

alphaDIRECT MANAGEMENT SERIES

MAY 11, 2020

IN FOCUS: CAPSTONE TURBINE CORP., JENNIFER DERSTINE DISCUSSES “MANAGING A GLOBAL DISTRIBUTION NETWORK & MARKETING STRATEGIES DURING A GLOBAL PANDEMIC”

This report focuses on Capstone Turbine Corporation (NASDAQ: CPST) and discusses how Jennifer Derstine, Capstone’s Vice President of Marketing & Distribution is managing the company’s global Distribution Network and marketing strategies during the COVID-19 pandemic.

CPST Business Snapshot

HQ: Van Nuys, California
NASDAQ Ticker: CPST (NASDAQ)
Full Time Employees: 98
Stock Price: \$2.18*
Market Cap: \$21.974M*
Website: www.capstoneturbine.com
 *As of May 8, 2020



About alphaDIRECT Advisors

alphaDIRECT Advisors is an investor intelligence firm that creates and implements digital content and programs to help investors better understand a company’s key drivers including industry dynamics, technology, strategy, outlook and risks as well as the impact they could have on the stock price. alphaDIRECT’s expertise encompasses a variety of sectors including Clean Transportation, Emerging EnergyTech, Energy Services, Smart Buildings, Solar, Water Value Chain and Industrial. alphaDIRECT was founded by Wall Street veteran and research analyst, Shawn Severson, after seeing a significant shift in the investment industry that resulted in less fundamental research conducted on small cap companies and a significant decline in information available to all investors. alphaDIRECT’s mission is to bridge that information gap and engage companies and investors in a way that opens information flow and analytical insights.

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Capstone C200 Engine Source: www.capstoneturbine.com

THE alphaDIRECT INSIGHT

As is the case with numerous companies in the ClimateTech sector, Capstone has been and continues to face a variety of obstacles associated with the COVID-19 pandemic. One of the key considerations that now needs to be addressed is how companies will manage their businesses on the other side of this disruption. Considerations such as rehiring of employees, new safeguards, supply chain challenges, etc. In this Management Series, we address how this is impacting the marketing side of the business in addition to the effect it is having on Capstones distributions network, which are both critical to the company’s business model. We also review some of the key policy drivers that the company expects to benefit from including biogas and renewable fuels and how they can help customers achieve sustainability goals when used in combination with Capstone’s microturbine power systems.

Participants

Ms. Jennifer Derstine
V.P. of Marketing and Distribution
Capstone Turbine Corporation

Ms. Derstine was appointed to Vice President of Marketing and Distribution for Capstone Turbine Corporation on December 1, 2019, where she manages and directs the execution of the Company's Distribution strategy and global marketing initiatives. Ms. Derstine joined Capstone in 2012 as Director of Policy where she served as the company's government affairs lead. She then led a team with additional responsibilities for strategic market and competitive analysis as well as distribution channel development. Prior to Capstone, Ms. Derstine entered the civil service as a Presidential Management Fellow for the U.S. Department of Commerce. Working within the International Trade Administration, she represented U.S. government and business interests in a variety of roles covering EMEA geographies, energy industries and trade and investment concerns. Ms. Derstine represents Capstone in a number of trade association leadership roles, including the CHP Alliance, the Clean Energy Business Network, and the California Clean DG Coalition. She has also served on the Secretary of Commerce's Renewable Energy and Energy Efficiency Advisory Committee since 2014. She holds a Master of Arts in International Economics and European Studies from the John Hopkins University School of Advanced International Studies and a Bachelor of Arts from the University of Chicago.

Mr. Shawn Severson
Founder and CEO
alphaDIRECT Advisors

Mr. Severson is the founding partner and CEO of alphaDIRECT Advisors (ADA). He has over 20 years of experience as a senior research analyst covering the technology and cleantech industries. Prior to founding ADA, he led the Energy, Environmental and Industrial Technologies practice at the Blueshirt Group. Mr. Severson was frequently ranked as a top research analyst including one of the Wall Street Journal's "Best on the Street" stock pickers and multiple awards as Stamine's top three stock pickers.

ABOUT CAPSTONE TURBINE CORPORATION

Capstone Turbine Corporation® is the world's leading producer of highly efficient, low-emission, resilient microturbine energy systems. Capstone microturbines serve multiple vertical markets worldwide, including natural resources, energy efficiency, renewable energy, critical power supply, transportation and microgrids. Capstone offers a comprehensive product lineup, providing scalable systems focusing on 30 kW to 10 MWs that operate on a variety of gaseous or liquid fuels and are the ideal solution for today's distributed power generation needs. To date, Capstone has shipped over 9,000 of these systems into 73 countries logging millions of operating hours.

Capstone is committed to improving the efficiency of energy needs around the world while simultaneously reducing global emissions of pollutants and greenhouse gases. Capstone's systems help end users improve their impact on the environment while still meeting power and reliability needs. During fiscal year 2019, Capstone saved end-use customers an estimated \$253 million in annual energy costs and 350,000 tons of carbon.

Not only does Capstone enable customers to reduce CO2 and emissions, Capstone applies the same principals to its own environmental footprint and focuses internally on its environmental risks, energy consumption, waste disposal and carbon footprint. Capstone also strives to foster a corporate culture emphasizing its relationship with employees, customers and suppliers in order to ensure that Capstone's corporate values are aligned with those of its employees, customers and suppliers.



Jennifer Derstine, Vice President of Marketing and Distribution

Shawn Severson: First, I would like to thank you, Jen, for taking the time to speak with the alphaDIRECT network today. Last time we spoke with the Company, [we discussed Capstone Turbine and its evolving operation model and cost-cutting.](#) Today, our focus will be on Capstone's recent business updates and the effects of the COVID-19 pandemic. However, before we get started, could you start by introducing yourself, what brought you to Capstone and your position within the company?

Jennifer Derstine: Sure. Thanks for having me. I started at Capstone in 2012 after getting to know the company through my work in international trade policy at the U.S. Department of Commerce. I was part of the team at the International Trade Administration focused on enabling market access for U.S. exporters in the renewable energy and energy efficiency sectors. Capstone drew my interest as a unique, clean tech manufacturer with innovative technology that had global market appeal across a variety of customer segments and market verticals. When I first started, my main focus was on creating positive policy and market conditions and improving awareness of the company and our technology. This later expanded to include market strategy and distributor development and now marketing as well.

Shawn Severson: Thank you, Jen. Given the current environment and the COVID-19 pandemic, we would like to start with a tough question. What has been the biggest hurdle for Capstone during the last couple of months in light of the pandemic?

Jennifer Derstine: The first hurdle was developing a Business Continuity Plan designed to keep employees safe, align

with government guidelines, continue to support critical Aftermarket Factory Protection Plan (FPP) long-term service contracts and spare parts deliveries to Essential Critical Infrastructure Customers, such as Energy, Health Care, Wastewater Treatment, Food Manufacturing, etc., as well as to sustain two key business goals: cash flow and liquidity and reaching Adjusted EBITDA positive in the upcoming June quarter.

The biggest hurdle for the Capstone sales team has been managing the different timelines for market shutdowns and movement restrictions in all of our global markets. We have microturbines installed in over 70 countries across every continent. In many of our markets, our distribution network partners are still able to provide service to installed microturbines as essential service businesses and maintain contact with customers through all the great digital communication tools every business is using today.

Some installation and commissioning plans have been delayed due to stay-at-home orders and limitations on travel across borders. This can result in project delays. However, others are moving forward on schedule. We saw the initial impacts on our business in Europe and North America – which are our largest markets. There was a slowdown at the end of our most recent quarter, but these markets are now starting to re-open, and we are shipping microturbines again. We really focused on maintaining contact with our distributors and customers to keep them informed of our continued operations and ability to support fast delivery times. And we are very thankful that our workforce has remained COVID-free throughout.

Shawn Severson: We recently hosted Capstone CEO Darren Jamison in our alphaDIRECT Virtual Conference Series, and he spent a fair amount of time on the Covid-19 strategy at Capstone. Can you review some of the key steps you have taken, and even more importantly, how you see the steps to restarting the business and in particular, the effect this is having on your distribution network?

Jennifer Derstine: Capstone and our distributors are leaders within several industry organizations that focus on policy, regulatory, and market education efforts across our targeted market segments. These groups help us to advocate for state and federal government programs that fund market education and R&D on our products, as well as energy tax credits, bonus depreciation, improved utility and regulatory pathways for distributed generation and other clean energy programs that make it easier for our customers to invest in clean energy solutions.

We are working to ensure COVID-19 recovery bills incorporate support for small U.S. manufacturers – like Capstone – as well as energy efficiency savings in order to boost economic recovery in this country. This could be done through approaches like direct payment options in lieu of tax credits for qualified energy property that have a large amount of domestic content.

We are supporting an intelligent approach to developing microgrids for wildfire resiliency in California to ensure the impact of the Public Safety Power Shutoffs can be better managed through the use of reliable onsite power generation. In Europe, we are working with COGEN Europe on ensuring

CHP industry energy efficiency capabilities are recognized in the recent Energy Efficiency Directive revision. We also continue to work through organizations like the Global Methane Initiative and the EPA's Natural Gas STAR programs to promote energy efficiency and methane emission reduction in industries like wastewater/landfills and oil and gas, where our technology can be used to reduce flaring.

Shawn Severson: Thank you, Jen. In an interview about Capstone's Renewable Future with Jim Crouse back in September, Jim specifically mentioned biogas and renewable fuels as a growing interest/focus for Capstone. Can you provide us with an update, and if you have you seen any pickup in those sales?

Jennifer Derstine: We have closed a number of recent projects in the biogas segment since you spoke with Jim last year. We recently announced the sale of our first C200/C1000 series product into Japan. This C800 is for a biogas power generation facility in the city of Handa that uses organic waste from the local community to produce biogas, which is then used to power the facility and heat the digester with excess renewable generation able to be sold to the grid. We have also sold our C200/C1000 series products to wastewater treatment plants (WWTP) here in the U.S. – most recently for plants in Rome, NY, and Roseville, CA.

We have also commissioned a number of biogas projects with Ambev in Brazil at their breweries where they were looking to convert waste streams into energy sources that save money, improve power reliability, and reduce environmental impact. Our

biogas market sales are also not limited to our bigger kW boxes. There is a consistent flow of business for C65s in the biogas sector for wastewater treatment plants and landfills in Europe as well. We certainly do expect to see a continued increase in sales in this segment.



Capstone C200S Microturbine in a CHP Application Generates Clean and Reliable On-site Power for Brewery Giant Ambev in Guarulhos, Brazil.

Shawn Severson: Can you talk about the drivers behind the growth within this sector?

Jennifer Derstine: As Jim mentioned in his interview with you last year, we are seeing corporate sustainability goals having a greater impact on facility energy project decisions. Business leaders are considering the broader impact of the decisions they are making today, and in many cases, that makes it easier for them to select a product that may have a larger capital cost, but a better environmental footprint.

There is also greater awareness around the value of renewable fuel sources. Governments around the world have included biogas and other renewable fuels in their national clean energy targets and renewable energy credit programs as they better understand the amount of clean energy production and emissions reductions that are available from these underutilized existing sources.

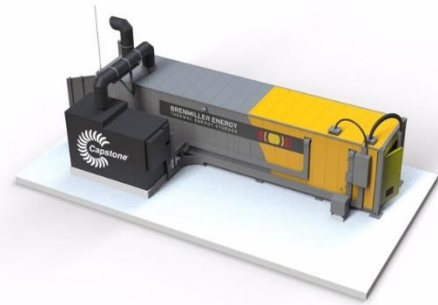
Shawn Severson: I know we discussed policy earlier, but are there any specific government incentives that are key for the growth of biogas and renewable fuels (both globally and domestically)?

Jennifer Derstine: Just last year, the federal production tax credit that pertains to bioenergy sources was once again retroactively extended after having lapsed for nearly two years. This 30% tax credit now expires at the end of this year. However, with COVID-19 impacting project construction timelines and facility operations, it would be helpful to have a proactive extension prior to its expiration as well as a direct payment option in lieu of a tax credit. We saw a decline in tax appetite following the 2007-2008 financial crisis as taxpayers had less net income to offset with tax credits. The same will surely occur this year with the economic impact we have already seen.

More broadly, policies and regulations that encourage the collection and use of biosolids to produce biogas through anaerobic digestion support growth in this market. Sites that produce biogas can use it onsite to meet power and thermal energy needs with highly efficient CHP or clean it up and inject it into the pipeline to increase the renewable content of our existing pipeline infrastructure. The use of biogas is a great supplement to the push for total electrification as we have many customers with thermal processes, like heating, drying, and curing, that rely on affordable fuel- or steam-based technologies.

Shawn Severson: Are there other markets Capstone is exploring?

Jennifer Derstine: We are seeing growing interest from customers that want to use opportunity fuels from industrial waste streams – whether syngas from industrial manufacturing or associated gas from oil production. Our systems can operate on a fairly broad range of fuels, so we are exploring the limits of our componentry and software changes that could allow us to operate on these off-spec fuels. We are also testing blends of hydrogen through our partnerships with national labs and regional universities. As more states and countries explore the hydrogen economy opportunity, we are positioning ourselves to be prepared to serve the market as quantities of hydrogen become available and economically viable.

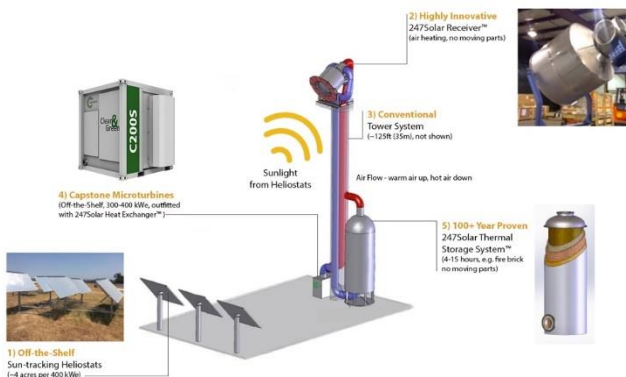


Capstone C200R Microturbine Driving a Brenmiller bGen Energy Zero Carbon Thermal Storage Unit in New York.

Shawn Severson: Can you talk about current activity within the direct sales vertical versus the distributor sales vertical? How are you currently working on expanding your relationship with end-users?

Jennifer Derstine: We are building a direct sales team to expand our sales activities with a focus on customers that are in our current core commercial and industrial (“C&I”) markets. The direct sales team is nurturing relationships with global customers to leverage successes we have in one part of the world into the rest of the world. The targeted customers are multinational manufacturers, health care, hospitality, and other C&I customers that are good technical fits for CHP and CCHP. We are also leveraging the IndyCar sponsorship we have with Andretti Autosport into additional national accounts by developing relationships with the other 60 plus companies involved in IndyCar racing.

Our distributors continue to focus on sales to customers in their assigned markets and geographies. Distribution is still our primary go to market avenue. We have several focused lead generation activities for specific applications or customer types for certain markets and have been supporting more digital marketing and outreach



An illustration of the Pre-Engineered 247Solar Plant, Outfitted with a Capstone C200S Microturbine.

We also have two projects using external heat sources to expand superheated air across our turbine. The first is a solar thermal project with 24/7 Solar, which is scheduled for commissioning later this year in Morocco. The other is a biomass project using wood waste to power our turbine.

efforts. The two sales teams are collaborative. We take distribution sales successes with a larger multinational or multi-market customer and analyze where else in that customer's footprint our solution is a good fit. Then the direct sales team can run with it, and our distribution network benefits from a probable role in some or all parts of design, installation, and commissioning as well as growing service business. The same goes for relationships and business developed with our IndyCar network.



Andretti Harding Steinbrenner's #88 Capstone Turbine Sponsored Honda IndyCar Driven by Colton Herta.

Shawn Severson: Thank you very much, Jen, for taking the time to speak with us today. We look forward to speaking with Capstone again in the near future.

Jennifer Derstine: Thank you, Shawn.

SHAWN SEVERSON FOUNDING PARTNER

Mr. Severson founded *alphaDIRECT* Advisors, a division of EnergyTech Investor, LLC, in 2016 after seeing a significant communication and information gap developing between companies and the financial community. Mr. Severson has over 20 years of experience as a senior research analyst covering the technology and cleantech industries. Previously, he was Managing Director at the Blueshirt Group where he was the head of the Energy, Environmental and Industrial Technologies practice. Prior to the Blueshirt Group, Mr. Severson was at JMP Securities where he was a Senior Equity Research Analyst and Managing Director of the firm's Energy, Environmental & Industrial Technologies research team. Before joining JMP, he held senior positions at ThinkEquity, Robert W. Baird (London) and Raymond James. He began his career as an Equity Research Associate at Kemper Securities. He was frequently ranked as a top research analyst including one of the Wall Street Journal's "Best on the Street" stock pickers and multiple awards as Starmine's top three stock pickers.



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