



INVESTOR RELATIONS PRESENTATION

NASDAQ: CPST | December 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.

Changing Energy Markets



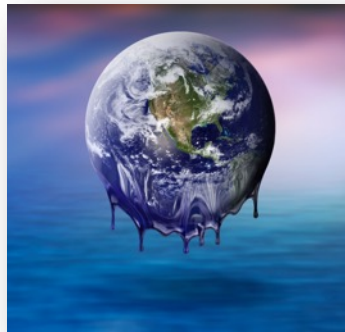
The Imminent Change

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

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

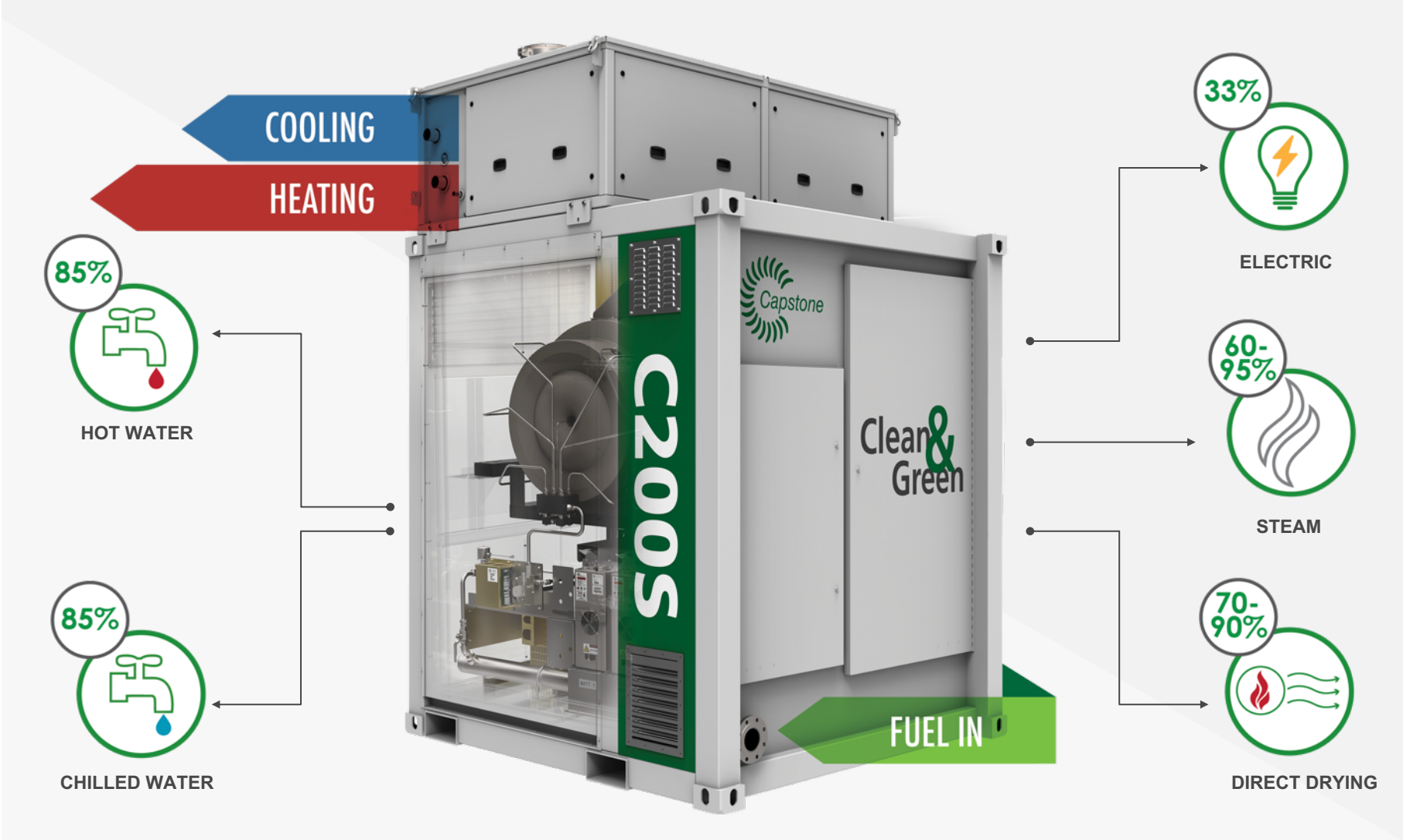


Potential Emissions Credits

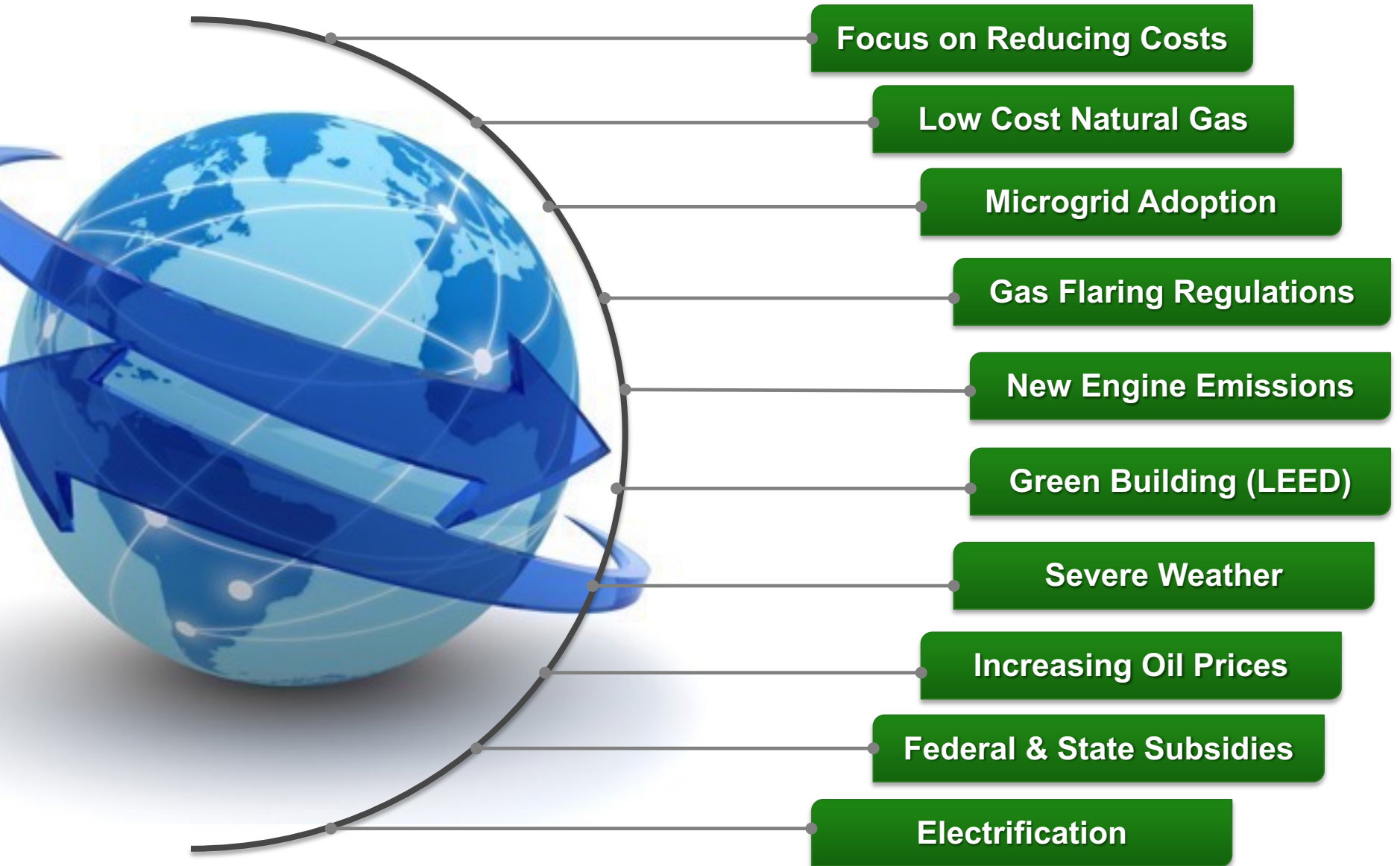
Offset project costs



Energy Efficient Turbine Products



Capstone Growth Catalysts



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



Planned Safety Power Shutdown Marketing Initiatives



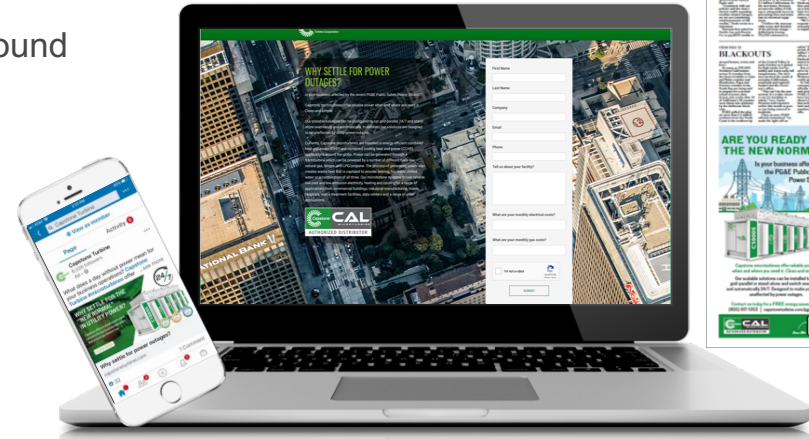
Print Advertising

- 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.



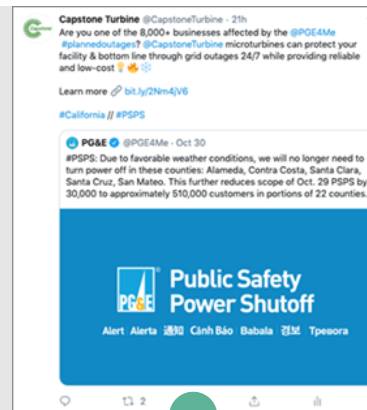
Social Media – Paid and Organic

- 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.



New Long-Term Rental Fleet



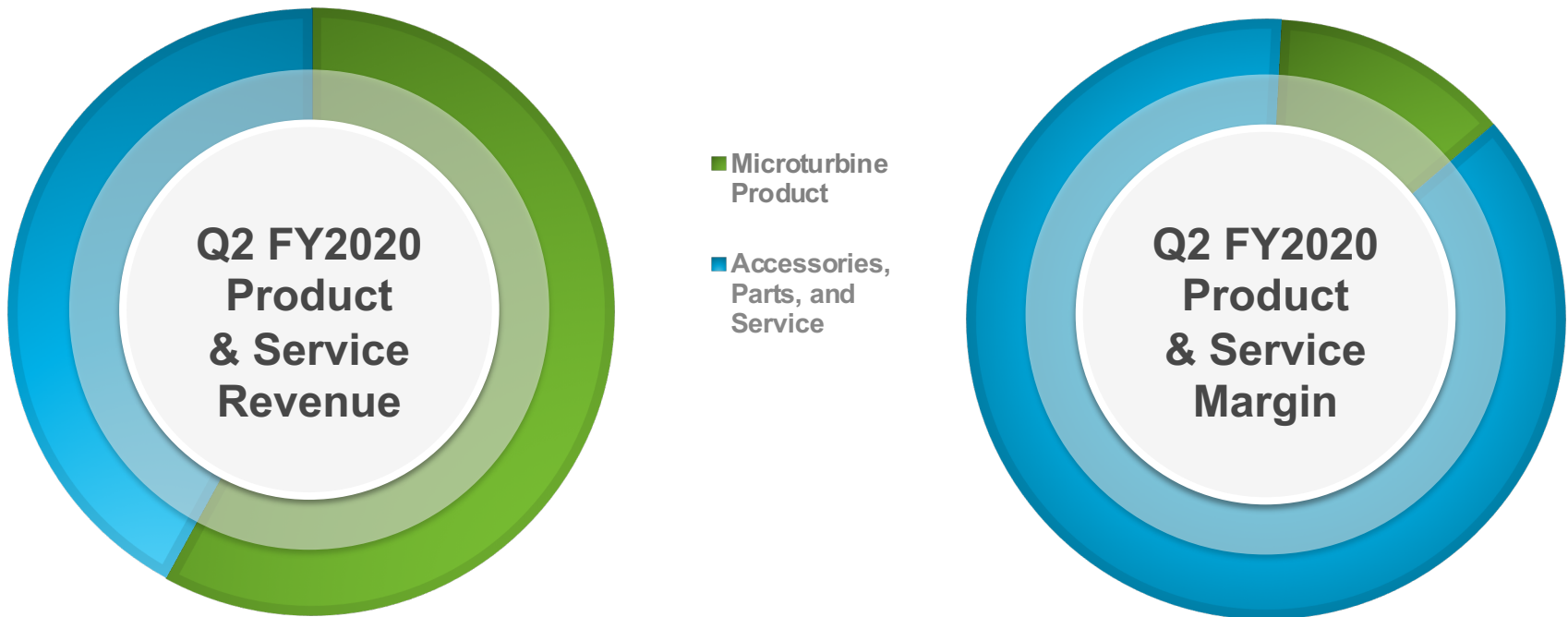
- Launched new long-term rental fleet late last year with 3.6 MWs in the Permian Shale Basin.
- Today we have executed rental agreements for 6.2 MWs vs. an initial management target plan of 10 MW.



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

New Technology Roadmap



6

STEPS TO
SUCCESS

C65 SIGNATURE
SERIES

ELECTRONICS
MODERNIZATION

HYDROGEN
CAPABILITIES

NEW C250S
& C1250S

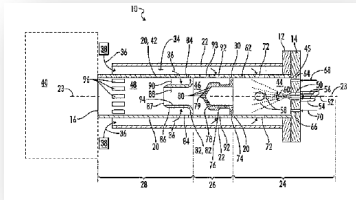
MICROGRID
PRODUCTS

RENEWABLE
TECHNOLOGY

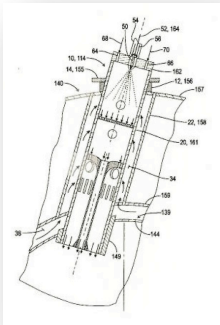
New Technology & Product Development



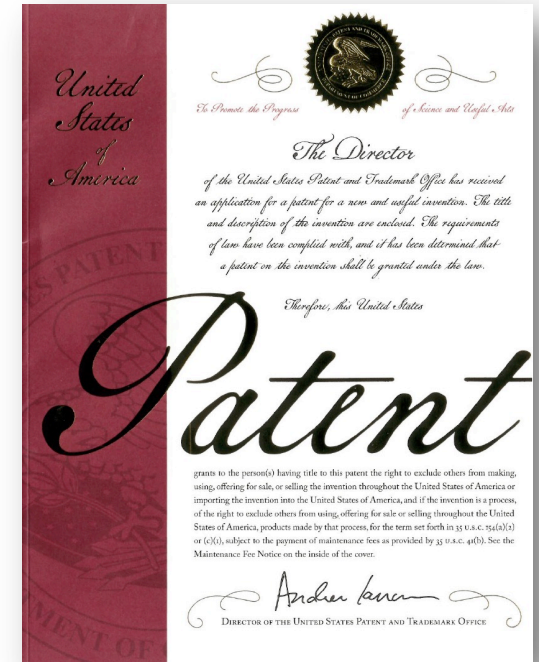
Capstone received two new patents by the U.S. Patent and Trademark Office



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 100% Renewable Products



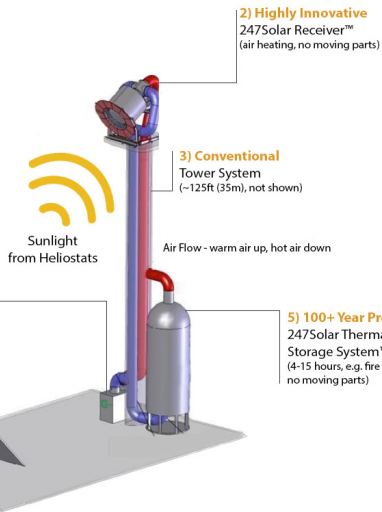
247SOLAR



4) Capstone Microturbines
(Off-the-Shelf, 300-400 kW_e, outfitted with 247Solar Heat Exchanger™)



1) Off-the-Shelf
Sun-tracking Heliostats
(~4 acres per 400 kW_e)

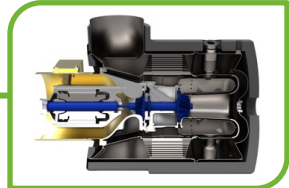


An illustration of the pre-engineered 247Solar Plant, outfitted with Capstone microturbines.

Another 100% renewable project is with a German company, B+K, that is using wood waste to generate superheated air and also expanding it across the Capstone microturbine. B+K has been operating a Capstone powered pilot project for more than a year and is moving into commercial sales, with several projects planned in 2020.

100% renewable project with new customer, 247Solar, together we are installing a solar-powered microturbine at a test site in Morocco using concentrated solar energy to expand superheated air across the Capstone microturbine to generate 100% renewable power with our microturbines. Once completed, 247Solar has a host of additional opportunities.

B+K



An illustration of the pre-engineered ClinX CHP solution, outfitted with Capstone microturbine

New Renewable Fuels



HYDROGEN



Capstone will soon offer renewable power with the use of hydrogen in our product line of microturbines as a fuel source. Today we have operated on a blend of natural gas and hydrogen, and we have a plan to release a commercial 100% hydrogen fuel capable microturbine over the next couple of years.



METHANOL



Capstone has worked with a Swiss company for years, operating a C30 on methanol. We just completed a multi-year test program, and together we are exploring the use of our full line of turbines as they move from the product development into the commercial deployment phase.

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.

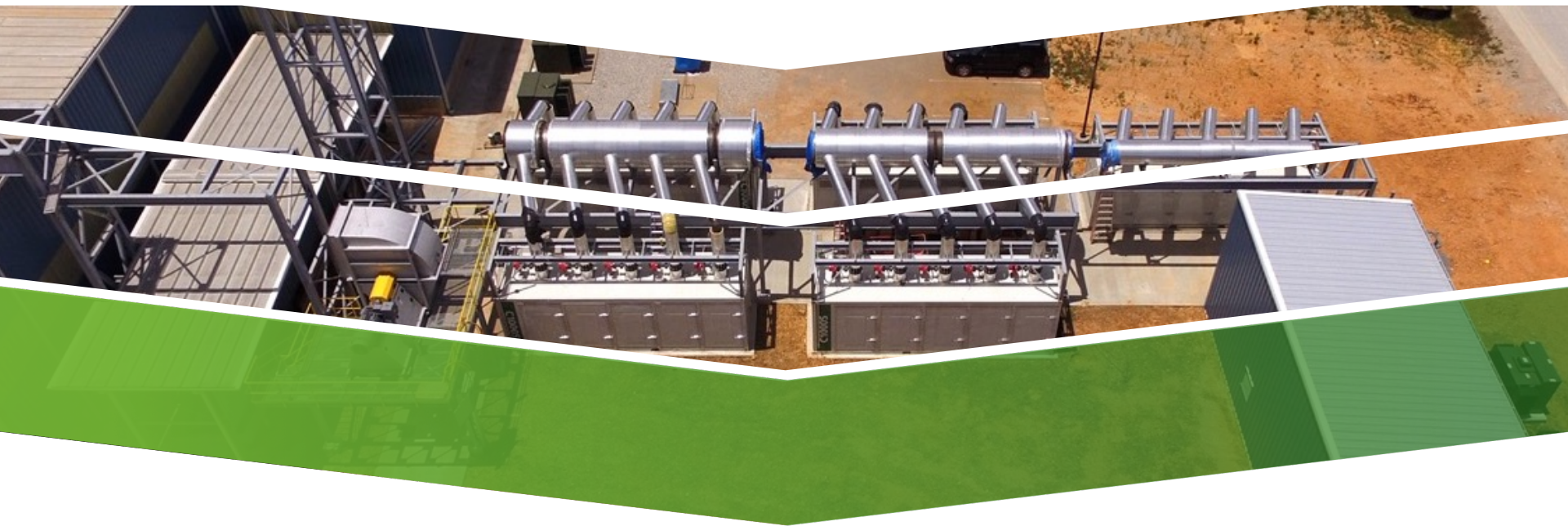
New Annual Target vs. FY2014 Actual – Business Comparison



<i>(in millions)</i>	New Annual Target	FY14 (A)	Y/Y \$ Δ	Y/Y % Δ
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%)



Q&A SESSION



APPENDIX

Strong Market Diversification



ENERGY EFFICIENCY



NATURAL RESOURCES



RENEWABLE ENERGY



CRITICAL POWER SUPPLY



MICROGRID/ZERO EMISSION 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
- 247Solar
- B+K

Strong Geographic Diversification

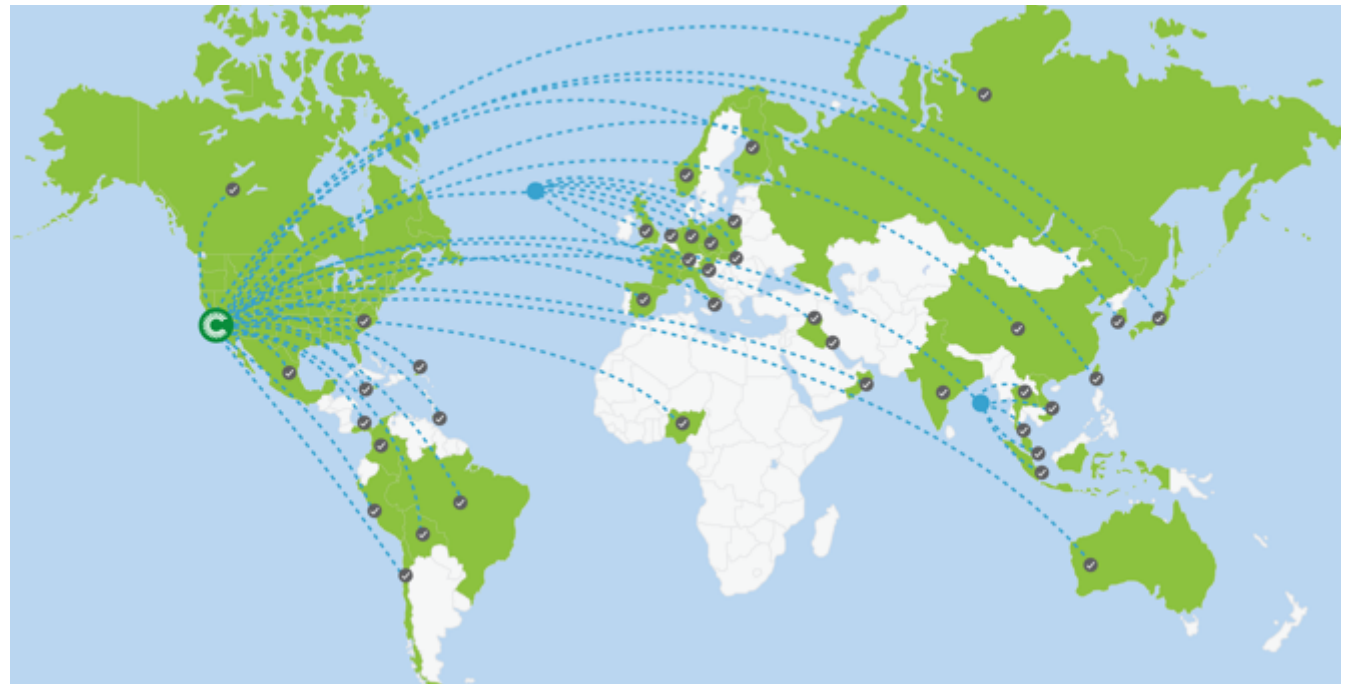


Company continues to diversify into new market verticals and new geographies.

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

63
Distributors

41
Countries

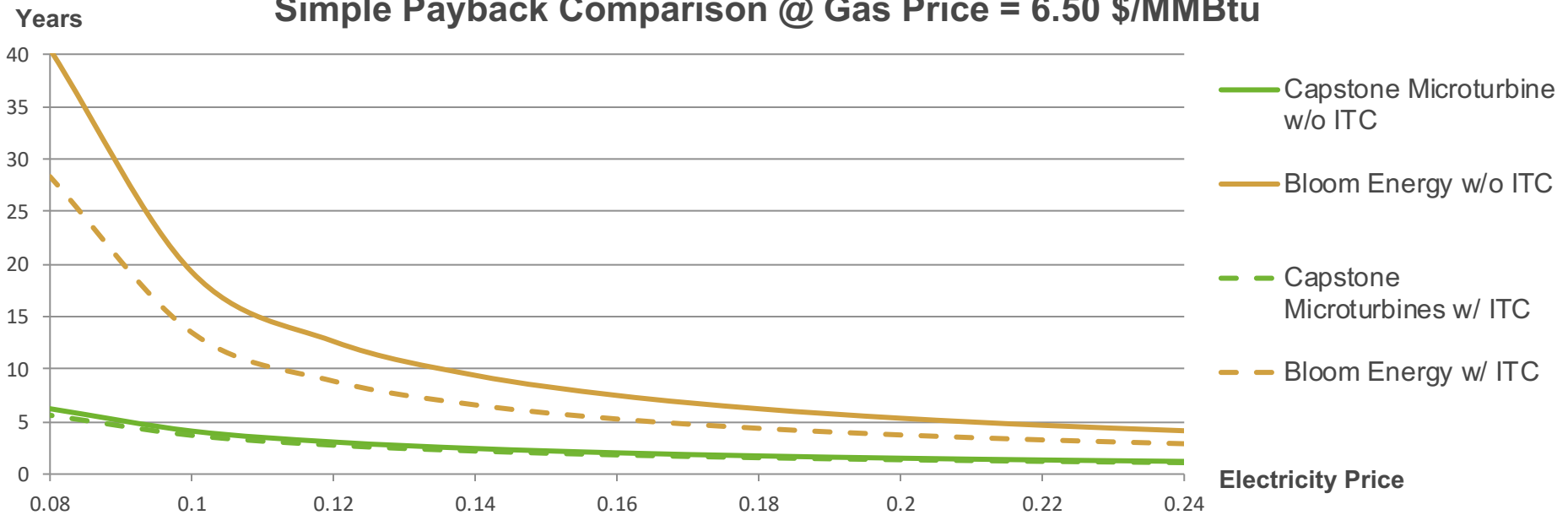


Sample Customer Economics



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

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 FY2020 vs. Q2 FY2019 Financial Results



<i>(In millions)</i>	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 29

Q2 FY2020 vs. Q1 FY2020 Financial Results



<i>(In millions)</i>	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 29

Q2 FY2020/Q1 FY2020 Balance Sheet



<i>(In millions)</i>	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

Leadership Team



Darren Jamison

President & Chief Executive Officer



Eric Hencken III

*Interim Chief Financial Officer
& Chief Accounting Officer*



James Crouse

Chief Revenue Officer



Jeff Foster

*Senior Vice President of
Customer Service & Product
Development*



Kirk Petty

*Senior Vice President
of Manufacturing*



Jennifer Derstine

*Vice President of Marketing
& Distribution*

Board of Directors



**HOLLY
VAN DEURSEN**

- Independent director for companies in the chemical, industrial and contract manufacturing sectors; previously a director for companies in the oilfield services and packaging sectors
- Group Vice President, Petrochemicals and Group Vice President, Strategy for BP plc/Amoco Corporation, a \$250 billion oil, gas, and energy company, through 2005
- Executive roles with BP/Amoco in business management, business development and mergers & acquisitions, residing in North America, Asia and Europe

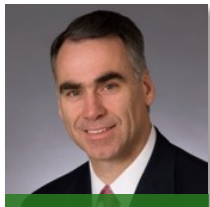
*Chair of the Board
Member of the Audit Committee*



**PAUL
DEWESE**

- Managing Director, Echo Holdings, LLC, advisory services for M&A in oil and gas since 2019
- Chief Executive Officer, Boomerang Tube, LLC, a supplier of steel pipes and services for the energy industry 2018-2019
- Chief Executive Officer, Epic Industrial Solutions, LLC, provider of parts and services for industrial engines and compressors in the oil, gas and industrial markets 2015-2018
- Chief Executive Officer, Southwest Oilfield Products, Inc., an aftermarket supplier for drilling rigs 2012-2015

Chair of Nominating and Corporate Governance Committee



**ROBERT
FLEXON**

- President and Chief Executive Officer, Dynegy Inc., an independent power producer and electricity marketer 2011-2018
- Chief Financial Officer of UGI Corporation, a distributor and marketer of energy products and services in 2011; and Chief Financial Officer then Chief Operating Officer of NRG Energy, Inc., a power generation and electricity marketer 2004-2009
- Chief Executive Officer of Foster Wheeler, a Swiss global engineering conglomerate 2009-2010

*Member of Audit Committee
Member of the Compensation Committee*



**DARREN
JAMISON**

- President and Chief Executive Officer, Capstone Turbine Corporation since 2006
- President and Chief Operating Officer for Northern Power Systems, Inc., a company that designs, manufactures and sells wind turbines into the global marketplace 2003-2006
- Vice President and General Manager of Distributed Energy Solutions for Stewart & Stevenson Services, Inc., a leading designer, manufacturer and marketer of specialized engine-driven power generation equipment to the oil and gas, renewable and energy efficiency markets 1996-2003



**YON
JORDEN**

- Previously an independent director for Maxwell Technologies, Magnetek Incorporated, Bioscrip Incorporated, and U.S. Oncology Corporation, companies in energy, automation and healthcare industries
- Chair of Audit, Compensation, or Nominating & Governance Committee for a number of Boards
- Chief Financial Officer of four publicly traded companies, including AdvancePCS, Informix Corporation, Oxford Health Plans, Inc., and WellPoint, Inc. through 2004

*Chair of the Audit Committee
Member of the Compensation Committee*



**GARY
MAYO**

- Managing Principal of Sustainability Excellence Associates, LLC, a consulting firm specializing in strategic planning for sustainability and environment 2009-2016
- Vice President, Corporate Sustainability Strategies, MGM Resorts International, one of the world's leading global hospitality companies 2006-2008
- Leadership roles with Ford Motor Company and Visteon Corporation, including Director of Distributed Power Generation and Director of Government Affairs and Corporate Responsibility

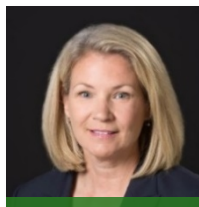
*Chair of the Compensation Committee
Member of Nominating and Corporate Governance Committee*



**ROBERT
POWELSON**

- President and Chief Executive Officer, National Association of Water Companies since 2018
- Commissioner for the Federal Energy Regulatory Commission 2017-2018
- Served on the Pennsylvania Public Utility Commission 2008-2017, as Chair 2011-2015, and on Pennsylvania's Marcellus Shale Advisory Commission 2011
- President of the National Association of Regulatory Utility Commissioners, 2011-2017

Member of Nominating and Corporate Governance Committee



**DENISE
WILSON**

- Executive Vice President and President, New Business, for NRG Energy, Inc., a Fortune 500 company that generates electricity and provides energy solutions and natural gas to its customers 2011-2016
- Executive Vice President & Chief Administrative Officer for NRG Energy 2006-2011
- Executive leadership roles in human resources for Nash-Finch Company, Metris Companies, Inc. and General Electric

*Member of Nominating and Corporate Governance Committee
Member of Compensation Committee*

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 www.capstoneturbine.com please visit www.capstoneturbine.com

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