



# Recent Developments Within The Aftermarket Service Business

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*“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*

Nasdaq Ticker: CPST

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# The Imminent Change in Energy



## **MICROTURBINES** WELL POSITIONED FOR DISTRIBUTED GENERATION MEGATREND



Annual distributed generation power additions will grow to 200 GW in 2020 from 150 GW currently



Global electricity consumption will rise to 26.9 terawatt-hours (Twh) by 2020



Microgrids account for 27 GW of current distributed generation



\$205 billion will be invested in global distributed power generation annually by 2020 - 42% of total power additions












65% of global electricity consumption will be in emerging markets by 2020

# Microturbine Technology Advantages

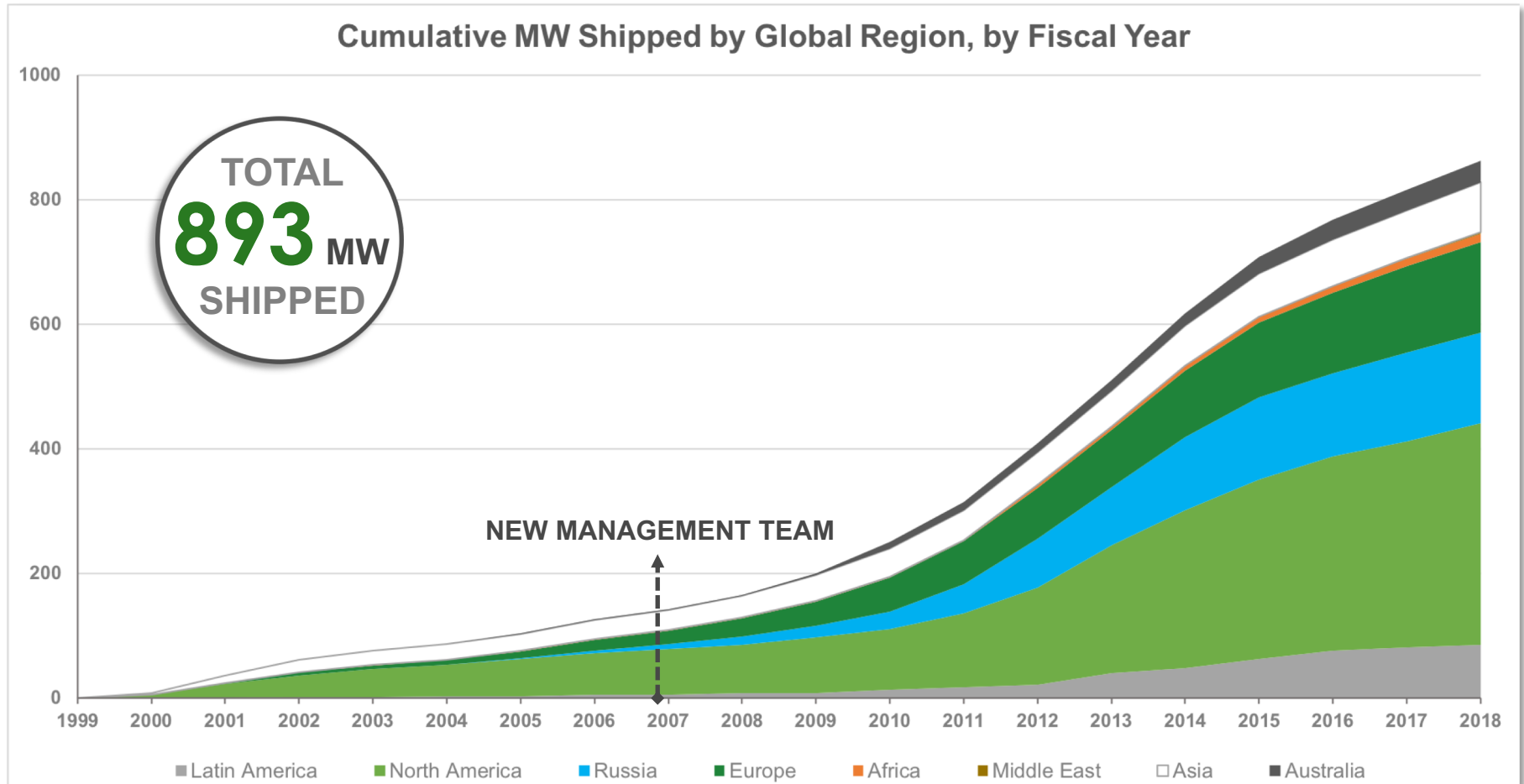


## Features

## Benefits

	Inverter based with one moving part	Factory guaranteed low operating costs
	Patented air bearing technology	No lubricants or coolants needed - unmanned projects
	Stand alone or grid connect	Supports aging utility infrastructure
	Fuel availability	Operates on gaseous, renewable and liquid fuels
	High power density	Compact footprint, small modular design
	Low emissions	No exhaust aftertreatment
	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

# Cumulative Megawatts Shipped



Capstone has transformed from a small single product, single market, U.S. only business to a global multi-product, multi-market comprehensive product & services enterprise.

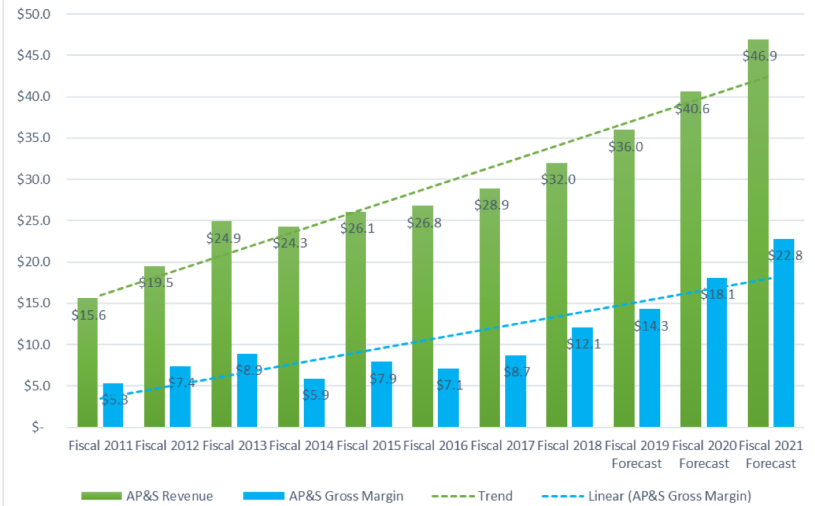
# Aftermarket Parts & Service (AP&S) Summary



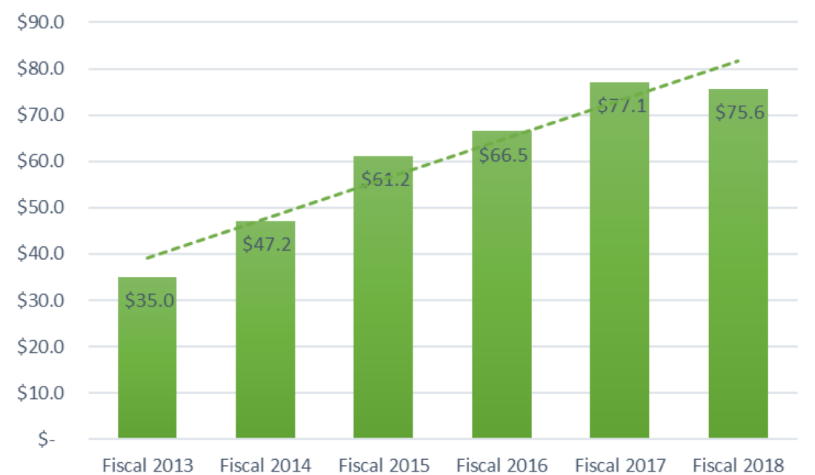
## Profitable Aftermarket Growth

- **>9,000 Units Shipped Enabling Scalability**
  - Growing Revenue: Up **11%** FY17 to FY18
    - FY17 – \$28.9M
    - FY18 – \$32M (**+\$3.1M**)
  - Growing Gross Margin: Up **39%** FY17 to FY18
    - FY17 – \$8.7M
    - FY18 – \$12.1M (**+\$3.4M**)
- **Healthy FPP Contract Backlog (>6 years)**
  - **>226MW** placed under FPP contract in past 10 years, increasing FPP attachment rate:
    - From **32% to 37%**
- **Lower Product Warranty Expense**
  - After Signature Series product launch: **<1.5%**

## AP&S Financials (\$M)



## FPP Contract Backlog (\$M)



# Aftermarket Parts & Service (AP&S) Summary



## Increasing Aftermarket Support

- **Expanding Capstone UK Service Hub**
  - Growing remanufacturing capability
  - Increase testing capability
  - **Lowering logistics costs**
- **Improved Product Availability**
  - Flagship C200/C1000: **96%**  
*(Trailing 12 months)*
  - Legacy C30/C65: **98%**  
*(Trailing 12 months)*
- **Improved Alignment Between Sales, Operations and Aftermarket**
  - Bundled Solutions  
**(Product + Accessories + FPP)**

## Capstone UK (Serving EMEA)



## Improved Availability *(Trailing 12 months)*

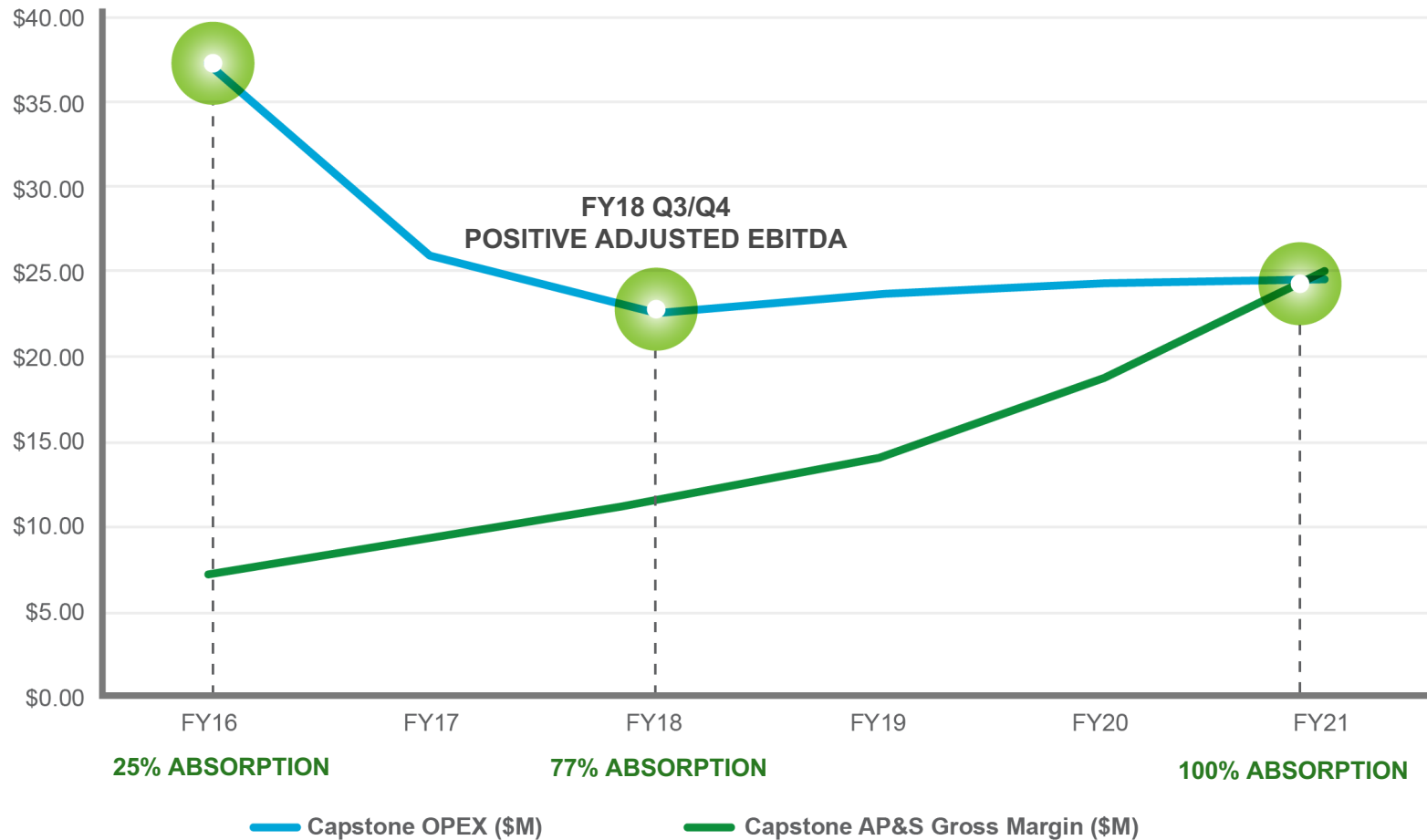
### System Availability Monitor

Overall	C200/C1000	C65	C30
Grand Average	95.8%	98.2%	98.5%

# Capstone Absorption Strategy



## Aftermarket Accessories, Parts and Service (AP&S)/OPEX Absorption Timeline vs. Net Loss Timeline



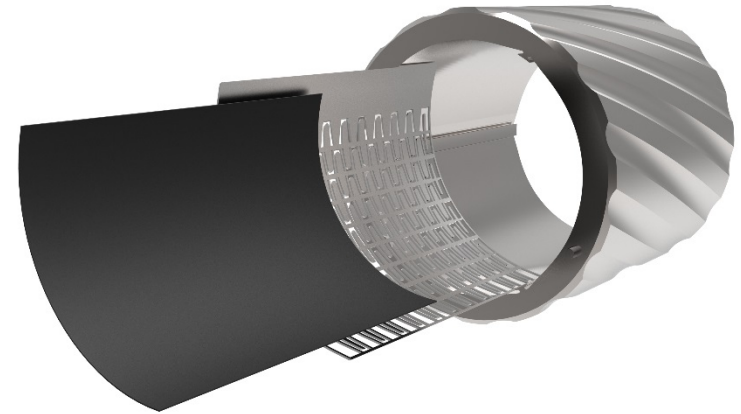
Aftermarket AP&S Today Has Grown to Cover 77% OpEx vs. the Goal of 100%



# New Air Bearing Business



- **Approach** – Offer existing Capstone air bearings plus engineering support to qualified non-competitive companies for integration into their products
- **Application** – Using existing Capstone air bearings requires customer product redesign and qualification
- Interested Companies Include:
  - ✓ Solar energy turbine company
  - ✓ Motor company, turbocharger manufacturer
  - ✓ ORC vapor compression company
  - ✓ Auxiliary power unit manufacturer
  - ✓ Fuel cell air compressor company
  - ✓ Air compressor
  - ✓ Turbine expander
  - ✓ Food processing blower
  - ✓ Downhole pump
- First Commercial Success Timeline:
  - ✓ Feasibility discussions started 2009
  - ✓ First development parts order 2013
  - ✓ Second development parts order 2015
  - ✓ Production order for bearing sets 2018



Exciting Future Aftermarket Growth Opportunity



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