Capstone® Turbine Corporation

INVESTOR RELATIONS PRESENTATION

NASDAQ: CPST | November 2019

Saving Money and 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.

Capstone Customer Benefits

DID YOU **KNOW?**

In **FY19**, Capstone customers benefited from:

- **95.6%** in Global Availability
- **350,000 Tons** in Carbon Savings
- **$253 Million** in Financial Savings

Energy Efficient Turbine Products

Capstone Turbine Advantages

FEATURES & BENEFITS

Inverter Based w/ One Moving Part
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

Potential Emissions Credits
Offset project costs

Capstone Growth Catalysts

- Focus on Reducing Costs
- Low Cost Natural Gas
- Microgrid Adoption
- Gas Flaring Regulations
- New Engine Emissions
- Green Building (LEED)
- Severe Weather
- Increasing Oil Prices
- Federal & State Subsidies
- Electrification

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 Provides Behind the Meter Distributed Energy Solutions

Planned Safety Power Shutdown Marketing Initiatives

Print Advertising
- Two ¼ page advertisements placed in the main sections of the "Sacramento Bee" Sunday and mid-week issues.
- Incoming leads/inquiries tracked with QR code and in-bound call metrics tracking software.

Social Media – Paid and Organic
- Targeted paid advertising on LinkedIn and Facebook – Focus on industrial/commercial customers by location.
- Organic (non-paid) advertising on all corporate accounts (Facebook, Twitter, LinkedIn, Instagram)

Custom Landing Page
- Custom landing page was created on corporate website to qualify and score incoming leads.
- All lead data is automatically entered and tracked in customer relationship management (CRM) system.

Strong Market Diversification

ENERGY EFFICIENCY	NATURAL RESOURCES	RENEWABLE ENERGY	CRITICAL POWER SUPPLY	MICROGRID/ZERO EMISSION SYSTEMS
APPLICATIONS INCLUDE:				
Large Retailers, Hospitality, Office Buildings, Recreation	**Oil & Gas, Land Rigs, Water Conversion, Gas Compression**	**Wastewater Treatment Plants, Farm Digesters, Landfills,Food Processing**	**Data Centers, Hospitals, Telecom, Power Rentals**	**Manufacturing, Retail, Hospitality, Data Center**
• SL Green Realty • Related Properties • Tishman Speyer • Brandywine • Capreit • Host Properties • Marriott • Wyndham • Woods Bagot	• Shell • EQT Corporation • XTO Energy • California Resource • Williams Company • Anadarko • Occidental • Pioneer • Pacific Resources	• Durango WWTP • Oneida WWTP • Dallas WWTP • Tuscany WWTP • Carmel WWTP • Great Neck WWTP • Taiwan Swine Farm • Malaysian Palm Oil Farms	• Intel Data Center • Kaiser Hospital • Kings County • Dryden Hospital • Auburn Hospital • Pertimina Hospital • Memorial Sloan Kettering • White Memorial	• Sierra Nevada • Philly Navy Shipyard • Stone Edge Farms • Open Access Tech • Goldwind, China • Gordon Bubolz • Plaza Extra • Mali, Africa • 247Solar • B+K

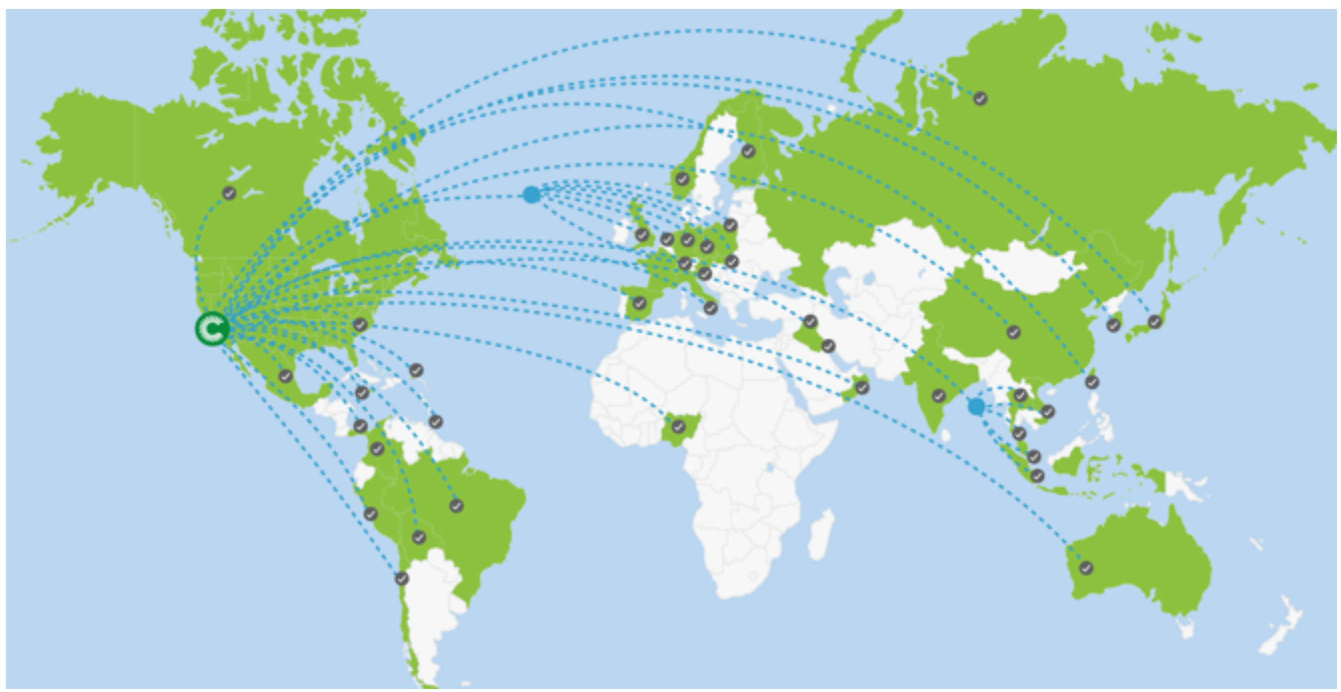
Strong Geographic Diversification

Company continues to diversify into new market verticals and new geographies.

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

63
Distributors

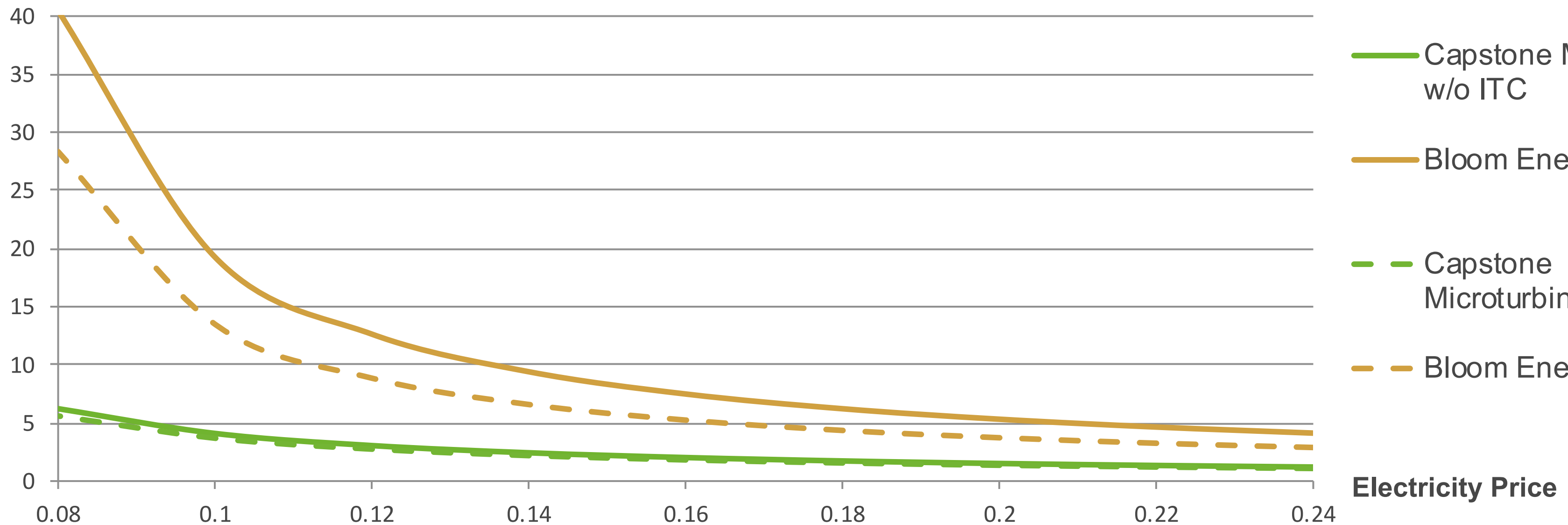
41
Countries



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 = 6.50 $/MMBtu



Source: EIA 12 month average industrial gas price $4.20
12 month average commercial gas price $8.10

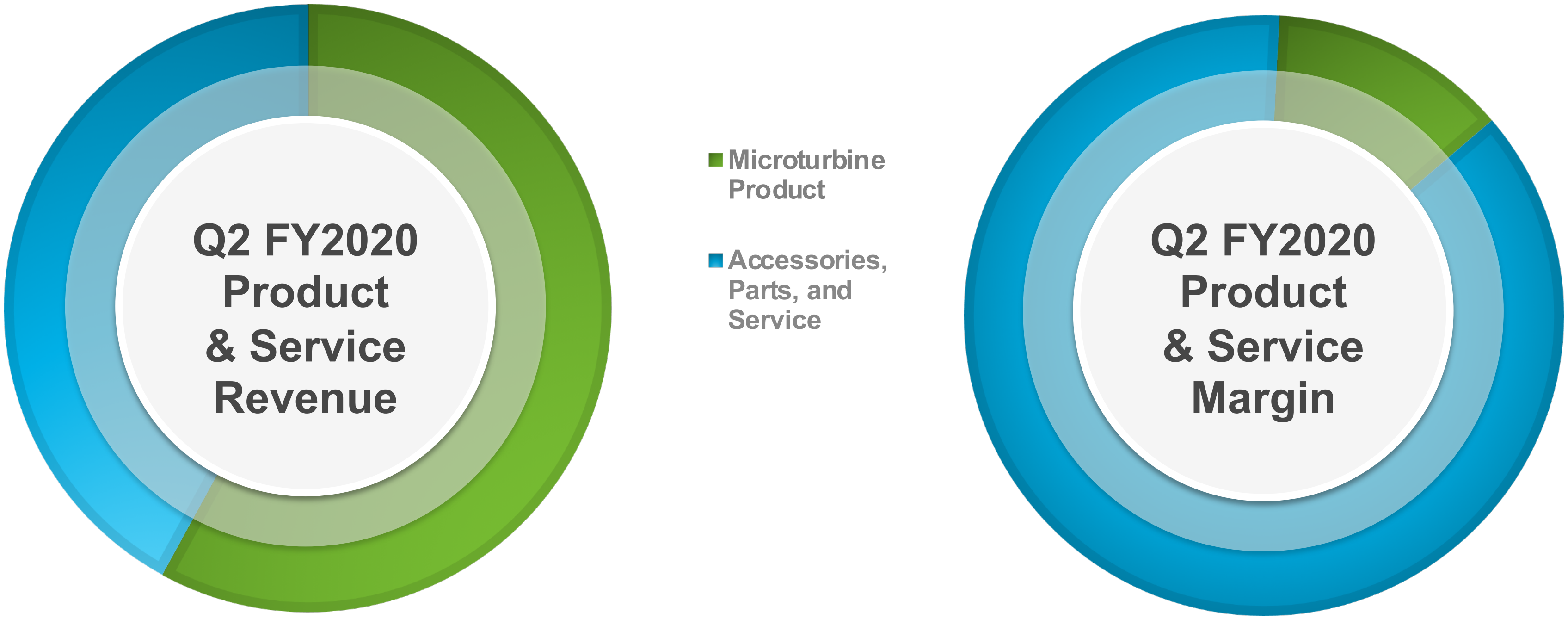
New Long-Term Rental Fleet

- Launched new long-term rental fleet late last year with 3.6 MWs in the Permian Shale Basin.
- Today we have executed rental agreements for 6.2 MWs vs. an initial management target plan of 10 MW.

Long-Term Rentals Provide Reoccurring Revenues and Higher Margins

Service Driven Business Model

Clean, Efficient, and Reliable Energy Product and Service Enterprise



Q2 FY2020 Capstone Aftermarket Service Business Was 42% of Revenue, But 87% of Margin

Aftermarket Business Initiatives

Vendor quality issue had significantly impacted both product aftermarket margins (*Warranty & FPP*)

- Warranty impact is now behind us with two consecutive quarters at ≈1% (*vs. >3% warranty expenses we had experienced*) since terminating this vendor and resolving this issue
- Expecting FPP impact will tail off during 2020, as field upgrade program is completed, driving increasing gross margins (*returning to and then exceeding levels of >40% seen in our EBITDA profitable quarters during FY18 Q3 & Q4*)

Capstone continues to reduce aftermarket costs with our Extensive Parts Remanufacturing (EPR) program (*>$15M since 2015*)

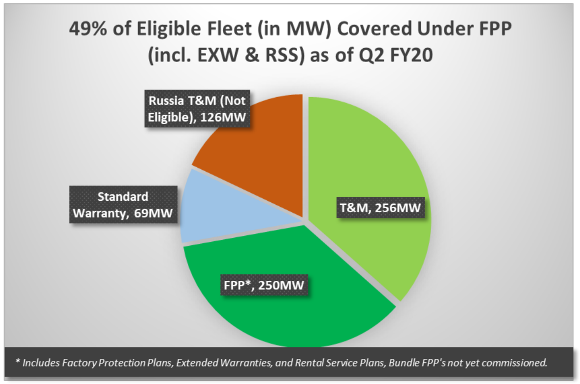
- United Kingdom facility upgrades expected to be completed and online by early 2020 enabling further remanufacturing & shipping cost reductions

Increasing Capstone Long-Term Rental program to a 15 MW target

- Use of both new and refurbished systems presents opportunity for even higher margin and free cash flow from this growing business segment

Expanding Factory Protection Plan (FPP) service contract attachment rates

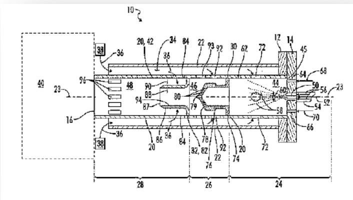
- 49% of eligible fleet now covered under FPP, continuing growth and expected to exceed 50% in the very near term
- Russian fleet remains primarily "cash up front" T&M for the foreseeable future



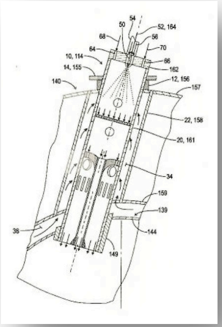
Aftermarket Business Continues to Anchor Sustainable Profitability Strategy

New Technology & Product Development

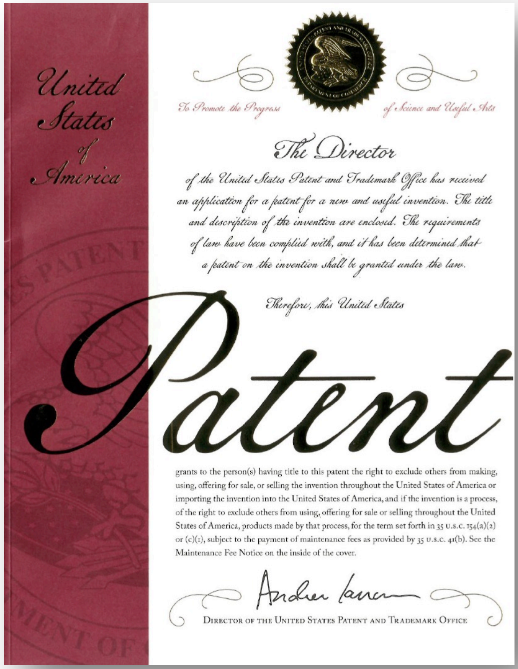
Capstone received two new patents by the U.S. Patent and Trademark Office



1. **Patent 10,184,664**, is for a multiple-fuel capable, pre-mixed, low emission injector for high flame speed fuel combustion.

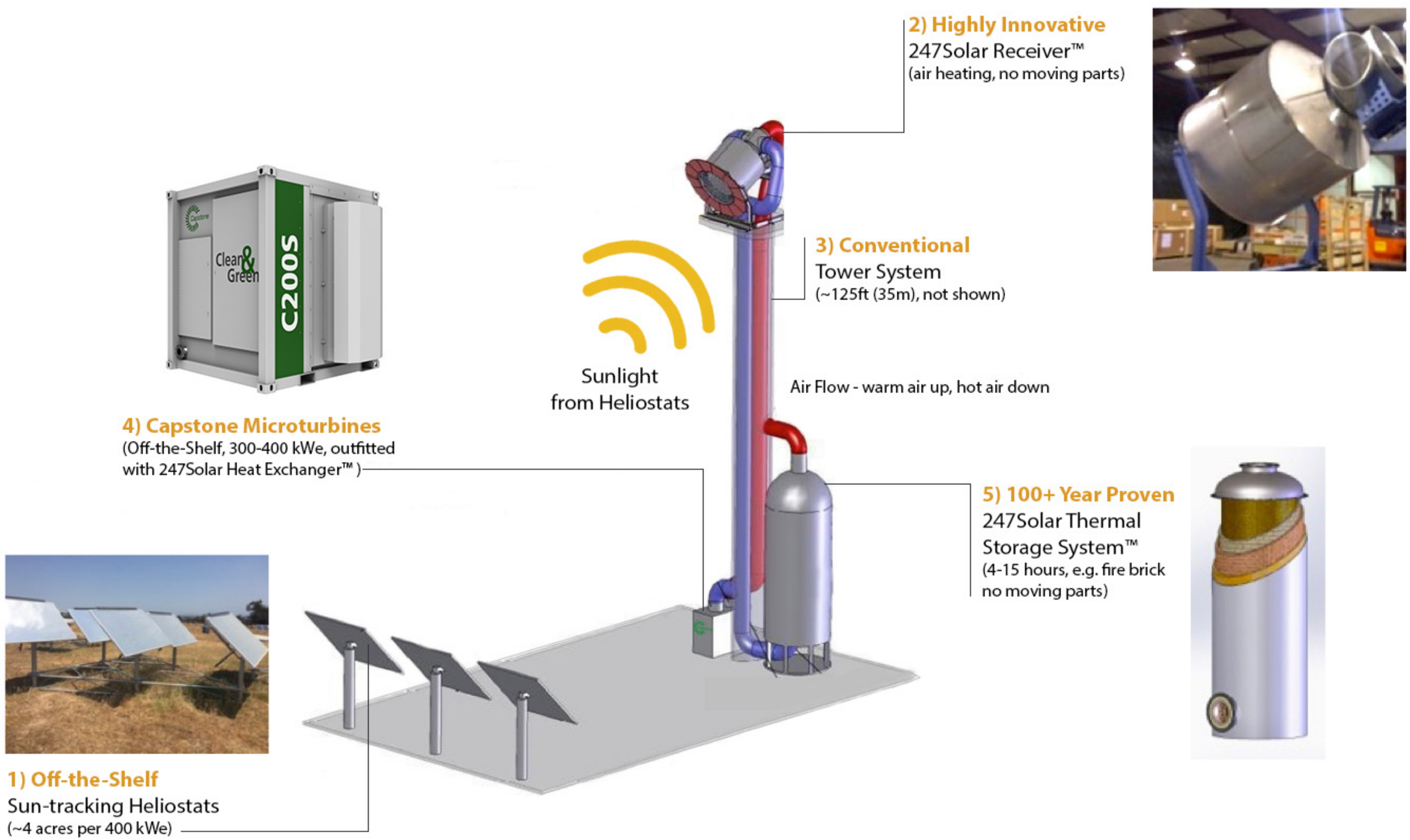


2. **Patent 10,197,282**, is for a multi-staged, lean pre-vaporizing, pre-mixing fuel injector providing ultra-low emissions that meet EPA Tier 4 requirements for power generation.



These two patents support Capstone's Technology Roadmap – Targeting the expansion of multiple fuels, including high flame speed fuels such as Hydrogen, while also maintaining Capstone's industry-leading low emissions

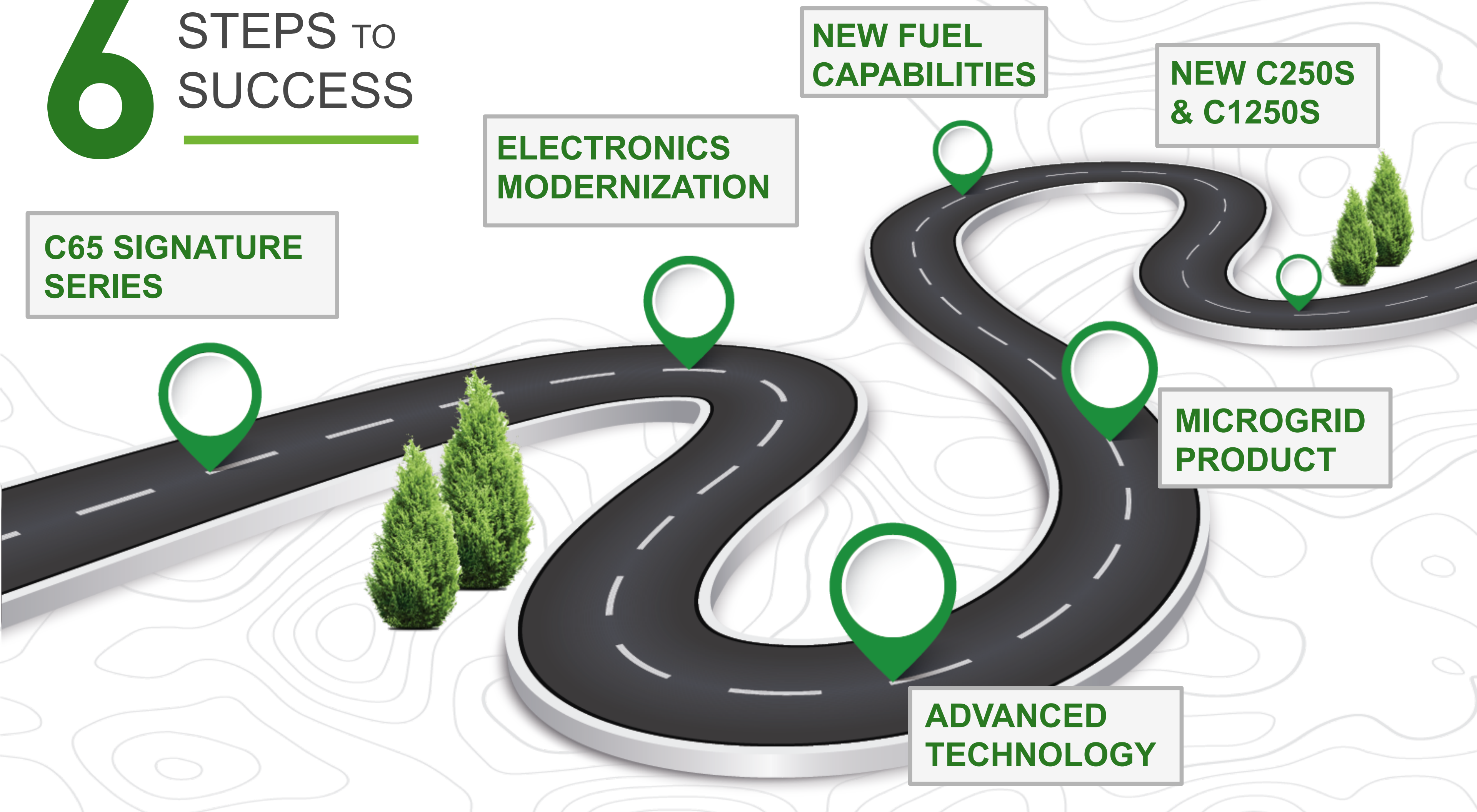
New 247Solar Partnership



An illustration of the pre-engineered 247Solar Plant, outfitted with Capstone microturbines.

New Technology Roadmap

6 STEPS TO SUCCESS



New Positive Adjusted EBITDA Initiative

- Lower quarterly operating expenses from an average of $6.5M to a range of $5.2M to $5.7M with a 10% headcount reduction, reduce travel, elimination of non-critical spend and leaner manufacturing.
- Reduce direct material costs $3M annually, improve product forecasting accuracies and operational flexibility.
- Cut annual R&D spend by approximately 15% and push out all non-essential product development.
- Expand long-term microturbine rental fleet from current 6.2 MW to 10 MW.
- Help key distributors achieve higher Factory Protection Plan (FPP) service contract attachment rates from 38% of 45%.
- Increase aftermarket spare parts margins.
- Continue to focus on improving product reliability and drive warranty expenses from approximately 3% down to 1.25%.
- Increase distributor management and push performance to produce near-term product backlog and revenue growth.
- Hire new salespeople for National Account development to drive incremental business for Capstone.

Three-Year Quarterly Adjusted EBITDA Trend

Quarter Ending *(In millions)*	**September 2018 Actual (Q2 FY19)**	**September 2019 Actual (Q2 FY20)**	**June 2020 Forecast (Q1 FY21)**
Product Revenue	$ 14.9	$ 12.0	$ 14.0
Accessories, Parts, Service, Rental & DSS Revenue	7.3	8.7	9.0
Total Revenue	$ 22.2	$ 20.7	$ 23.0
Product Margin	$ 0.3	$ 0.4	$ 1.3
Accessories, Parts, Service, Rental & DSS Margin	1.7	2.7	4.1
Total Gross Margin	$ 2.0	$ 3.1	$ 5.4
Operating Expenses	$ 6.2	$ 6.4	$ 5.7
Adjusted EBITDA	**$ (3.3)**	**$ (2.2)**	**$ 0.2**
Product Margin %	2%	3%	9%
Accessories, Parts, Service, Rental & DSS Margin %	23%	31%	46%
Total Margin %	**9%**	**15%**	**23.5%**

Product margin driven by lower warranty costs, reduced discounting and lower DMC.

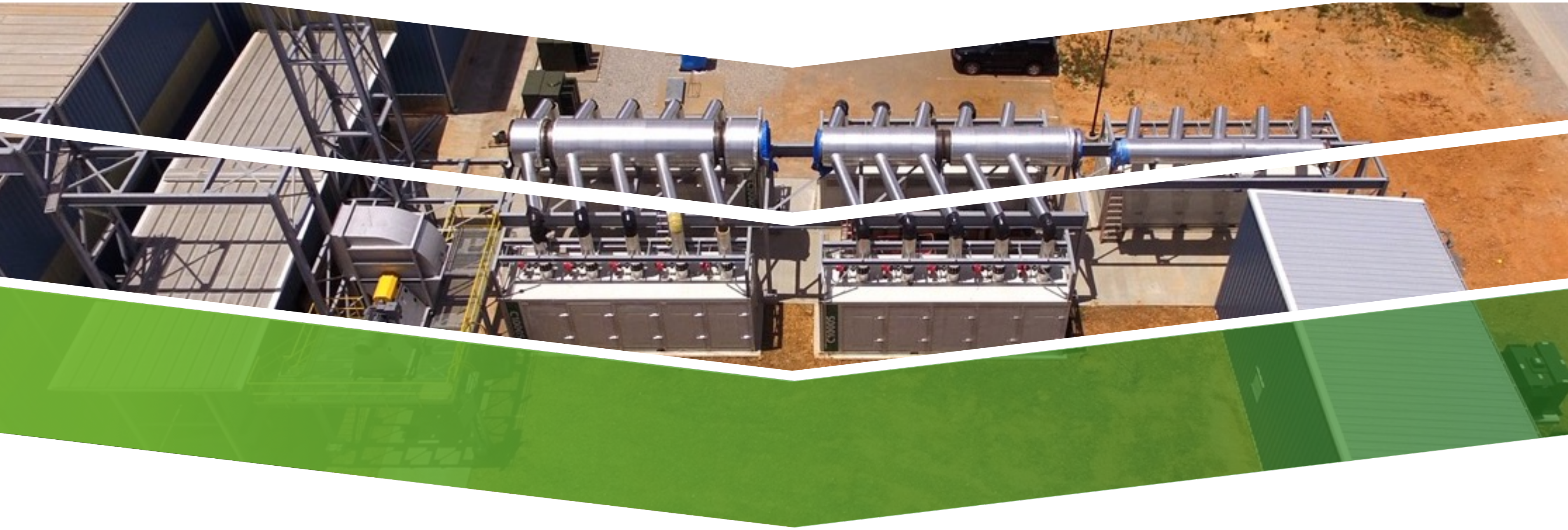
A/P/S, Rental & DSS margin improves from the lower impact of supplier quality parts issue, increased remanufactured parts capacity, new 10 MW long-term rental fleet and expanded factory protection plan (FPP) attachment rates.

Near-Term Target Model

(In millions)	New Annual Target Model	Initiatives & 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

Q&A SESSION



APPENDIX

Q2 FY2020 Business Highlights

- Total revenue for the second quarter was $20.7 million, an increase of $1.5 million, or 8% sequentially, from $19.2 million in the previous quarter.
- Product revenue grew 19% sequentially to $12.0 million in the second quarter.
- New gross product book-to-bill ratio was 1.0:1 for the second quarter of fiscal 2020, up from 0.7:1 in the year-ago quarter.
- Rental fleet revenue grew 52% sequentially and this high margin long-term rental fleet now stands at 6.2 megawatts (MW).
- Total gross margin increased $1.1 million, or 55%, to $3.1 million compared to $2.0 million in the year-ago quarter despite lower total revenues.
- Gross margin percentage expanded by 67% to 15% from 9% in the year-ago quarter but was flat on a sequential basis because of business mix.
- Adjusted EBITDA loss improved to $2.2 million, a decrease of $1.2 million, or 35% sequentially, from $3.4 million in the previous quarter.
- Net loss improved $1.2 million on a sequential basis.

Q2 Shows Progress Against Strategic Business Initiatives

Q2 FY2020 vs. Q2 FY2019 Financial Results

(In millions)	Q2 FY20	Q2 FY19
Microturbine Product	$12.0	$14.9
Accessories, Parts & Service	$8.7	$7.3
Total Revenue	$20.7	$22.2
Gross Margin	$3.1	$2.0
Gross Margin Percent	**15%**	**9%**
R&D Expenses	$0.9	$0.9
SG&A Expenses	$5.5	$5.3
Total Operating Expenses	$6.4	$6.2
Net Loss	$(4.4)	$(4.4)
Adjusted EBITDA*	**$(2.2)**	**$(3.3)**

*See Appendix, Slide 28

Q2 FY2020 vs. Q1 FY2020 Financial Results

(In millions)	Q2 FY20	Q1 FY20
Microturbine Product	$12.0	$10.1
Accessories, Parts & Service	$8.7	$9.1
Total Revenue	$20.7	$19.2
Gross Margin	$3.1	$2.9
Gross Margin Percent	**15%**	**15%**
R&D Expenses	$0.9	$0.9
SG&A Expenses	$5.5	$6.2
Total Operating Expenses	$6.4	$7.1
Net Loss	$(4.4)	$(5.6)
Adjusted EBITDA*	**$(2.2)**	**$(3.4)**

*See Appendix, Slide 28

Q2 FY2020/Q1 FY2020
Balance Sheet

(In millions)	September 30, 2019	June 30, 2019
Cash & Cash Equivalents	$20.9	$24.6
Cash Used in Operating Activities	$6.3	$5.2
Accounts Receivable, Net of Allowances	$18.1	$14.8
Total Inventories	$21.3	$21.9
Accounts Payable & Accrued Expenses	$15.9	$15.3

$30M Goldman Sachs 3-Year Term Note Increases Financial Flexibility

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%)**

Reconciliation of Non-GAAP Financial Measure

Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA (In thousands)	Three months ended September 30,		Six months ended September 30,	
	2019	**2018**	**2019**	**2018**
Net loss, as reported	$ (4,448)	$ (4,357)	$ (10,041)	$ (9,255)
Interest expense	1,287	186	2,563	304
Provision for income taxes	—	2	8	5
Depreciation and amortization	443	281	816	568
EBITDA	(2,718)	(3,888)	(6,654)	(8,378)
Stock-based compensation	104	224	366	451
Restructuring charges	370	369	670	772
Adjusted EBITDA	$ (2,244)	$ (3,295)	$ (5,618)	$ (7,155)

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. 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

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