Capstone®
Turbine Corporation

Fourth Quarter & Fiscal Year 2019 Earnings Call
June 11, 2019

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

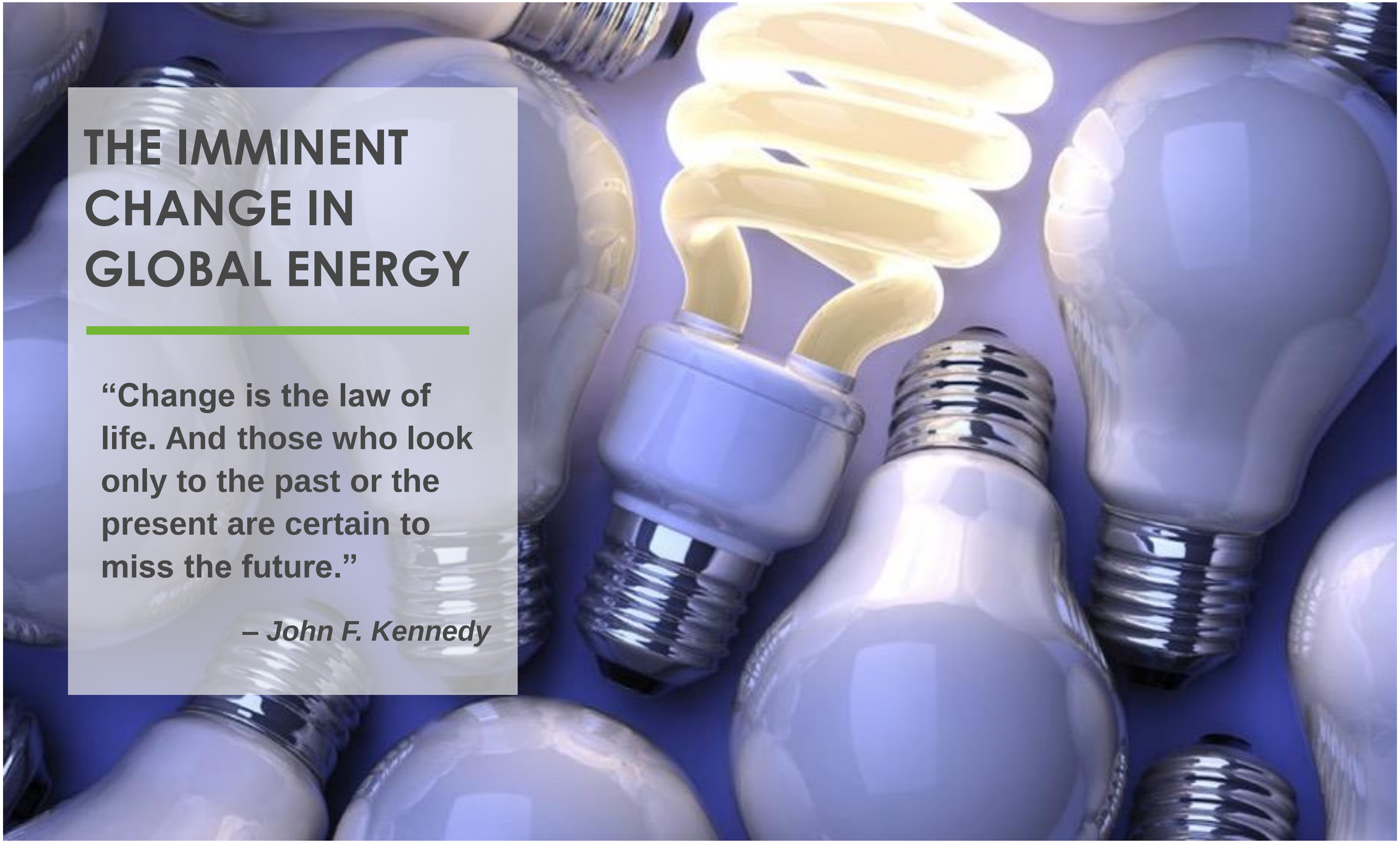
Safe Harbor

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

Q4 FY2019 Business Highlights

- Total revenue of $22.0 million for the fourth quarter, increased 4% year-over-year
- Quarterly product revenue increased 11% year-over-year
- Accessories, parts and service revenue increased 16% to $9.2 million in the fourth quarter, compared to $7.9 million in the third quarter
- New gross product orders were $18.0 million during the fourth quarter, a 17% year-over-year increase
- Book-to-bill ratio of 1.4:1 for the quarter
- Capstone shipped 11.8 megawatts across a diverse set of distributors in assorted geographies
- Capstone signed multiple FPP service contracts covering a combined total of 30.7 megawatts, **a record for the company**
- Operating expenses for the quarter were $6.3 million compared with $6.6 million in the year-ago fourth quarter, a decrease of $0.3 million
- Total cash and cash equivalents as of March 31, 2019, were $29.7 million, compared to $16.7 million as of December 31, 2018

Management Focused on Increasing High Margin Reoccurring Revenue Streams

FY2019 Highlights

- Capstone focused principally on **enterprise optimization**
  - ✓ Key directives included the Distributor Support System Program
  - ✓ Launching an expanded long-term rental fleet
  - ✓ Direct material cost reduction strategy
  - ✓ Additional lean manufacturing improvements
  - ✓ Expanded global parts remanufacturing program
- Secured business from 63 distributors in 41 different countries during fiscal 2019
- Russia sales increased 11% during fiscal 2019 over fiscal 2018

Continued Strong Execution of Management's Diversification Strategy

FY2019 Total Customer Benefits

ENERGY RESILIENCY

95.6% Global Availability in FY2019

CARBON SAVINGS

FY2019 350,000 Tons in Carbon Savings

FINANCIAL SAVINGS

$253 Million Saved in FY2019

DSS Program Funding & GESS Joint Marketing Supplementation

FY18 Marketing Funding
$0.2 million (A)

VS

FY20 Potential Marketing Funding
$2.5 million (E)

Near Term Target Model

(In millions)	New Annual Target Model	Initiatives and Strategies
Microturbine Product	$86.5	Oil & Gas and Biogas Markets
Accessories, Parts, & Service	$44.5	New FPP & Parts Pricing Plan
Total Annual Revenue	**$131.0**	Diversified Markets & Verticals
Cost of Good Sold	$92.6	Lower DMC on Higher Volumes
Gross Margin	**$38.2**	New Long-Term Rentals
Gross Margin Percent	29%	Aftermarket Margin to 50%
Total Operating Expenses	$27.3	Lean Manufacturing & SG&A
Adjusted EBITDA	**$13.2**	$643M in Federal NOLs

Adjusted EBITDA Grows to 10% of Revenue in Target Model

New Annual Target vs. FY2014 Actual – Business Comparison

(in millions)	New Annual Target	FY14 (A)	Y/Y $ ∆	Y/Y % ∆
Product Revenue	$ 86.5	$ 108.8	$ (22.3)	(20%)
Accessories, Parts & Service Revenue	44.4	24.3	20.1	83%
Revenue	**130.9**	**133.1**	**(2.2)**	**(2%)**
Direct Materials	74.5	83.4	8.9	11%
Warranty	2.6	3.9	1.3	33%
Royalties	0.2	2.9	2.7	93%
Manufacturing & Service costs	15.3	21.3	6.0	28%
Cost of Goods Sold	**92.6**	**111.5**	**18.9**	**17%**
Gross Margin	38.3	21.6	16.7	77%
Gross Margin %	**29%**	**16%**		
Product Development	3.6	9.0	5.4	60%
Selling, G&A	23.7	27.9	4.2	15%
Total Operating Expenses	27.3	36.9	9.6	26%
Operating Income (Loss)	**11.0**	**(15.3)**	**26.3**	**172%**
Adjusted EBITDA	**$ 13.2**	**$ (10.8)**	**$ 24.0**	**(222%)**

Near Term Profitability Model

OPEX RESTRUCTURING

~ $10M Annually
of Improved EBITDA

ENTERPRISE OPTIMIZATION

~ $7M Annually
of Improved EBITDA

RETURN TO GROWTH

~ $7M Annually
of Improved EBITDA

Adjusted EBITDA Grows from ($10.8M) to $13.2M in Profitability Model

Near Term Profitability Model

OPEX RESTRUCTURING

- Headcount reduction (approx. 240>155)
- Lower warranty expense
- Close 2 of 3 remote locations
- Facility consolidation (2>1)
- Eliminate UTC royalty fee
- Smaller Leadership Team
- Corporate services rationalization
- Capstone Field Service techs moved into distribution channel
- Move Applications Engineering into distribution channel
- Collect Russian receivable

Complete In process On hold

Operating Expenses Drop from 28% to 21% of Revenue in Profitability Model

Near Term Profitability Model

ENTERPRISE OPTIMIZATION

- New Distributor support fee of 2%
- New 3.6 MW long-term rental fleet
- Product remanufacturing program
- Lower direct material costs $3M annually
- New Russian and CIS market strategy
- Expanded parts remanufacturing program
- Lean manufacturing program
- Manufacturing core competencies focus
- Simplified / consolidated supplier / value chain
- Improved vendor payment terms
- Increased marketing and advertising spend
- Expand global B2B events and social media

Complete In process On hold

Gross Margins Grow from 16% to 29% of Revenue in Profitability Model

Near Term Profitability Model

RETURN TO GROWTH

- Expand into Africa, Latin America, Caribbean and the Middle East
- Increase Distributor Support fee to 3%
- New 30% spare parts price increase
- New 20% "loss of coverage" fee
- Expand 3.6 MW rental fleet to 10 MW
- Cut future product discounts in half
- Grow FPP contract revenue $2.0M Y/Y
- New Distributor Sales Manager position
- New National Sales Program
- Customer Retention/Referral Program
- New co-op sales program in U.S.
- New Marketing and Branding Program
- Expand global B2B events

Complete In process On hold

Revenue Grows from $83.4M to $131M in Near Term Profitability Model

FY2020 Strategic Business Goals

Improve Cash Flows

Quarterly working capital, cash flow, and balance sheet

- Collect 3% DSS funds
- Collect fully reserved Russian receivable
- Target SG&A of $6M per quarter
- Grow aftermarket margins to 50% with reman parts
- Lean manufacturing
- Lower DMC costs by $3M+ annually
- Improved vendor terms
- Facility rent ends in Sept.
- Increase inventory turns
- 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
- Leverage DSS program funds to help accelerate future product revenues and improve global brand
- Grow Rental program from 3.6 to 10 MWs in 18 months
- New IndyCar Sponsorship

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
- Grow Biogas and Renewable Natural Gas

Increase Absorption

Service/OpEx percentage to 100% absorption

- Continue to close large aftermarket service contracts
- Increased volume of remanufactured spare parts
- Expand UK facility into a remanufacturing hub
- 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

FY2019 Market Vertical & Geographic Diversification

3

Diversify the company into new market verticals and new geographies.

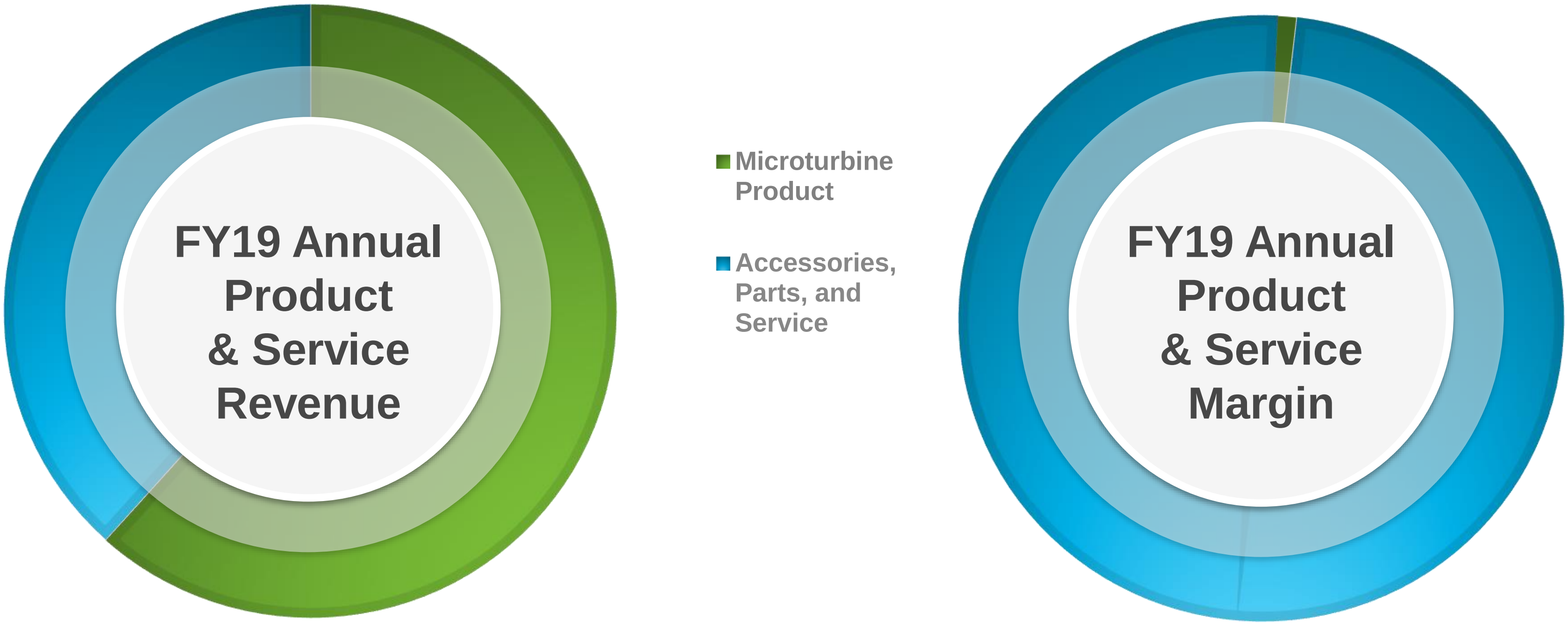
- During Fiscal Year 2019, we secured orders from 63 different distributors, representing 41 different countries.

63
Distributors

41
Countries

Service Driven Business Model

Clean, Efficient, and Reliable Energy Product and Service Enterprise



FY19 Capstone Aftermarket Service Business Was 38% of Revenue but 98% of Margin

Q4FY2019 vs. Q4FY2018 Financial Results

(In millions, except per share data)	Q4FY19	Q4FY18
Microturbine Product	$12.8	$11.5
Accessories, Parts & Service	$9.2	$9.6
Total Revenue	$22.0	$21.1
Gross Margin	$3.4	$4.8
Gross Margin Percent	15%	23%
R&D Expenses	$0.9	$0.8
SG&A Expenses	$5.4	$5.8
Total Operating Expenses	$6.3	$6.6
Net Loss	$(4.0)	$(1.9)
Adjusted EBITDA*	$(2.2)	$0.1
Basic Net Loss Per Share	$(0.06)	$(0.04)
Adjusted EBITDA* Basic Net Earnings (Loss) Per Share	$(0.03)	$0.00

*See Appendix, Slide 23

Q4FY2019 vs. Q3FY2019 Financial Results

(In millions, except per share data)	Q4FY19	Q3FY19
Microturbine Product	$12.8	$10.1
Accessories, Parts & Service	$9.2	$7.9
Total Revenue	$22.0	$18.0
Gross Margin	$3.4	$2.2
Gross Margin Percent	15%	12%
R&D Expenses	$0.9	$0.9
SG&A Expenses	$5.4	$4.6
Total Operating Expenses	$6.3	$5.5
Net Loss	$(4.0)	$(3.5)
Adjusted EBITDA*	$(2.2)	$(2.3)
Basic Net Loss Per Share	$(0.06)	$(0.05)
Adjusted EBITDA* Basic Net Earnings (Loss) Per Share	$(0.03)	$(0.03)

*See Appendix, Slide 23

FY2019 vs. FY2018

(In millions, except per share data)	FY2019	FY2018
Microturbine Product	$51.4	$50.8
Accessories, Parts & Service	$32.0	$32.0
Total Revenue	$83.4	$82.8
Gross Margin	$9.5	$15.0
Gross Margin Percent	11%	18%
R&D Expenses	$3.6	$4.0
SG&A Expenses	$21.0	$19.6
Total Operating Expenses	$24.6	$23.6
Net Loss	$(16.7)	$(10.0)
Adjusted EBITDA*	$(11.6)	$(5.2)
Basic Loss Per Share	$(0.25)	$(0.20)
Adjusted EBITDA* Basic Loss Per Share	$(0.17)	$(0.10)

*See Appendix, Slide 23

FY2019 total and product revenue up over FY2018

Q4/Q3 FY19 Balance Sheet

(In millions)	March 31, 2019	December 31, 2018
Cash & Cash Equivalents, Including Restricted Cash	$29.7	$16.7
Cash used in Operating Activities	$5.0	$0
Accounts Receivable, Net of Allowances	$16.2	$13.2
Total Inventories	$21.7	$19.5
Accounts Payable & Accrued Expenses	$16.6	$15.7

$30M Goldman Sachs Term Note Increases Financial Flexibility

ANALYST Q&A SESSION

APPENDIX

Fourth Quarter & Fiscal Year 2019 – Earnings Call
June 11, 2019

Reconciliation of Non-GAAP Financial Measure

Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA	Three months ended December 31,	Three months ended March 31,		Fiscal year ended March 31,	
	2018	2019	2018	2019	2018
Net loss, as reported	$ (3,450)	$ (3,954)	$ (1,942)	$ (16,659)	$ (10,025)
Interest expense	202	966	116	1,502	606
Provision for income taxes	—	3	11	8	18
Depreciation and amortization	388	304	315	1,261	1,170
EBITDA	(2,860)	(2,681)	(1,500)	(13,888)	(8,231)
Stock-based compensation	292	164	177	907	586
Restructuring charges	300	303	487	1,375	764
Leadership incentive program	—	—	981	981	981
Change in warrant valuation	—	—	—	—	741
Adjusted EBITDA	$ (2,268)	$ (2,214)	$ 145	$ (10,625)	$ (5,159)

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, leadership incentive program, 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. Leadership incentive program is the payout to the company's executive leadership team upon successfully reaching Adjusted EBITDA at the end of two consecutive quarters. This program was put into place only for fiscal 2018 and as such it is included in the Adjusted EBITDA items for this one-time program. 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.

For more information on Capstone Turbine Corporation please visit www.capstoneturbine.com

---

Follow Capstone twitter.com/CapstoneTurbine

Follow Capstone linkedin.com/company/34302/

Follow Darren Jamison, CEO twitter.com/darren_jamison

Follow Capstone youtube.com/CapstoneTurbine