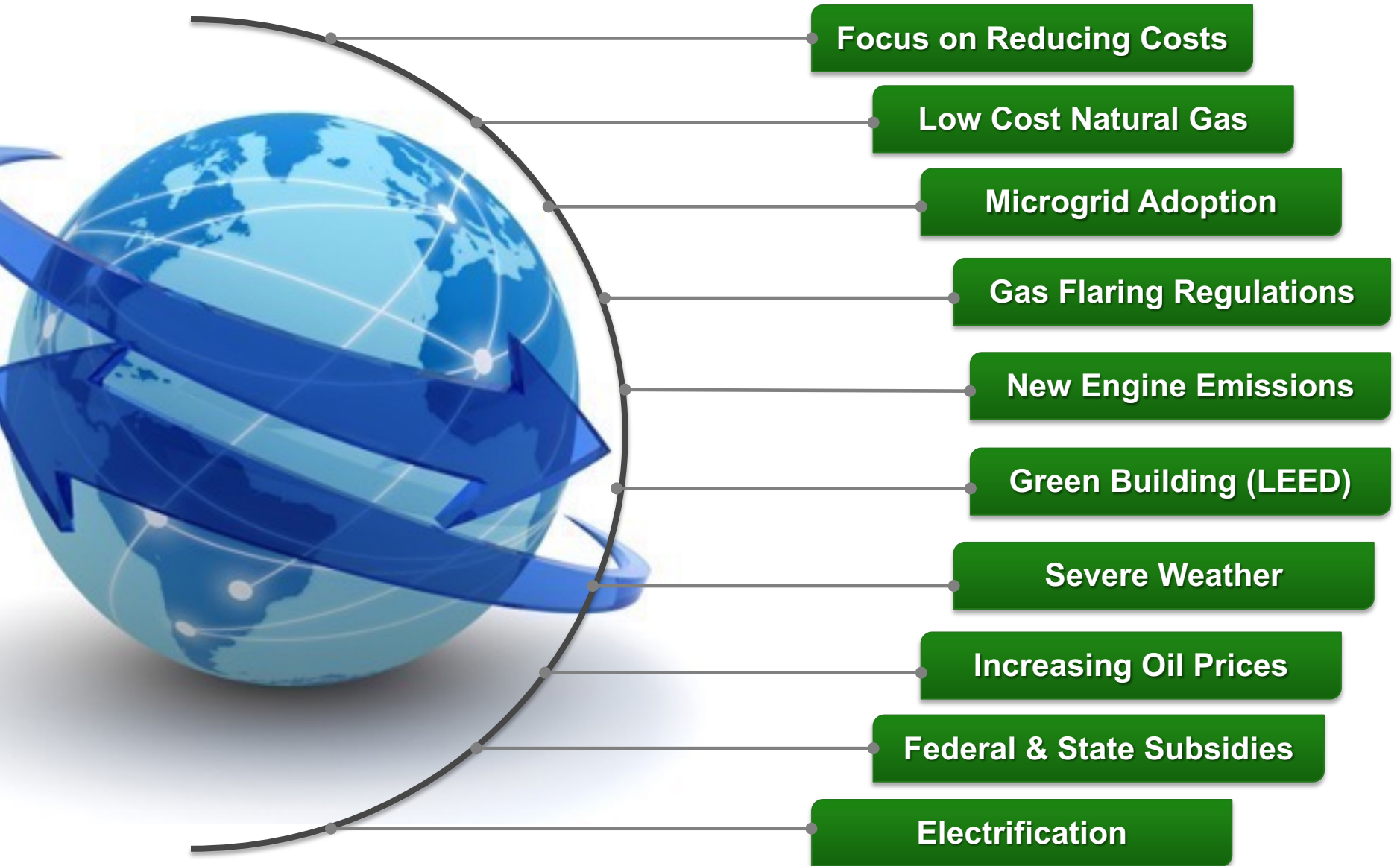


Economics		Microturbines	Fuel Cell
Total System Cost	\$/kW	2,100	6,440
Investment Tax Credit	\$/kW	210	1,930
Annual Maintenance Cost	\$/kW	140	200

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



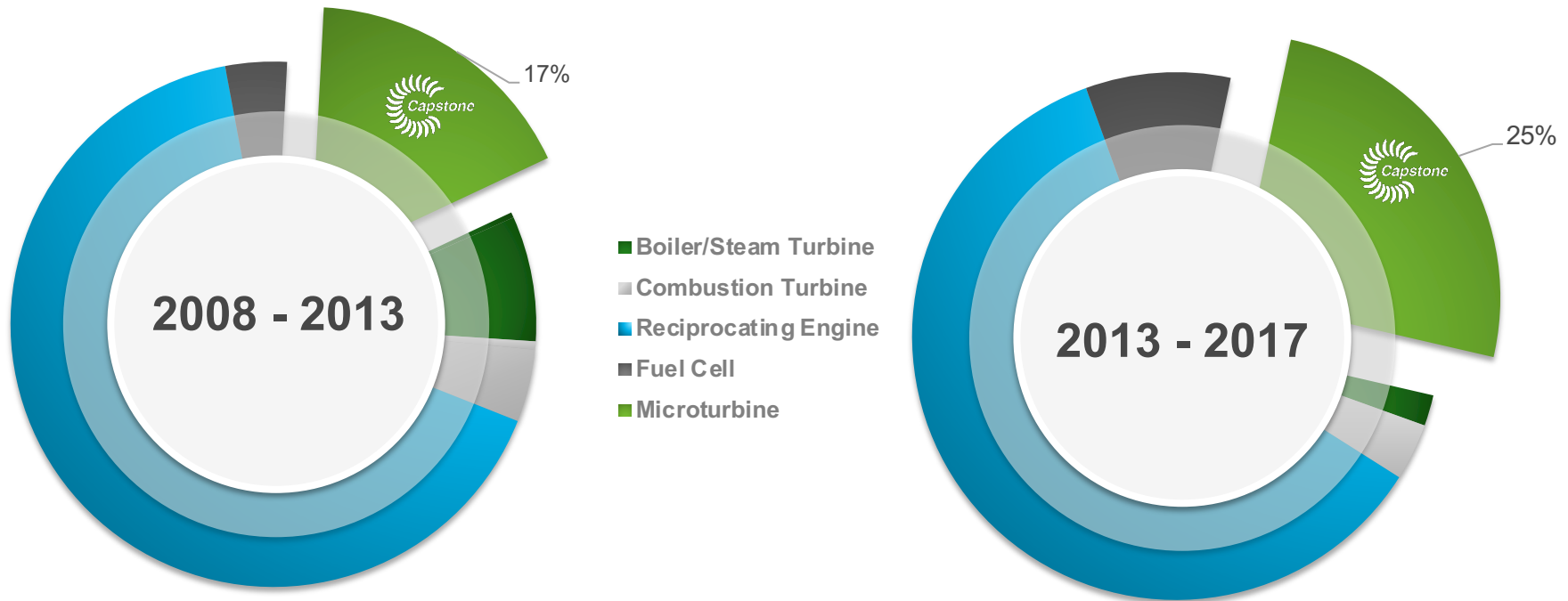
Capstone Growth Catalysts



CHP Market Share is Increasing



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



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

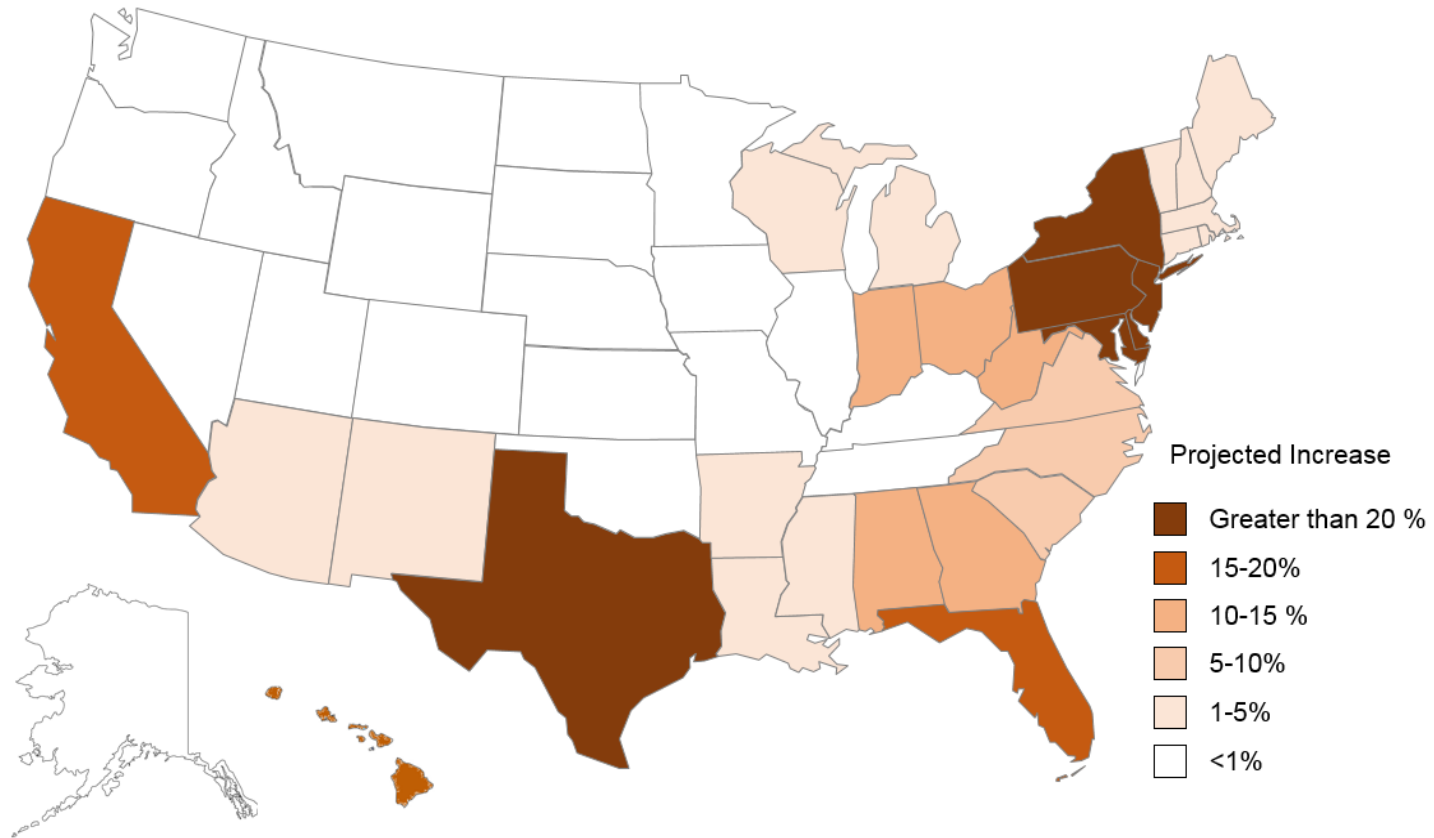
Manufacturing, Retail, Hospitality, Data Center

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

Electricity Prices are Increasing



Projected 20 Year Growth in Electricity Prices




Growing Worldwide Population

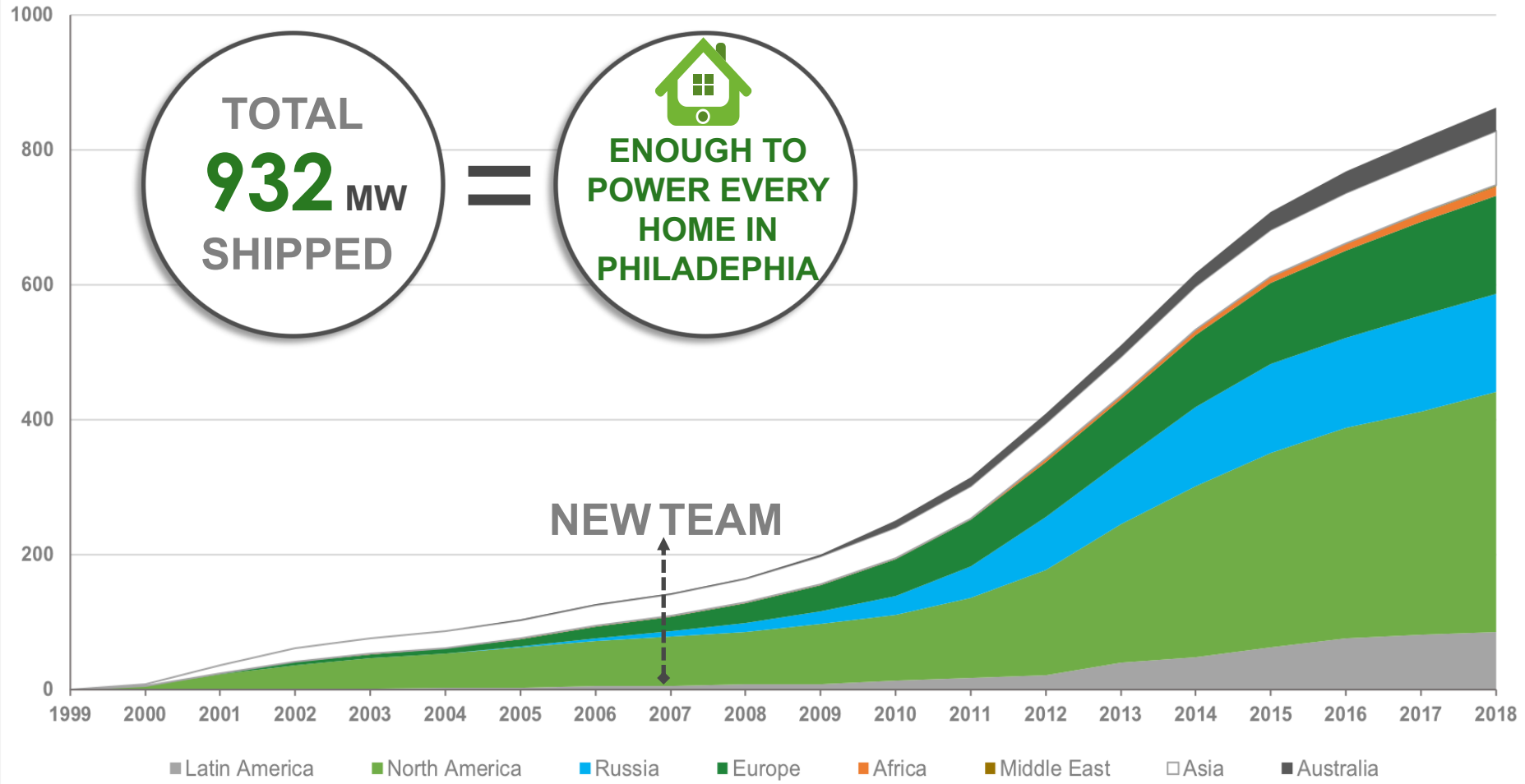


Cumulative MW Shipped by Global Region, by Fiscal Year

TOTAL
932 MW
SHIPPED

=


ENOUGH TO
POWER EVERY
HOME IN
PHILADELPHIA



Capstone Has Transformed From a Small Single Product, Single Market, U.S. Only Business to a Global Multi-Product, Multi-Market Comprehensive Product & Services Enterprise

CPST Target Business Model



(In millions)	New Annual Target Model	Initiatives and Strategies
Microturbine Product	\$100	Crude Oil Strengthening
Accessories, Parts, & Service	\$60	CHP Driven Service Growth
Total Annual Revenue	\$160	New Bundled Solution Program
Cost of Good Sold	\$105	Higher Purchase Volumes
Gross Margin	\$55	Growing Product & Service
Gross Margin Percent	34%	Aftermarket Margin to 50%
Total Operating Expenses	\$24	Lean Manufacturing & SG&A
Adjusted EBITDA	\$31	\$658M in Federal NOLs

Adjusted EBITDA Grows to 19% of Revenue in Target Model

CPST 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



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



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



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



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 Q3 FY19 we continued 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

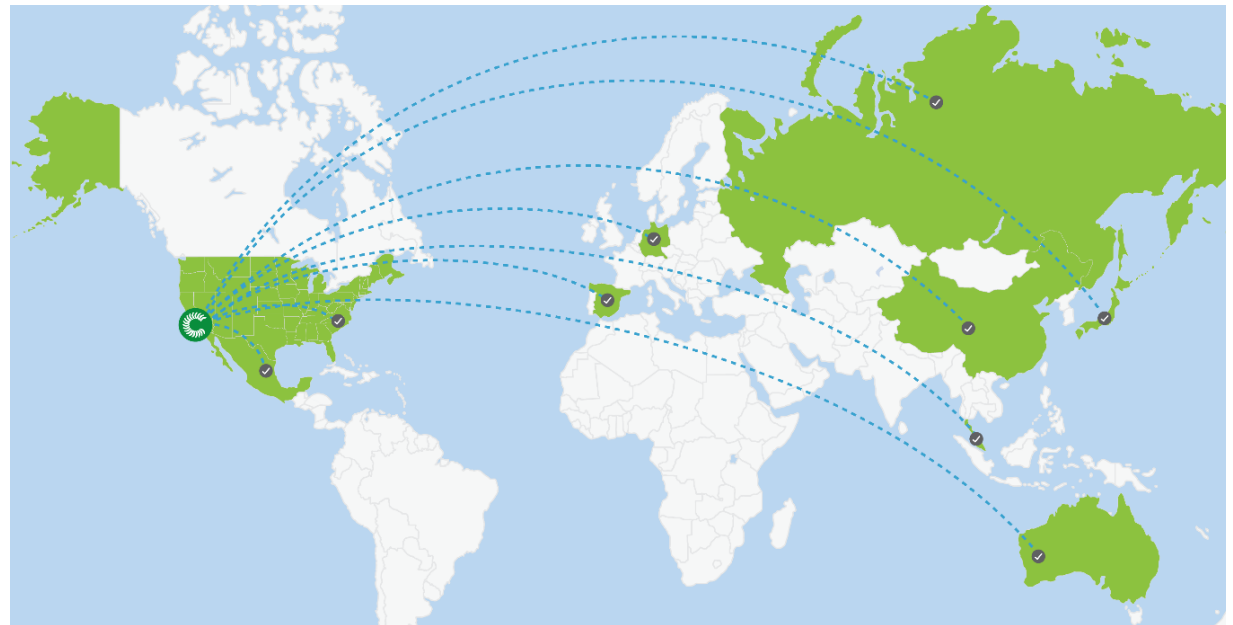


Diversify the company into new market verticals and new geographies.

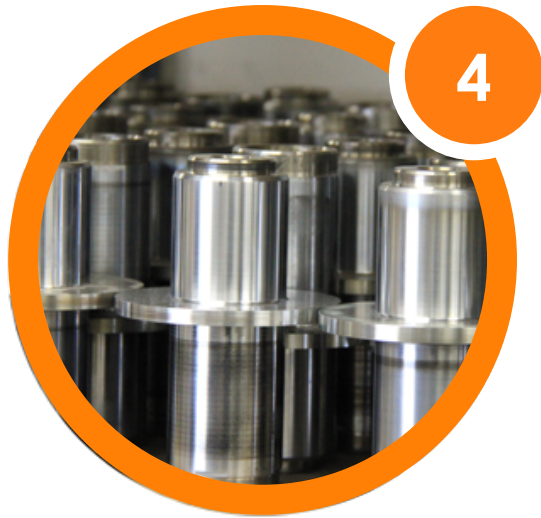
- During the quarter, we secured orders from 20 different distributors, representing 14 different countries.

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%.

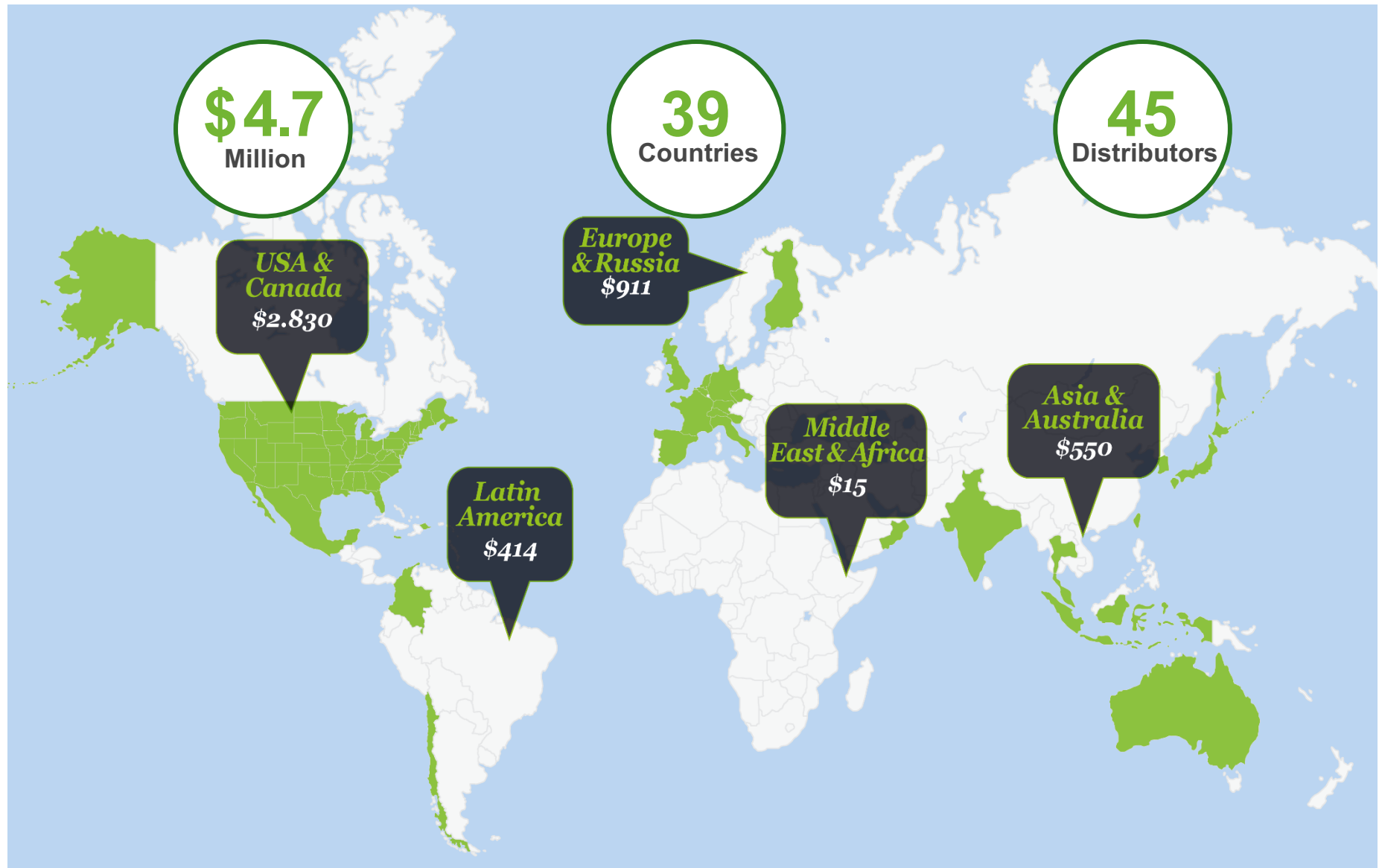
Expanded recurring revenue sources from the factory rental program, new spare parts pricing, growing FPP service revenue and DSS program will move us even closer towards our goal of 100% absorption of our quarterly operating expenses by FY21.



*See Appendix, Slide 32

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

Q3 FY19 Service Revenue

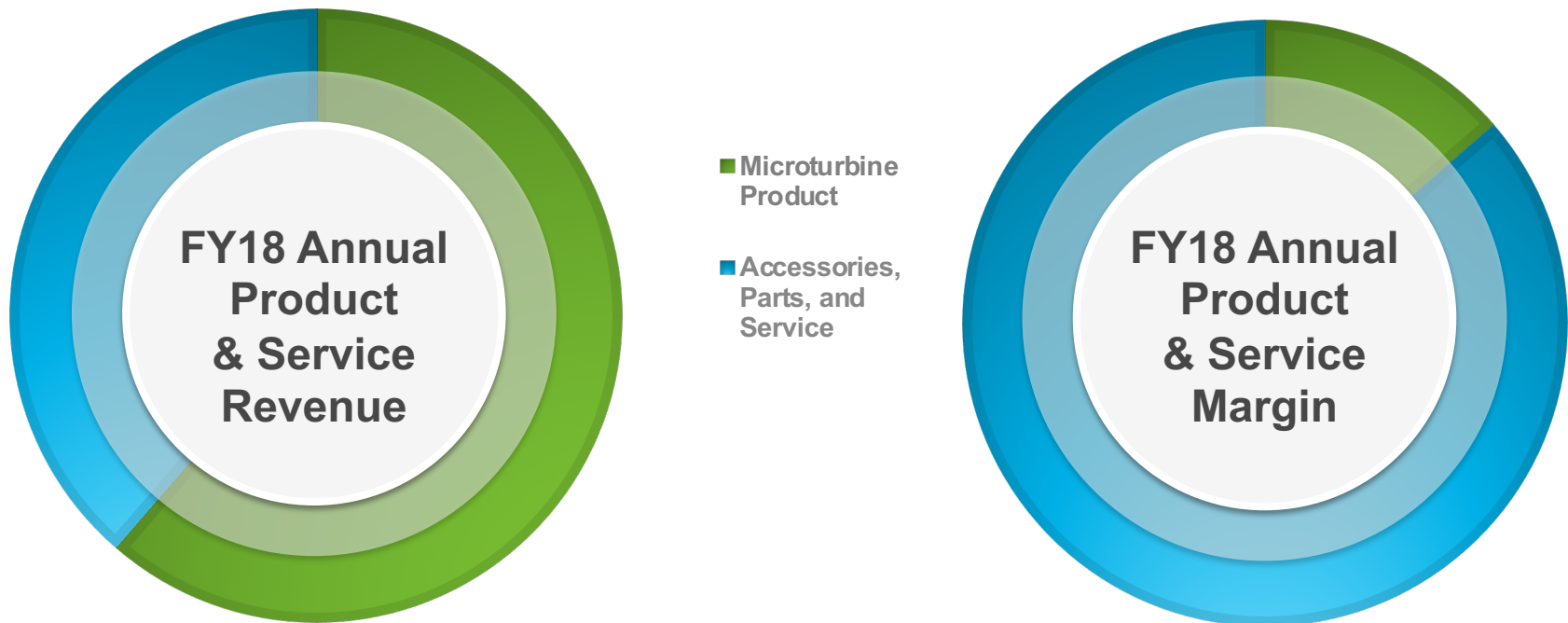


*Revenue amounts by geography presented in thousands

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



C1000S Rental Unit
Permian Basin in Texas

**IN Q3FY19 3.6 MEGAWATTS WERE SHIPPED TO THE
PERMIAN SHALE BASIN AS PART OF THE NEWLY
EXPANDED CAPSTONE FACTORY LONG-TERM
RENTAL PROGRAM**

Technology Roadmap



6 STEPS TO SUCCESS

C65 SIGNATURE SERIES

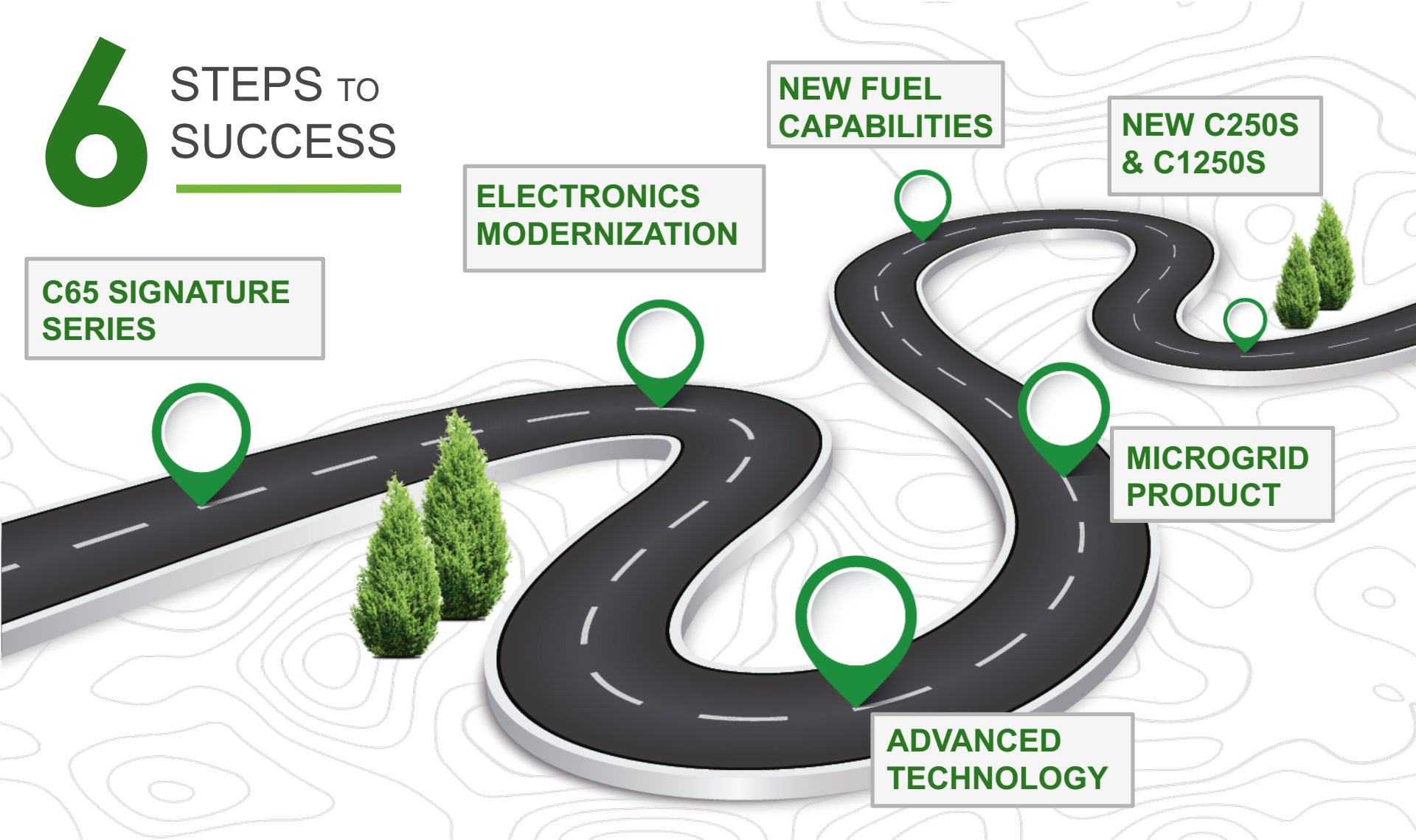
ELECTRONICS MODERNIZATION

NEW FUEL CAPABILITIES

NEW C250S & C1250S

MICROGRID PRODUCT

ADVANCED TECHNOLOGY





APPENDIX

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 32

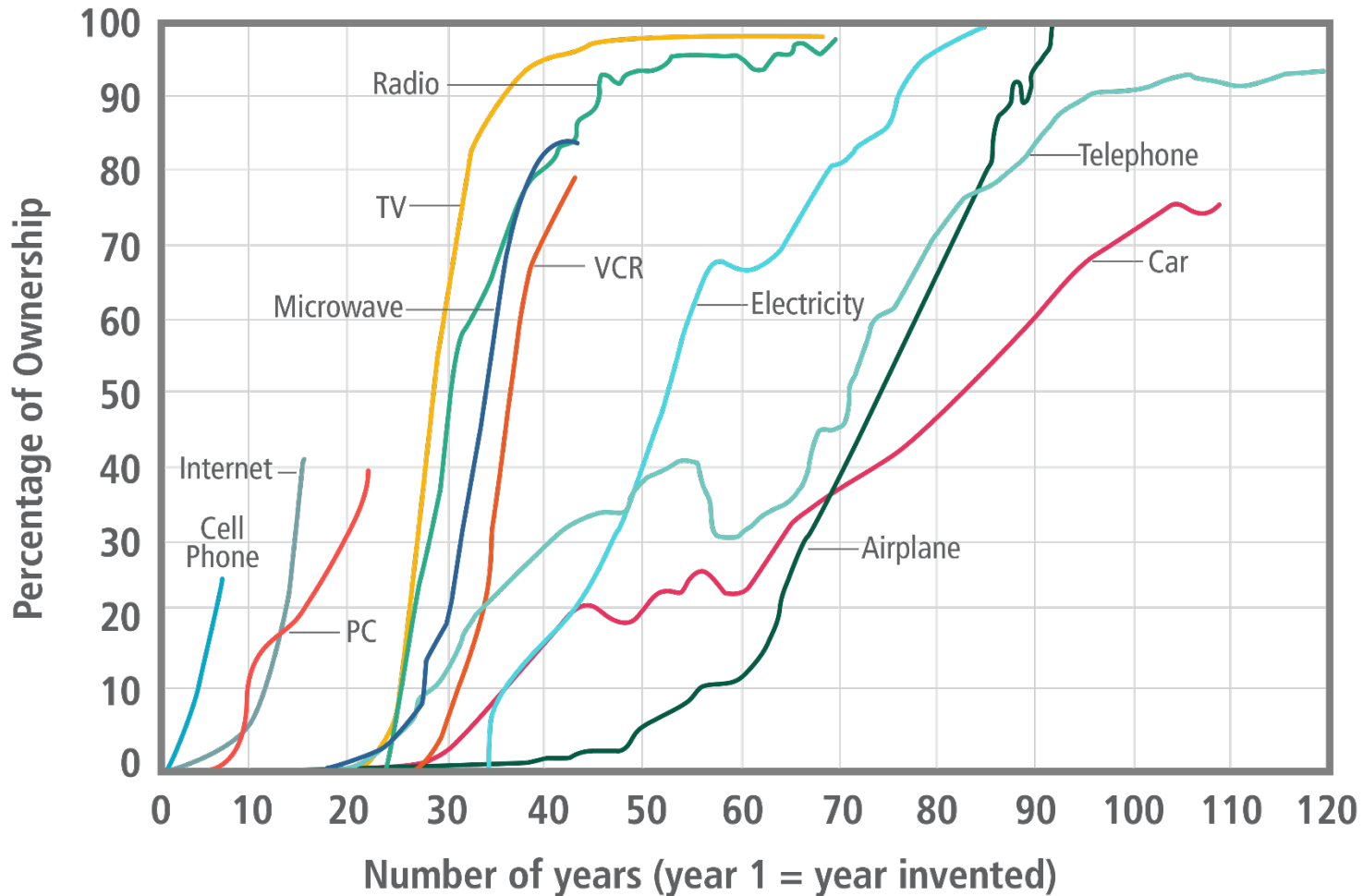
Q3/Q2 FY19 Balance Sheet



<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

Technology Adoption Timelines

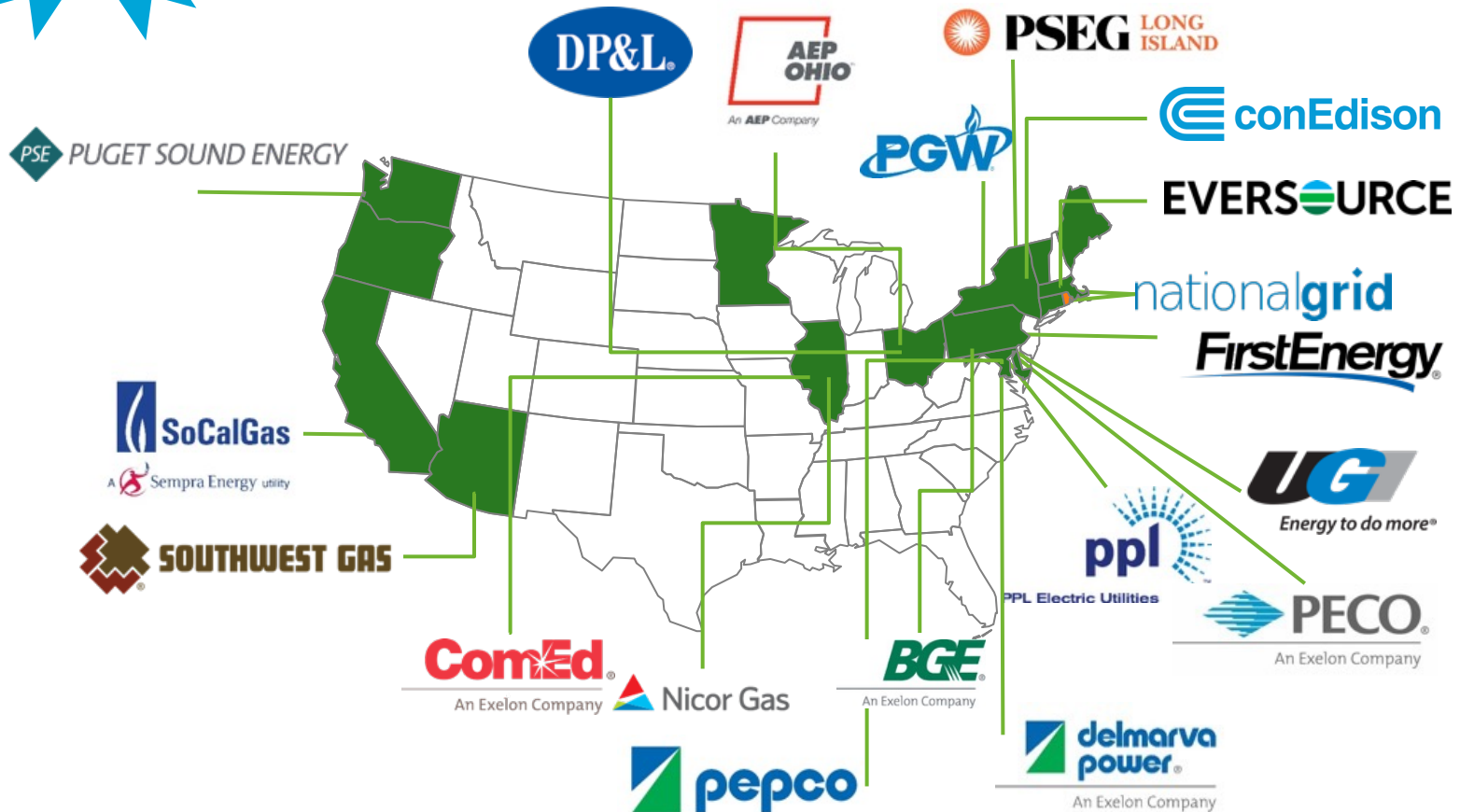


Source: Forbes Magazine

CHP Incentives are Increasing



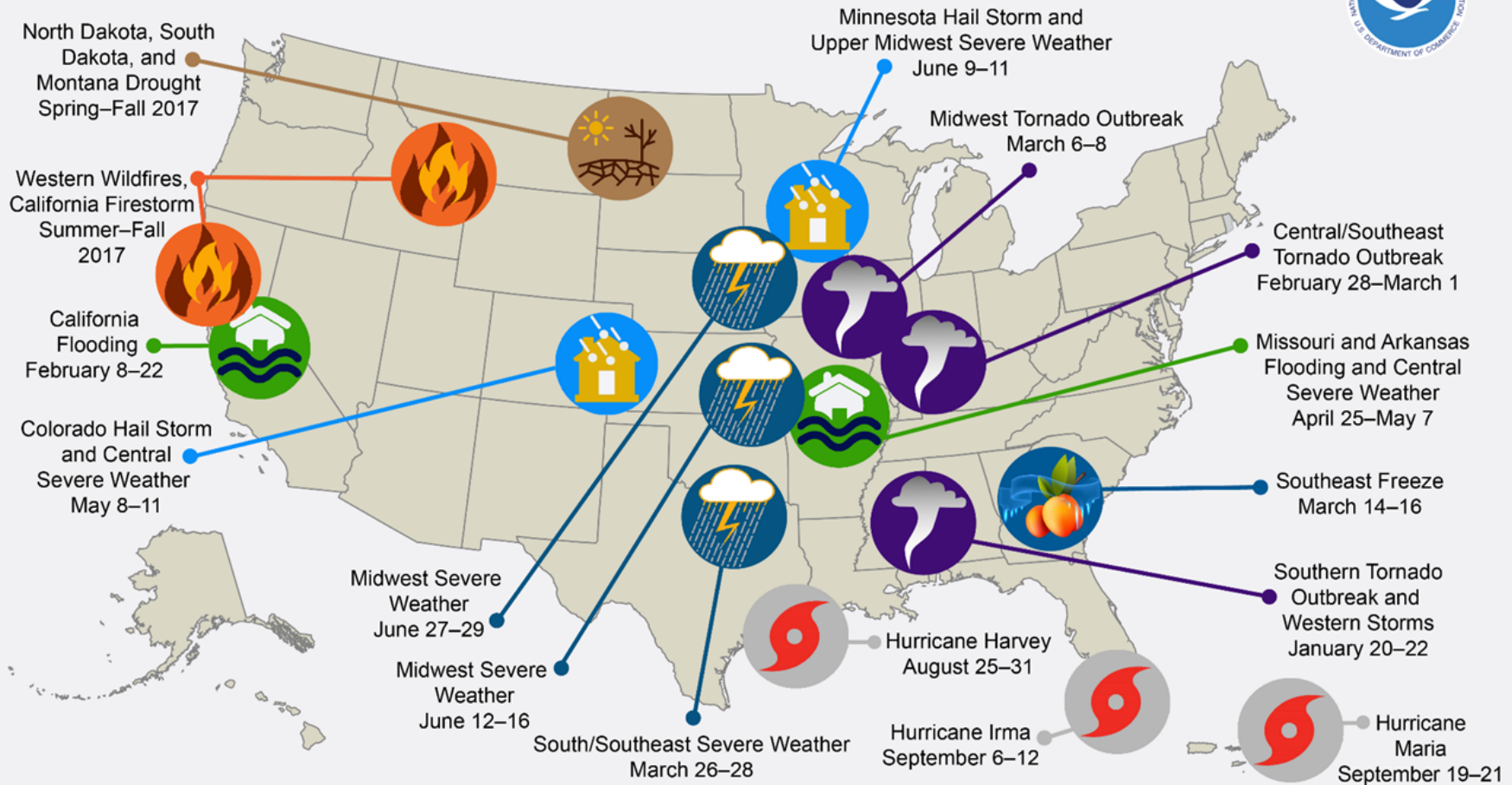
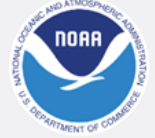
At least **20 utilities** are administering incentive programs specifically for CHP



Resiliency Issues are Increasing



U.S. 2017 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the 16 billion-dollar weather and climate disasters that impacted the United States during 2017.

Capstone vs. Bloom Technology Comparison



Technical Performances		Capstone Microturbines	Bloom Energy
System Designation	-	1 x C1000S	5 x Energy Server 5
Baseload Output	kW	1,000	1,000
System Efficiency (LHV)	%	70-85% (power and heat)	53-65% (power only)
Heat Rate	Btu/kWh	10,300	6,000
CO ₂ Emissions	lbs./MWh	625	679-833
Weight	Tons	27	63
Dimensions (W x D x H)	x'y"	9'9" x 30' x 13'11"	73'9" x 43'4" x 35'
Noise	dBA	< 85 @ 3.3 feet	< 70 @ 6 feet
Heat Recovery	kW	1,500	0
Inlet Fuel Pressure	psig	75-80	10-18

Capstone vs. Bloom Technology Comparison (cont.)



Operations		Capstone Microturbines	Bloom Energy
Fuel Flexibility	-	Natural gas, biogas, landfill gas, digester gas, sour gas, associated gas, LPG, propane, butane, liquid fuel, etc.	Natural gas, biogas (high sensitivity to sulfur in fuels)
Load Flexibility	-	High efficiency over wide operating range, part load power redundancy	High operating temperature requires long start-up times and limits load following applications
Annual Power Production	MWh	8,754	8,322
Annual Heat Production	MWh	13,130	0
Annual Fuel Consumption	MMbtu	90,200	49,900
Power Availability	-	99% availability	97% availability
Service Downtime	Day/Year	0.25	3
Product Life Expectancy	Years	20	10
Installation Base	MW	893 MW	328 MW

Reconciliation of Non-GAAP Financial Measure



Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA	Three months ended		
	December 31,	March 31,	December 31,
	2018	2018	2017
Net loss, as reported	\$ (3,450)	\$ (1,942)	\$ (323)
Interest expense	202	116	170
Provision for income taxes	—	11	—
Depreciation and amortization	388	315	271
EBITDA	\$ (2,860)	\$ (1,500)	\$ 118
Stock-based compensation	292	177	102
Restructuring charges	300	487	58
Change in warrant valuation	—	—	84
Leadership Incentive Program	—	981	—
Adjusted EBITDA	\$ (2,268)	\$ 145	\$ 362

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 one-time 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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