



4th QUARTER & COVID-19 BUSINESS CONTINUITY PLAN

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Distributed Energy Market



“Capstone previously announced a near-term goal of reaching positive Adjusted EBITDA in the upcoming June quarter by focusing on improving the business with high margin repetitive revenue streams in areas that the company has more control over and that are not directly impacted by external factors such as macroeconomic conditions, project delays, geopolitical events, exchange rates, crude oil prices, trade wars and now we can add global pandemics to the list of external factors we can mitigate with our recurring revenues,”
*stated Darren Jamison
President & Chief Executive Officer
Capstone Turbine Corporation*





COVID-19 BUSINESS CONTINUITY PLAN

Darren Jamison

Four Business Continuity Goals



**Employee
Health & Safety**



**Increase Liquidity
& Improve Working
Capital**



**Business
Continuity for
Essential End
Use Customers**



**Positive Adjusted
EBITDA in Upcoming
June Quarter**



Business Continuity Plan



- Provide the Generally Recommended Safety Environment and Maintain Business Continuity
- Maintain All Employees' Health Insurance During the Period of Business Interruption
- Continue to Support the Critical Aftermarket Business and 60+ Worldwide Distributors
- Comply with the WARN Act Both Federal and State (California)
- Provides the Flexibility to Bring Back Employees Sooner or Later up to 180 Days
- Provides Cost Reduction with Lowest Risk of Unwanted Employee Turnover
- Immediately Reduce Payroll Expense and Provide Additional Liquidity
- Dramatically Slow Incoming Inventory to Improve Inventory Turns
- Generate Positive Working Capital in the June Quarter
- Provides a "Hard Reset" on Backlog and New Product Sales Forecast
- Afford the Opportunity to Right Size Payables and Drive Small Lot Sizes
- Improve Liquidity by Applying for Funding Under the New Government PPP/SBA Program
- Supports Q1 Positive Adjusted EBITDA Despite Pandemic and the Collapse of Oil Prices

Drive for Positive Adj. EBITDA Despite COVID-19 Pandemic 6

Business Continuity Plan Update



- March 30, 2020, Furloughed or Cut Pay of 70% of its Direct Workforce.
- The workforce continues to be employed by Capstone and receives employee benefits, including medical benefits, which will be 100% covered by Capstone.
- Furloughed employees will not receive compensation during the furlough period (45-90 days), but will immediately be eligible for unemployment benefits and potential Federal Government stimulus.
- Operations has suspended production of Capstone products for 45-days (April 1 - May 15). Operations will resume the manufacturing of Capstone product on Monday, May 18th.
- Capstone Operations is continuing to manufacture service engines, remanufacture parts and provide service spare parts in support of FPPs and customer spare parts orders.
- Capstone is holding 5.9 MW of product “on hand” in Finished Goods to ship to low financial risk or pre-paid customers during the 45 day period.
- Capstone has shutdown the receipt of all non-critical vendor materials until May 18th.
- Some employees have been asked to work part-time or 20 hours per week as we could not furlough ALL employees and still maintain business continuity (FPP, Spare Parts, Product Sales, IT, etc.)
- Employees who are critical to continuing operations still remain full-time as part of a “*Skeleton Crew*.”
- Leadership Team and highly compensated management took a temporary 25% pay cut.
- Other Managers, consisting of approximately 15% of the workforce, took a temporary 15% pay cut.
- CEO recommended to the Board of Directors that the FY2020 Executive Bonuses, if any, be paid in RSUs, not cash.
- Capstone Board of Directors agreed to take a similar salary cut to the CEO.



Q4 BUSINESS HIGHLIGHTS

Darren Jamison

Q4 FY2020 Business Highlights



- Total cash is \$15.1 million, down only \$1.6 million from to \$16.7 million as of December 31, 2019 despite lower product revenues caused by the COVID-19 pandemic.
- Inventory receipts decreased by \$4.6 million, or 36%, to \$8.1 million in the fourth quarter compared to \$12.7 million in the third quarter supporting improved liquidity and driving potential positive working capital in the upcoming quarter.
- Factory Protection Plan (FPP) long-term service contract revenue continued to expand despite impacts from the COVID-19 pandemic and was up 16% year-over-year.
- The Company allocated 0.6 MW of new production to grow its long-term microturbine rental fleet, which now stands at 8.6 MW, approaching its 10 MW goal.
- Pre-built 5.9 MW of Finished Goods and shipped an elevated level of FPP spare parts during the quarter to ensure customer continuity of both units and spare parts supplies.
- New gross product orders were approximately \$9.1 million during the fourth quarter compared to \$9.3 million in the previous third quarter.
- Received \$2.6 million from ATM during the quarter as the company focused on liquidity.

Q4 Shows Progress Despite COVID-19 Pandemic Slowdown₉



POSITIVE ADJUSTED EBITDA GOAL

Darren Jamison

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 range of \$4.0M to \$4.5M specifically in Q1 from the COVID-19 Business Continuity Plan
- 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 8.6 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 Turbine
- Accessories, Parts & Service margins to return to Q3/Q4 fiscal 2018 levels, after 2 years of working through costs driven by the supplier part defect issue identified in Q1 fiscal 2019



Initial Direct Sales Product Order Results



DIRECT SALES

OEM, DIRECT, NATIONAL ACCOUNTS

26%

DISTRIBUTOR SALES

TRADITIONAL DISTRIBUTION MODEL

74%

REVENUE GROWTH STRATEGY



Target Pricing
Program



Distribution
Improvement



Sales
Bundling



Marketing &
Strategy

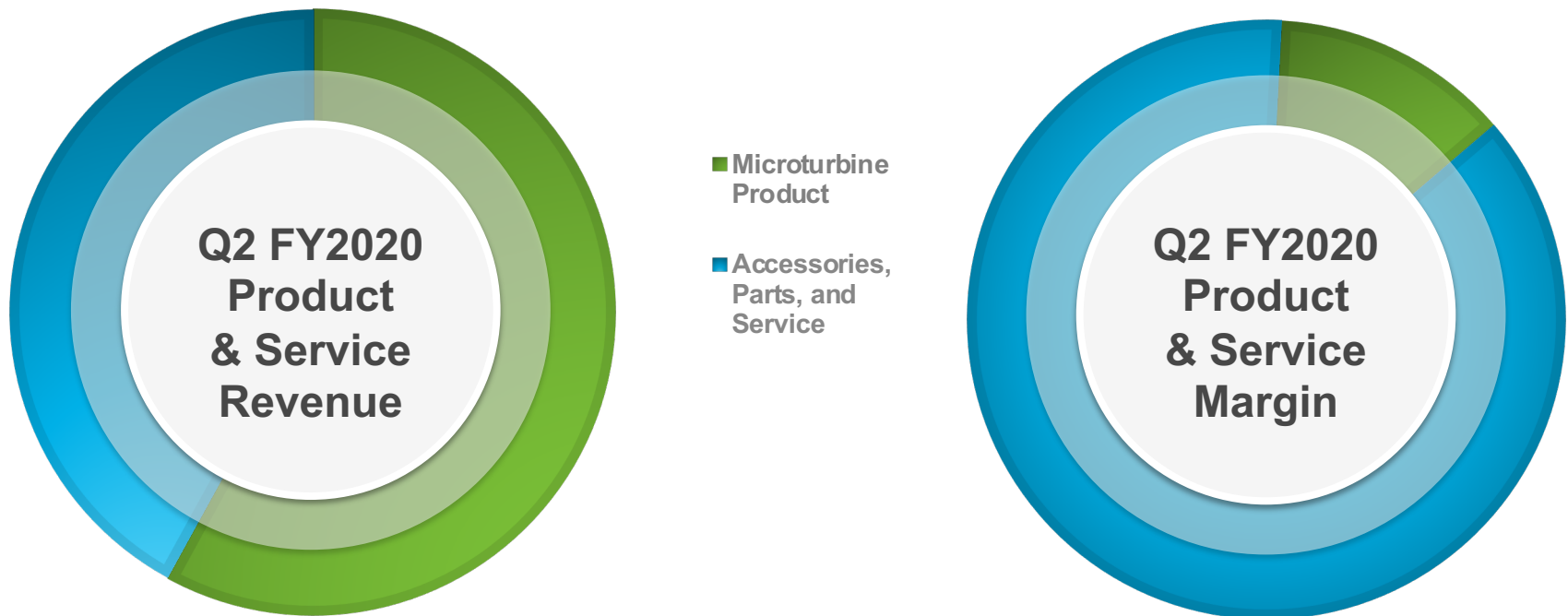


Customer
Satisfaction

Service Business Drives EBITDA



**Clean, Efficient, Reliable Low Margin Product Sales
Drives High Margin Service Enterprise**



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

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

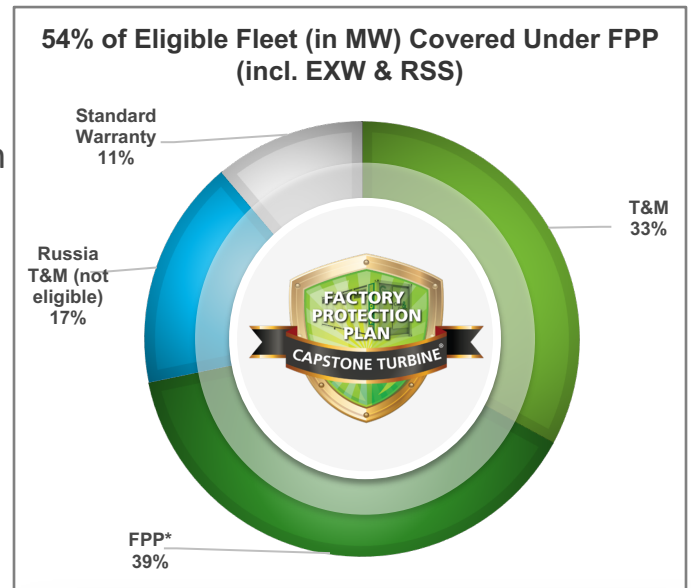
- \$10.8M shipped YTD with >50% gross margin
- Annual spare parts price increase

Growing long-term rental business with healthy margins

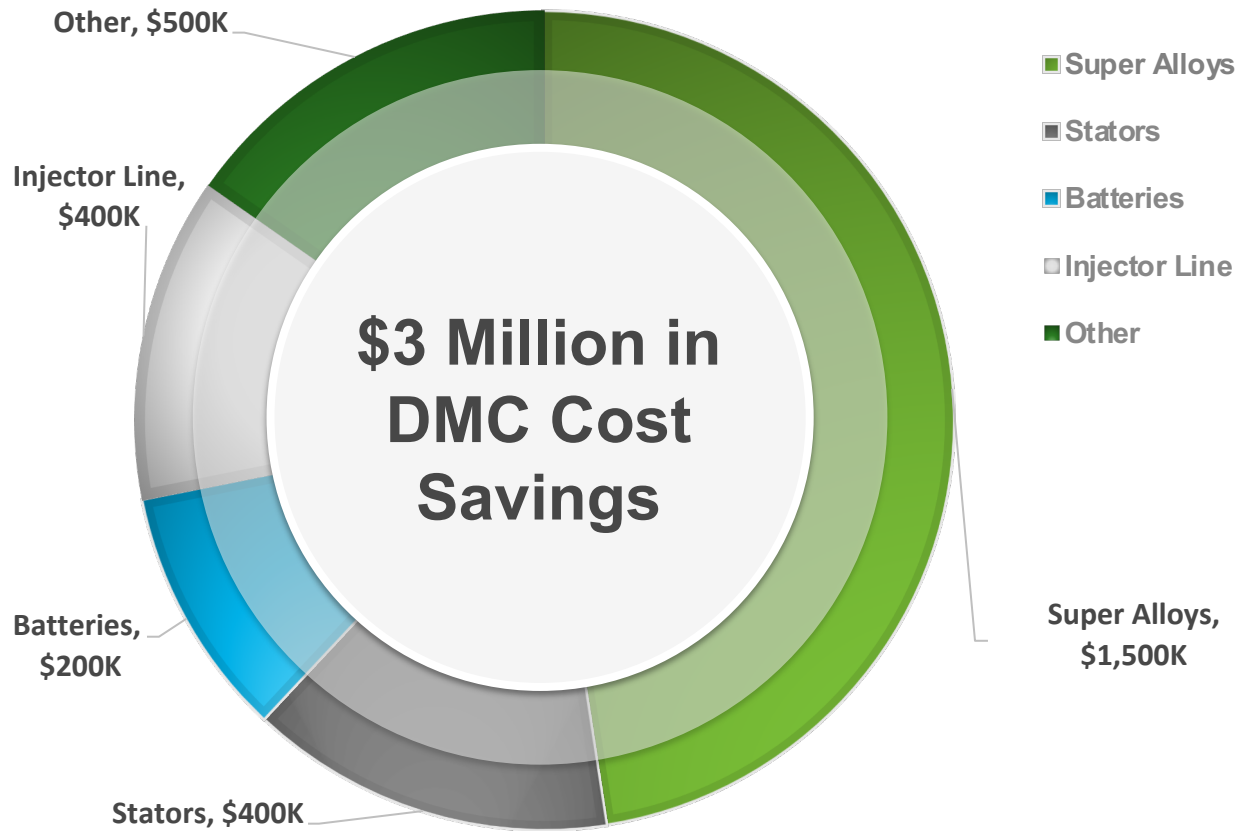
- 13% Q/Q growth with >50% gross margin
- Expands to 8.6 MW vs. a target of 10 MW

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



DMC Cost Savings, Annualized



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



Q&A SESSION



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