Capstone Turbine Corporation

THIRD QUARTER FISCAL 2020

Earnings Call | February 6, 2020

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.

Positive Adjusted EBITDA Initiative

- Lower quarterly operating expenses from an average of $6.5M to a range of $5.2M to $5.7M
- Reduce direct material costs $3M annually
- Cut annual R&D spend by approximately 15%, delaying all non-essential product development
- Expand long-term microturbine rental fleet from current 7 MW up to 10 MW
- Increase aftermarket spare parts margins with newly upgraded United Kingdom Integrated Remanufacturing Facility (IRF)
- Help key distributors achieve higher Factory Protection Plan (FPP) service contract attachment rates from 38% of 45%
- Continue to focus on improving product reliability and drive warranty expenses from approximately 3% down to 1%
- Increase distributor management and push performance to produce near-term product backlog and revenue growth
- Hire additional salespeople for National Account development to drive incremental business for Capstone

Strengthening Aftermarket

Aftermarket is now composed of a healthy mix of offerings with both stable recurring revenue and higher margins

- FY20 is the culmination of a multi-year aftermarket strategic plan
- Positions Capstone for profitable growth beginning in FY21

Factory Protection Plan (FPP) long-term service contracts

- FPP Backlog hits a record $83.7M on December 31, 2019
- 54% of eligible fleet (265 MW) now covered under FPP

Strong OEM parts business with healthy margins

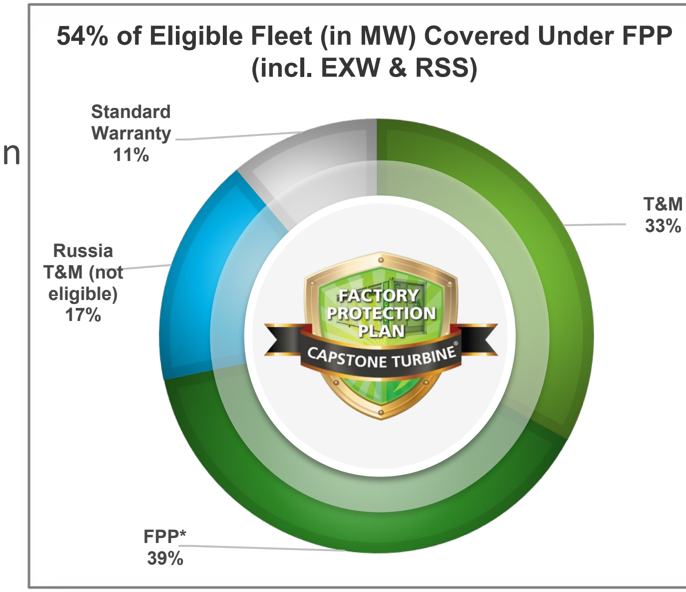
- $10.8M shipped YTD with >50% gross margin
- Annual spare parts price increase

Growing long-term rental business with healthy margins

- 13% Q/Q growth with >50% gross margin
- Expands to 7MW vs. a target of 10MW

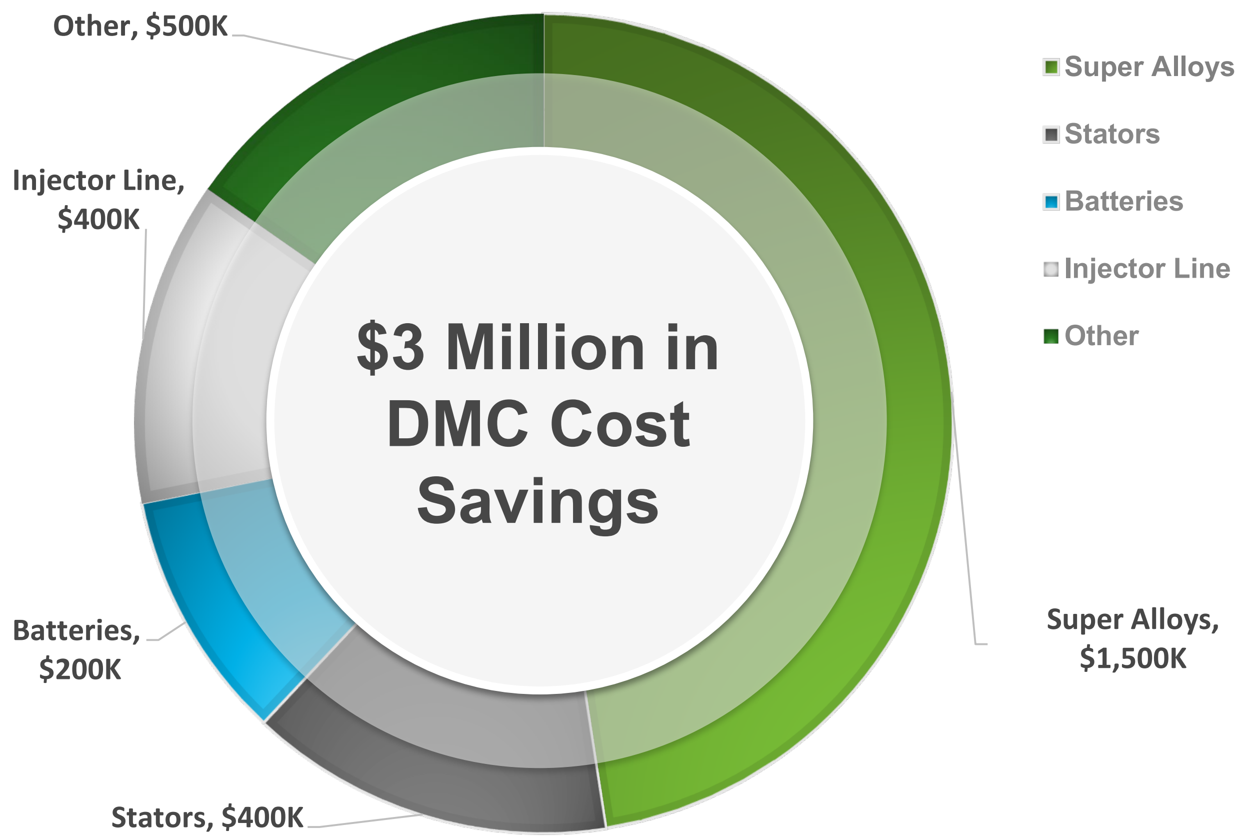
United Kingdom Integrated Remanufacturing Facility (IRF) ribbon cutting completed in December 2019

- Full Grid Connect test capability on schedule for early 2020
- Average 40% cost reduction using remanufactured parts for FPP
- Drives continued margin expansion of Capstone's aftermarket service business



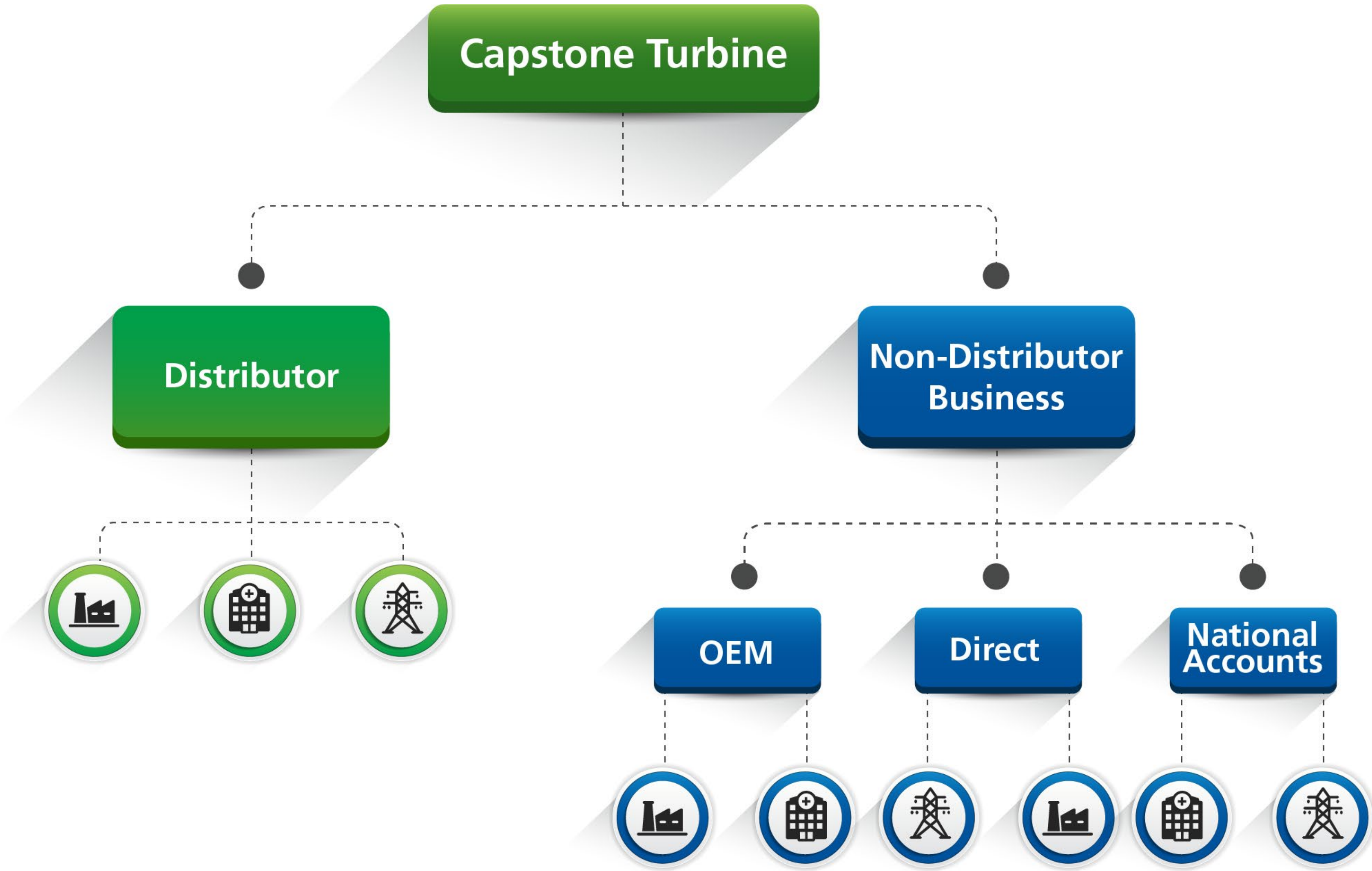
Aftermarket Business Continues to Anchor Sustainable Profitability Strategy

DMC Cost Savings, Annualized



$3 Million in DMC Savings Supports Improved Product & Aftermarket Margins

New Product Growth Strategy



New Sales Focus on OEMs, Direct Business & National Accounts

Revenue Growth Strategy

OEM, Direct Sales, National Accounts, Expanded Product Portfolio, New Product Partnerships, Rentals, 247 Solar, B+K

Implementation of Target Pricing Programs for key National Accounts, OEMs

Expanded Distribution in new geographies like Eastern Europe, Africa and the Middle East

Product + Service
Product + Accessories + Service Installation +
Product + Accessories + Service

Customized products by market with matched marketing campaigns. Improved targeted marketing and branding strategy. Maximize marketing IRR

Improving C200/C1000 product performance by June with new parts suppliers replacing legacy supplier with poor manufacturing quality. Improving reliability, lower Warranty and FPP costs.

Three-Year Quarterly Adjusted EBITDA Trend

Quarter Ending *(In millions)*	June 2019 Actual (Q1 FY20)	December 2019 Actual (Q3 FY20)	June 2020 Forecast (Q1 FY21)
Product Revenue	$ 10.1	$ 7.9	$ 13.5
Accessories, Parts, Service, Rental & DSS Revenue	9.1	9.5	9.5
Total Revenue	$ 19.2	$ 17.4	$ 23.0
Product Margin	$ 0.1	$ (0.6)	$ 1.2
Accessories, Parts, Service, Rental & DSS Margin	2.8	3.2	4.3
Total Gross Margin	$ 2.9	$ 2.6	$ 5.5
Operating Expenses	$ 7.1	$ 6.3	$ 5.7
Adjusted EBITDA	**$ (3.4)**	**$ (2.7)**	**$ 0.2**
Product Margin %	1%	(7)%	9%
Accessories, Parts, Service, Rental & DSS Margin %	31%	28%	45%
Total Margin %	**15%**	**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 up to 15 MW long-term rental fleet and expanded factory protection plan (FPP) attachment rates.

Q3 FY2020 Business Highlights

- Total gross margin increased $0.4 million, or 18%, to $2.6 million compared to $2.2 million in the year-ago quarter despite lower product shipments.
- Gross margin percentage expanded by 25% to 15% from 12% in the year-ago quarter but was flat on a sequential basis despite lower revenues.
- Accessories, parts, service, rental, and Distributor Support System (DSS) revenue was $9.5 million, up 20% from $7.9 million in the year-ago quarter.
- Rental fleet revenue grew 13% sequentially, and this high margin long-term rental fleet now stands at 7 MW approaching the planned 10 MW.
- Book-to-bill ratio was 1.2:1 for the third quarter of fiscal 2020 compared to 1.0:1 in the second quarter of fiscal 2020 and 1.3:1 in the year-ago quarter.
- Capstone received $1.9 million in calendar 2019 from the DSS program.
- Total revenue for the third quarter of fiscal 2020 was $17.4 million compared to $18.0 million in the year-ago third quarter.

Q3 Shows Progress Against Strategic Business Initiatives

Q3 FY2020 vs. Q3 FY2019 Financial Results

(In millions)	Q3 FY20	Q3 FY19
Microturbine Product	$7.9	$10.1
Accessories, Parts & Service	$9.5	$7.9
Total Revenue	$17.4	$18.0
Gross Margin	$2.6	$2.2
Gross Margin Percent	**15%**	**12%**
R&D Expenses	$1.0	$0.9
SG&A Expenses	$5.3	$4.6**
Total Operating Expenses	$6.3	$5.5**
Net Loss	$(4.9)	$(3.4)
Adjusted EBITDA*	**$(2.7)**	**$(2.3)****

*See Appendix, Slide 21
**Includes $400k of Bad Debt Recovery

Q3 FY2020 vs. Q2 FY2020 Financial Results

(In millions)	Q3 FY20	Q2 FY20
Microturbine Product	$7.9	$12.0
Accessories, Parts & Service	$9.5	$8.7
Total Revenue	$17.4	$20.7
Gross Margin	$2.6	$3.1
Gross Margin Percent	**15%**	**15%**
R&D Expenses	$1.0	$0.9
SG&A Expenses	$5.3	$5.5
Total Operating Expenses	$6.3	$6.4
Net Loss	$(4.9)	$(4.4)
Adjusted EBITDA*	**$(2.7)**	**$(2.2)**

*See Appendix, Slide 21

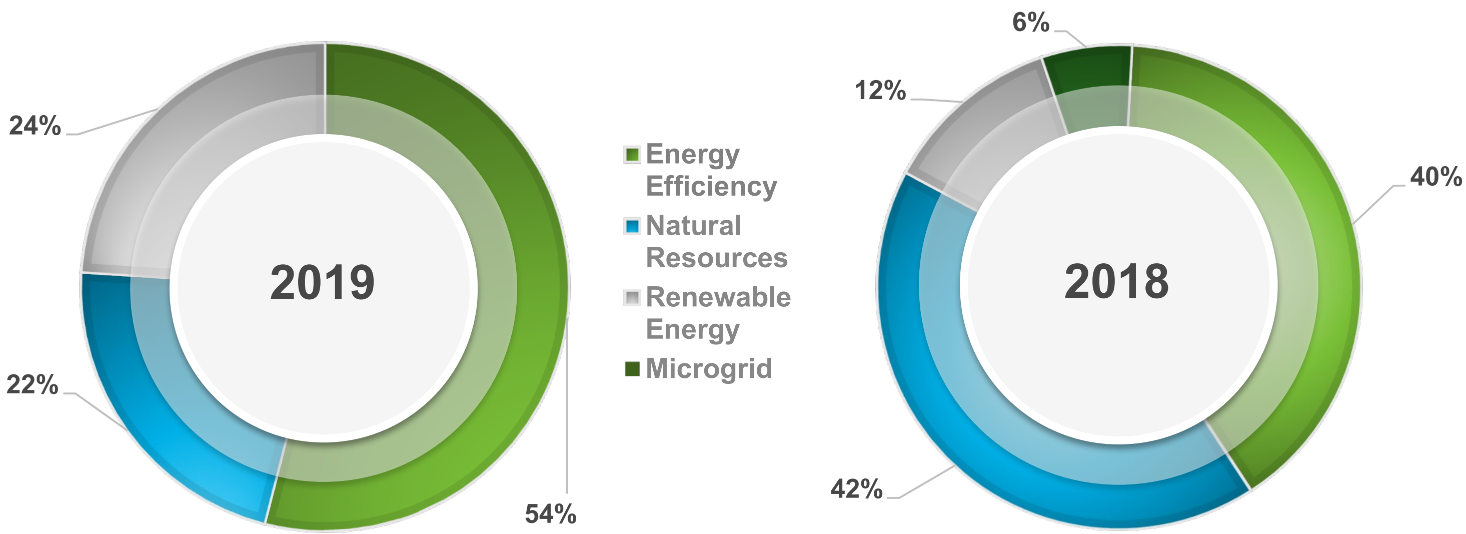
Q3 FY2020/Q2 FY2020 Balance Sheet

(In millions)	December 31, 2019	September 30, 2019
Cash & Cash Equivalents	$16.7	$20.9
Cash Used in Operating Activities	$4.3	$6.3
Accounts Receivable, Net of Allowances	$19.8	$18.1
Total Inventories	$22.1	$21.3
Accounts Payable & Accrued Expenses	$19.4	$15.9

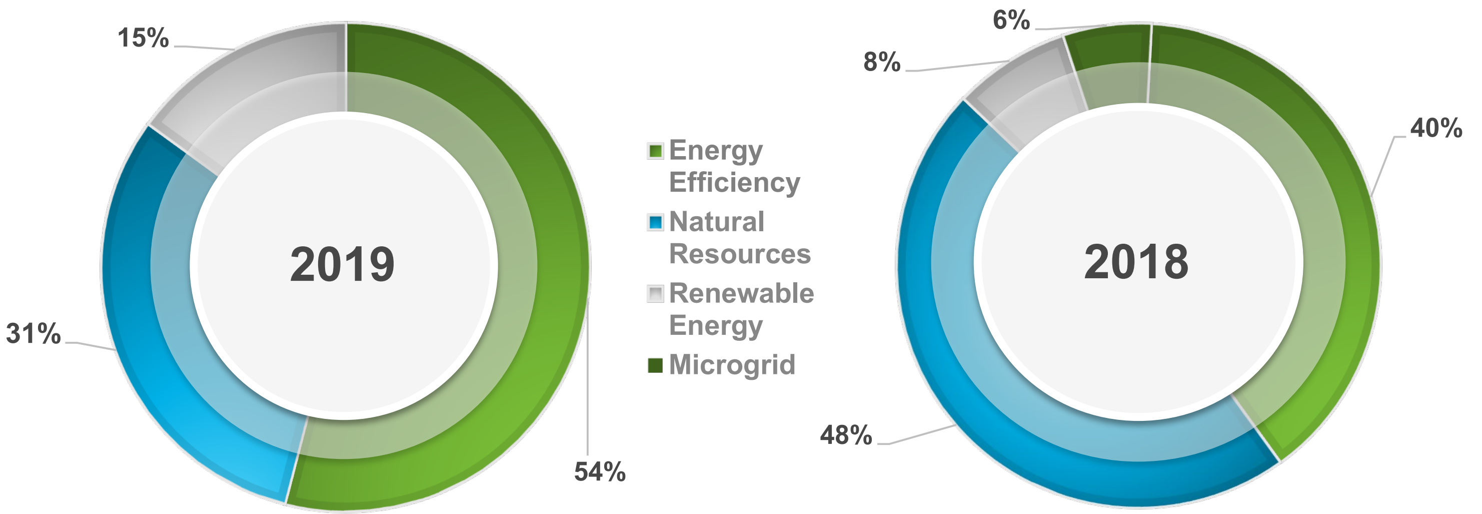
$30M Goldman Sachs 3-Year Term Note Increases Financial Flexibility

Energy Efficiency & Renewables Continue to Expand Globally

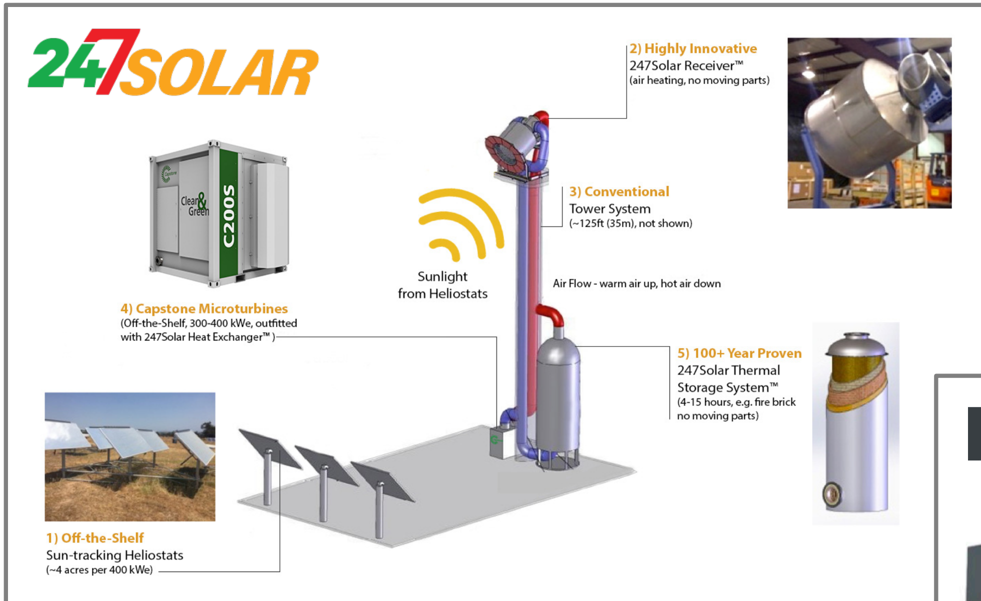
Three Months Ended



Nine Months Ended



New 100% Renewable Products



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

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.

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.

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

New Renewable Fuels

HYDROGEN

METHANOL

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.

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.

Capstone’s Focus on ESG

Increasing focus on Environmental, Social and Governance (ESG), principals, regulations and government policies is creating a strong tailwinds for the renewable energy sector globally. There's growing investor interest with ESG investing estimated to be over $20 trillion in AUM as investors demand corporate responsibility.

ENVIRONMENTAL

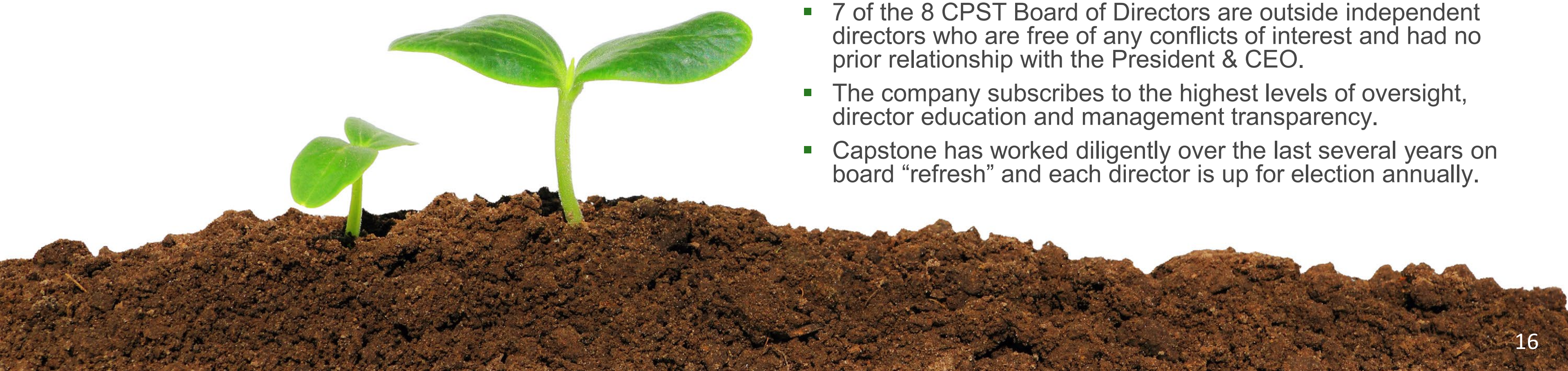
- Capstone (CPST) manufactures reliable and energy dense power systems that allow customers to lower both NOx and CO2 emissions without the use of exhaust after treatment that use precious metals and urea.
- In FY2019, CPST customers benefited from 350,000 tons in carbon savings while also saving $253 million in energy costs.
- CPST is developing new 100% renewable products together with new renewable fuels (hydrogen and methanol), allowing customers to generate power with a net-zero carbon footprint.
- CPST strives to improve the oil & gas industry by offering cleaner and “greener” power solutions that reduce methane emissions while utilizing associated gas that would otherwise be flared into the atmosphere.
- CPST supports energy efficiency initiatives through CHP and the U.S. DOE CHP Technical Assistance Partnership.

SOCIAL

- Capstone, through its ***Capstone Cares*** program, sponsors paid employees to volunteer work in the local community and routinely conducts annual toy, book, and blood donation drives.
- The ***Capstone Culture Club*** puts on company sponsored employee events, ranging from health & fitness activities, team building events, social events and celebrations.
- ***Capstone U*** is a company sponsored employee led internal education program that is free and open to all employees.
- The ***Capstone EH&S Team*** works continuously to achieve a zero waste facility, eliminate all lost time injuries, and reduce near miss accidents.

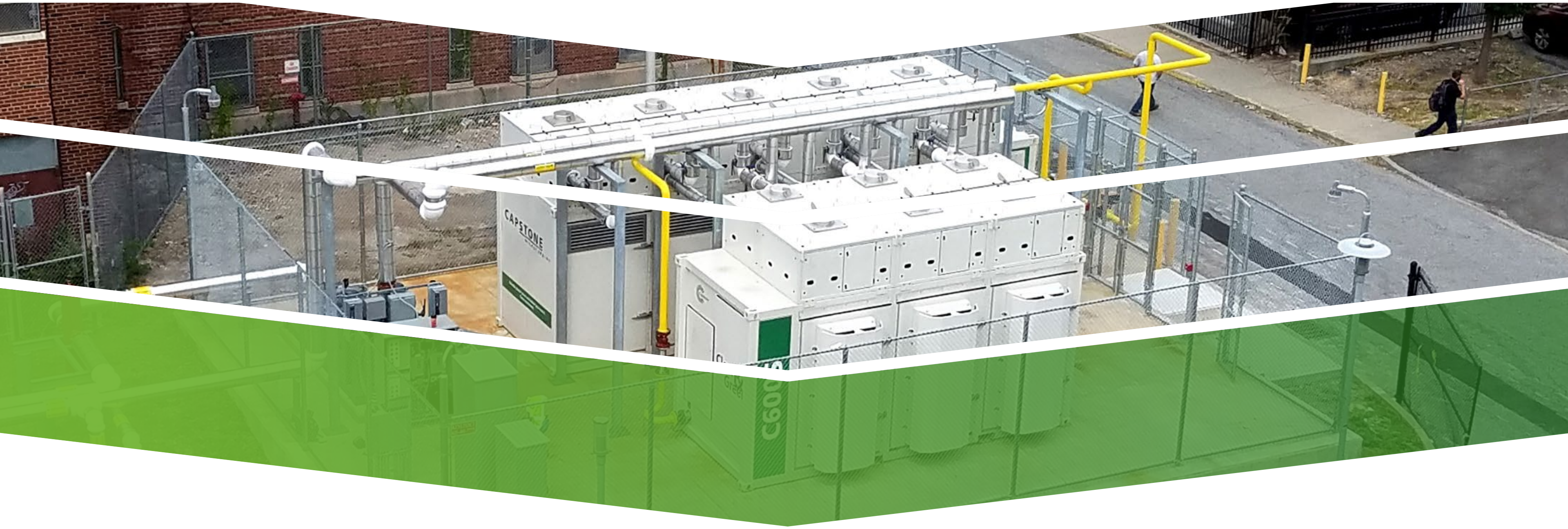
GOVERNANCE

- Capstone has a highly diverse set of outside Board of Directors comprised of 3 women and 4 men, with a female Chairperson and Audit Committee lead.
- 7 of the 8 CPST Board of Directors are outside independent directors who are free of any conflicts of interest and had no prior relationship with the President & CEO.
- The company subscribes to the highest levels of oversight, director education and management transparency.
- Capstone has worked diligently over the last several years on board “refresh” and each director is up for election annually.



ANALYST Q&A SESSION

Nasdaq: **CPST**



APPENDIX

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%)**

Financial & Market Statistics Comparison

Selected Public Companies

($ in millions)

		Financial Statistics						Market Statistics		
Company	IPO (1)	Revenue	Gross Margin	GM %	OPEX	EBITDA	Revenue Per Employee	Market Cap (2)	Cash (3)	Q/Q in Cash
Capstone Turbine Corporation [(4)]	31	$17.4	$2.6	15.0%	$6.3	($3.2)	$0.11	$22.0	$16.75	($4.2)
Small-Cap Distribution Generation										
American Superconductor Corp.[(5)]	32	14.0	0.4	3.0%	7.9	(3.1)	0.06	142.8	52.8	(21.1)
Ballard Power Systems[(6)]	11	24.8	6.2	25.0%	13.0	(22.4)	0.05	2,278.0	153.3	(10.3)
FuelCell Energy[(7)]	27	47.9	3.2	7.0%	11.3	(6.2)	0.16	356.5	87.4	13.6
Plug Power, Inc.[(8)]	22	56.4	5.3	9.3%	18.4	2.5	0.08	1,164.0	79.0	39.8
Avg. selected companies	23	$35.8	$3.8	11.1%	$12.7	($7.3)	$0.09	$985.3	$93.1	$5.5

(1) Years since incorporation or first initial public offering
(2) Source: Nasdaq as of January 31, 2020
(3) Cash, cash equivalents and restricted cash
(4) Source: Capstone Turbine Corporation's February 2020 Form 10-Q filing
(5) Source: American Superconductor Corporation's November 2019 Form 10-Q filing
(6) Source: Ballard Power Systems third quarter financial report issued November 2019 on company's website
(7) Source: FuelCell Energy's January 2020 Form 10-K filing
(8) Source: Plug Power, Inc. November 2019 Form 10-Q filings

Capstone Beats Average in GM %, OPEX & EBITDA with Lower Market Cap

Reconciliation of Non-GAAP Financial Measure

Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA (In thousands)	Three months ended December 31,		Nine months ended December 31,	
	2019	2018	2019	2018
Net loss, as reported	$ (4,907)	$ (3,450)	$ (14,948)	$ (12,704)
Interest expense	1,289	202	3,853	506
Provision for income taxes	—	—	8	5
Depreciation and amortization	408	388	1,223	957
EBITDA	(3,210)	(2,860)	(9,864)	(8,378)
Stock-based compensation	303	292	669	743
Restructuring charges	257	300	925	1,072
Adjusted EBITDA	$ (2,650)	$ (2,268)	$ (8,268)	$ (9,421)

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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