

September 2022

# Management Presentation

Darren Jamison  
President & Chief Executive Officer

**Smarter Energy  
for a Cleaner Future**

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# Safe Harbor

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This presentation contains “forward-looking statements” within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to, statements regarding the financial outlook, business strategy and plans and market trends, opportunities and positioning of Capstone Green Energy Corporation (the “Company,” “Capstone,” “we,” “our” or “us”). These forward-looking statements are based on current expectations, estimates, forecasts and projections. Words such as “expect,” “anticipate,” “should,” “believe,” “hope,” “target,” “project,” “goals,” “estimate,” “potential,” “predict,” “may,” “will,” “might,” “could,” “intend,” “shall” and variations of these terms and similar expressions are intended to identify these forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond our control. Actual results, performance and achievements could differ materially from those expressed in, or implied by, these forward-looking statements due to a variety of risks, uncertainties and other factors, including, but not limited to, the following: the ongoing effects of the COVID-19 pandemic; the availability of credit and compliance with the agreements governing the Company's indebtedness; the Company's ability to develop new products and enhance existing products; product quality issues, including the adequacy of reserves therefor and warranty cost exposure; intense competition; financial performance of the oil and natural gas industry and other general business, industry and economic conditions; the Company's ability to adequately protect its intellectual property rights; and the impact of pending or threatened litigation. For a detailed discussion of factors that could affect the Company's future operating results, please see the Company's filings with the Securities and Exchange Commission, including the disclosures under “Risk Factors” in those filings. Except as expressly required by the federal securities laws, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, changed circumstances or future events, or for any other reason.

Further information on these and other factors that could affect the Company's results, performance, and achievements is included under the heading “Risk Factors” and otherwise in the reports on Form 10-K, Quarterly Reports on Form 10-Q and other filings with the Securities and Exchange Commission from time to time. 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. There may be additional risks, including risks of which we are not presently aware or that we currently believe are immaterial, which could have an adverse impact on our business. 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.





# Capstone Overview

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**Capstone provides high efficiency, low emission power generation products and services that enable our customers to:**

- *Lower their energy costs*
- *Increase their power resilience*
- *Reduce their carbon emissions*

## **1** \$11.7B Addressable Market

- Diverse customer base across multiple end markets: Commercial CHP, Renewable Energy, Critical Power Infrastructure, Oil & Gas and most recently Bitcoin and Cannabis
- Our suite of products and services address the growing ESG pressures on our customers

## **2** Positioned for Continued and Accelerating Growth

- Two years of cost realignment has enabled CGRN to invest in direct sales, sophisticated digital marketing, and improved geographic distribution partners
- New products and services – RNG, Hydrogen and Energy as a Service (“EaaS”) rental fleet
- Growing portfolio of green energy technology partnerships

## **3** Compelling High Margin Recurring Business Model

- 50% recurring revenues with high expense absorption rate
- Rapidly expanding EaaS rental fleet with goal of 50MW by March 2023
- Improving revenue visibility and margins hitting 25%
- Strengthened balance sheet with recent \$8M underwritten public equity offering
- Positive Adjusted EBITDA in the most recent quarter

*"Improving the Global Climate Through Sustainable Energy as a Service Solutions"*

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# Capstone Technology Markets

## Energy Efficiency

Generate on-site power and capture thermal energy from the exhaust in CHP and CCHP applications for **Hotels, Large Residential Complexes, Retail Buildings and Office Buildings.**

## Microgrids

Provide reliable, resilient on-site power through a dual-mode microturbine or in conjunction with other distributed energy resources that can operate independently of the utility grid to balance loads and generation.

## EV Charging

Use renewable energy to power the EV charging infrastructure and eliminate strain on the grid and the environment, especially when paired with smart EV charging solutions.

## Oil, Gas and Other Natural Resources

Produce on-site power for all phases of O&G production in both onshore & offshore applications for **Drilling Operations, Flare Gas Reduction, Gas Compression, Mining & Water Conversion.**

## Renewable Energy

Cleanly and efficiently generate on-site power from biogas and other waste products to create high-efficiency renewable power and heat for **Farm Digesters, Landfills, Food Waste and Solid Waste Management.**

## Critical Power Supply

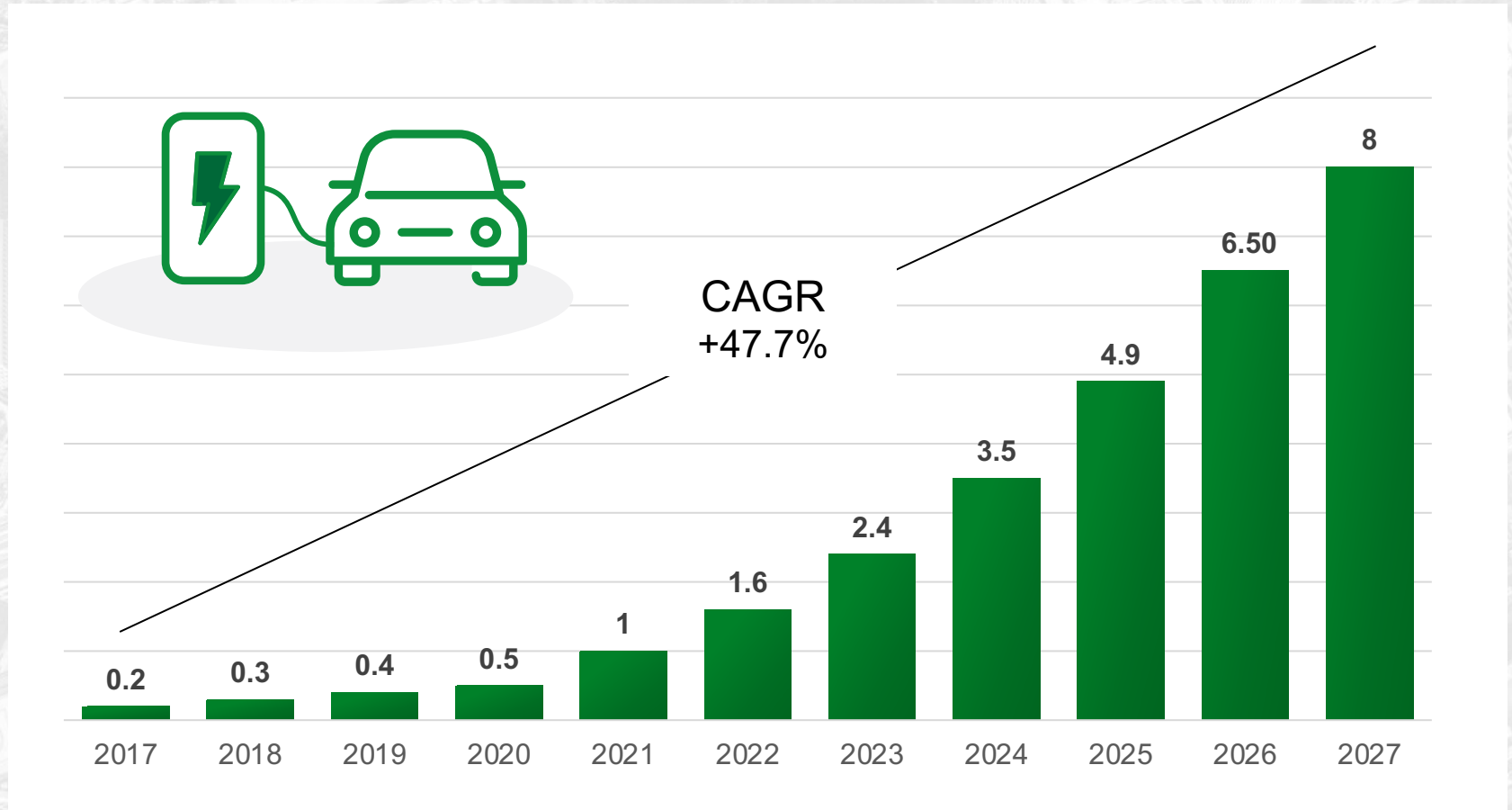
Mission-critical businesses have an uninterruptible power source with the world's only microturbine-powered UPS solution for **Data Centers, Hospitals, Telecom and Power Rentals.**





# Electric Vehicle Infrastructure

Forecast global electric vehicle infrastructure revenues (in billions U.S. dollars)



Source: Statista Mobility Market Outlook

# Aligning With Customers & Stakeholders

## Cost & Carbon Savings

To date, Capstone has shipped over **10,000 units** to **83 countries** and estimates that in FY22, it saved customers over **\$213 million** in annual energy costs and approximately **388,000 tons** of carbon.

Total savings over the last four years are estimated at:

**\$911M**

IN FINANCIAL SAVINGS

**1.5M Tons**

OF CARBON SAVINGS

## DID YOU KNOW?

**1.5 MILLION TONS OF CARBON IS COMPARABLE TO THE ANNUAL CO<sub>2</sub> OUTPUT OF ABOUT 291,862 U.S. HOMES RUNNING ON ELECTRICITY.**

## Sustainability is driving today's buyer decision-making

What will they say about your business?



According to a Nielsen study<sup>(1)</sup>, **73% of consumers say they would likely change a behavior to reduce their impact on the environment**, and that eco-aware mindsets and behavior adaptation has only increased in recent years.



Sustainability also feeds into customer loyalty. Sustainable and ethical business practices are the **second-highest reason most consumers return to a brand**. This is second only to product quality<sup>(2)</sup>.

ACCORDING TO A CGS 2019 STUDY:



**2/3**

of respondents (across all ages and genders) consider sustainability when making purchasing decisions



**1/2**

are willing to pay more for sustainable products



**70%**

said sustainability is at least somewhat important to them when making a purchase

<sup>(1)</sup> NielsenIQ, "A 'natural' rise in sustainability around the world," January 10, 2019

<sup>(2)</sup> CGS 2019 U.S. Consumer Sustainability Survey



# Solutions For a Low Carbon World

## Multiple Decarbonization Solutions For a Cleaner Future

### Microgrids For Primary Power



### Hydrogen Systems



### Plant Efficiency and Resiliency



- Capstone Microturbines
- Global RAIS - Solar PV
- KORE Power Batteries

- Capstone Microturbines
- Baker Hughes Turbines
- PowerTap Hydrogen

- Capstone Microturbines
- Baker Hughes Turbines
- Alpha Laval



# Capstone Green Energy Product Offerings



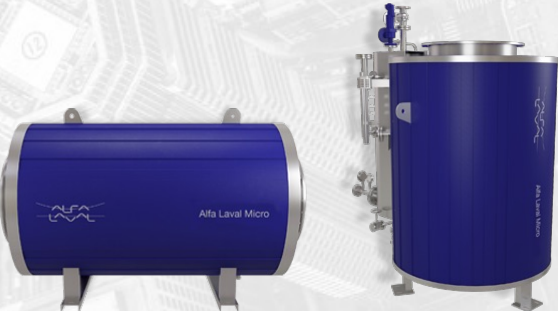
**MICROTURBINE SYSTEMS FROM 65KW – 5MW**



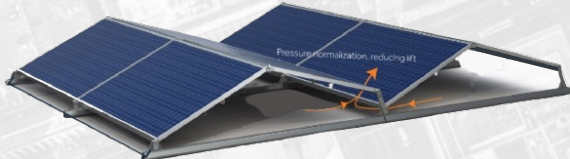
**BAKER HUGHES TURBINES FROM 5MW-16MW**



**KORE POWER BATTERY STORAGE SYSTEMS**



**ALFA LAVAL HEAT RECOVERY CHP SYSTEMS**



**SOLAR PV SOLUTIONS**



**POWERTAP HYDROGEN GENERATION & FUELING SYSTEMS**



# Recent U.S. Policy Changes

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**DARREN JAMISON**  
Chief Executive Officer



# Infrastructure Investment & Jobs Act 2022

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## Opportunities for Project and R&D Funding for Microturbine Projects as Well as New Technology (Bess, PV, Etc.)

### Infrastructure Investment and Jobs Act:

- **\$1.2 trillion**, including \$65 billion for grid infrastructure and \$50 billion for cyber/climate resilience
  - **\$6 billion** cost share program for grid reliability RD&D and \$5 billion grant program for utilities, states and tribes to bolster grid against extreme weather, wildfire and disaster
  - **\$7.5 billion** to set up national EV charging system
  - **\$7 billion** in the supply chain for batteries
  - **\$8 billion** for at least four clean hydrogen hubs
  - On November 5, it was passed 228–206 by the House, and ten days later was signed into law by President Biden.



# New Inflation Reduction Act 2022

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## **The New Package if Passed, is Expected to Raise \$739 Billion, of Which \$369 Billion Would Be Dedicated to Climate and Energy Programs.**

The biggest impact for Capstone Green Energy is related to Tax Credits – Section 45 (Production Tax Credit) and 48 (Investment Tax Credit).

- Section on 45d – The Biomass/Biogas Tax Credit, which expired Jan 1, 2022. **The new legislation would amend it to expire for projects that start construction on/after Jan 1, 2025.**
- Bonus for Domestic Content: **10% for qualified facilities manufacturing products that is a component of the facility was produced in the United States.**
- **ITC will increase from 10% to 30% through 1/1/25 and up to 30-40% through 2035** (if meeting zero emission, labor requirements and domestic content) for CHP and biogas projects. Labor requirements waived for projects <1MW.
- Energy storage, qualified Biogas property and Microgrid Controllers are added in as eligible technologies eligibility through 2034 with a 6% ITC.
- Energy storage includes hydrogen storage and thermal energy storage.

Note: Energy storage specifically excludes CHP but hydrogen storage and thermal storage are included.



# Energy as a Service (EaaS) Business

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**DARREN JAMISON**  
Chief Executive Officer

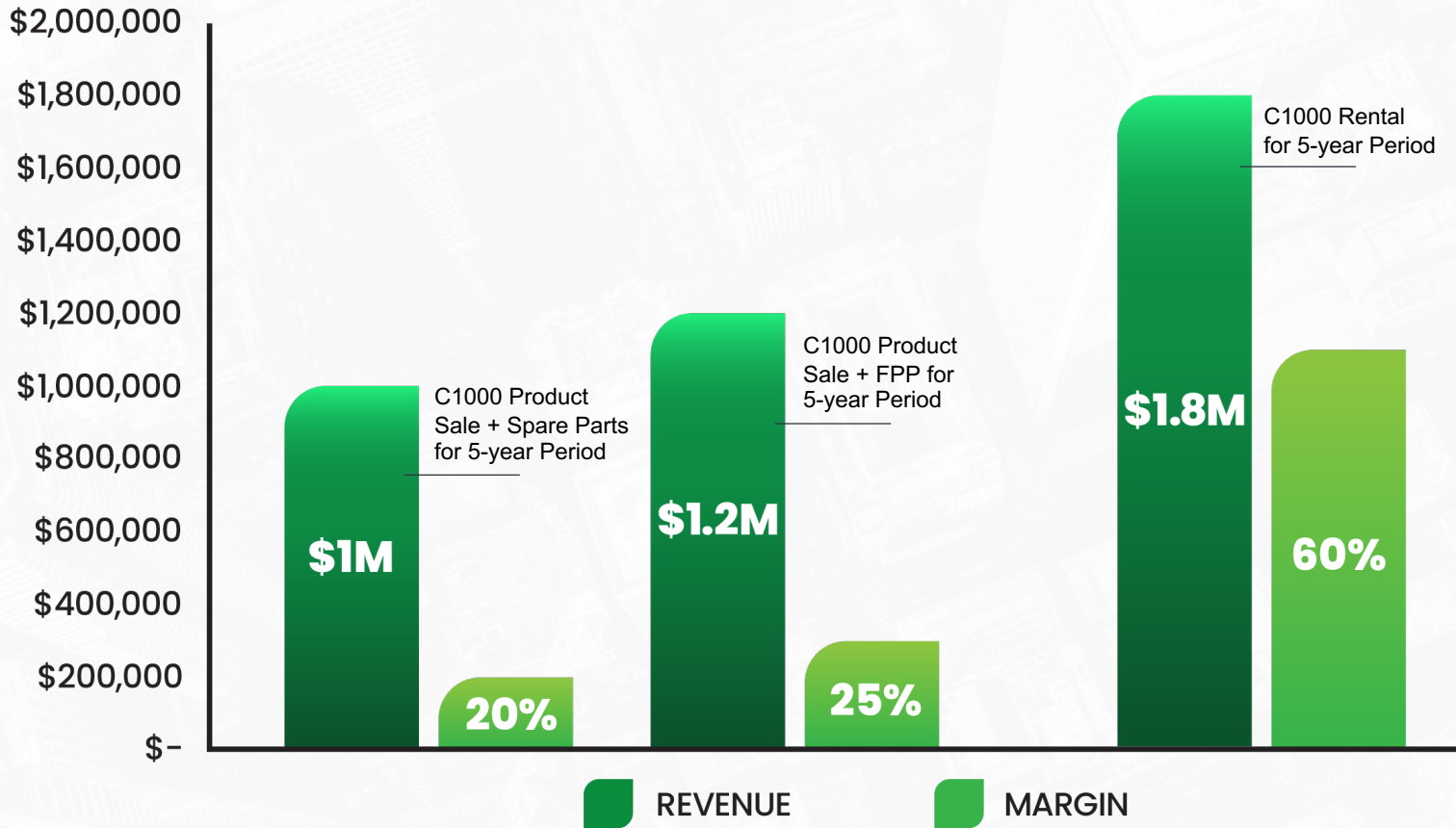




# EaaS Rental Fleet Business Case

## Hypothetical Example for Capstone Owned Rental Units

### Rental vs. Traditional Product Sales

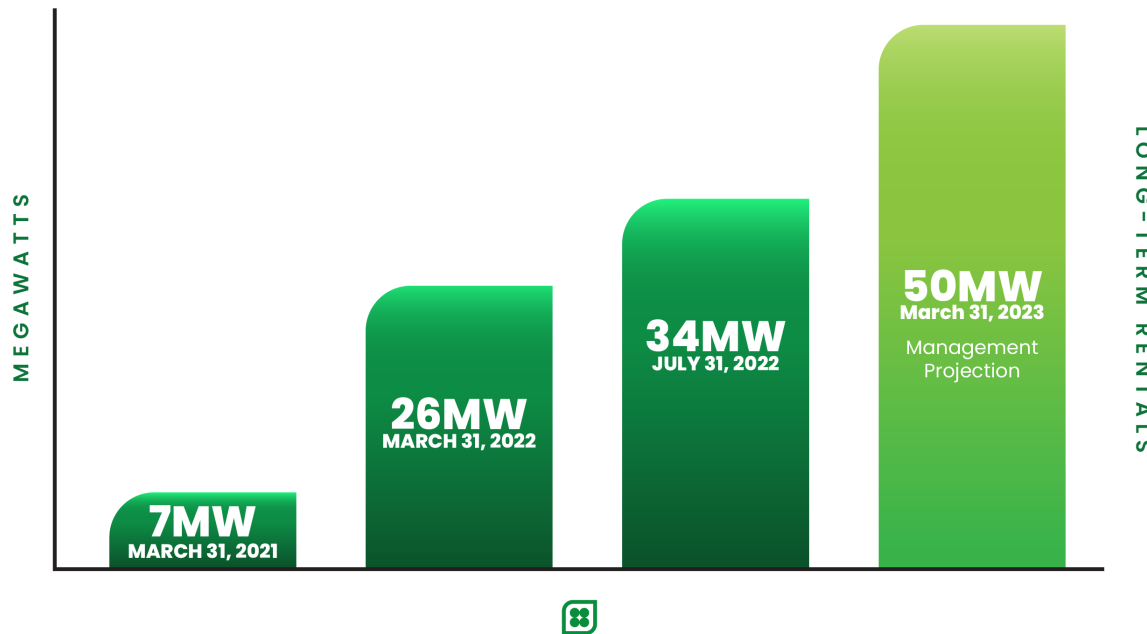


Note: the above rental data is approximately equal to the average of our current rental fleet financial performance

# EaaS Long-Term Rental Fleet Growth

14MW of Current Contracts Using Re-rented Equipment

## EaaS Contract Growth



- Includes re-rented equipment with lower capital costs but lower margin rates
- Most re-rent contracts have a future purchase option



# Positive Adjusted EBITDA Strategy

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**DARREN JAMISON**  
Chief Executive Officer



# FY2023 Positive Adjusted EBITDA Strategy

**Plan is to Deliver Positive Adjusted EBITDA through a Mix of Restructuring, Price Increases and EaaS Business Growth**

## **1 Reduce Operating Expenses \*\$4.3M by Restructuring the Business Around a EaaS Model – DONE**

- Decreased Executive Staff from 10 to 6
- Reduce the Capstone Direct Sales Team by approximately 50% - Move assets into Distribution where possible
- Utilize a strategic mix of employee pay cuts, furloughs and part time status to reduce OpEx

## **2 New Price Increases on Product, FPP and Spare Parts – DONE**

- New product price increase effective May 1, 2022 - C65 price increase of 10% and C1000 Increase of 7%
- Increase existing FPP contracts 5% for CPI and increase pricing on new FPP contracts 5%
- Increase spare parts pricing to offset inflation factors and focus on supply chain integrity

## **3 Increase DSS From 3% to 5% – DONE**

- Increase DSS Fee from 3% to 5% to generate approximately \$1M in additional revenue and margin
- Increase minimum DSS Fee from \$10,000 to \$20,000 with a maximum of \$500,000

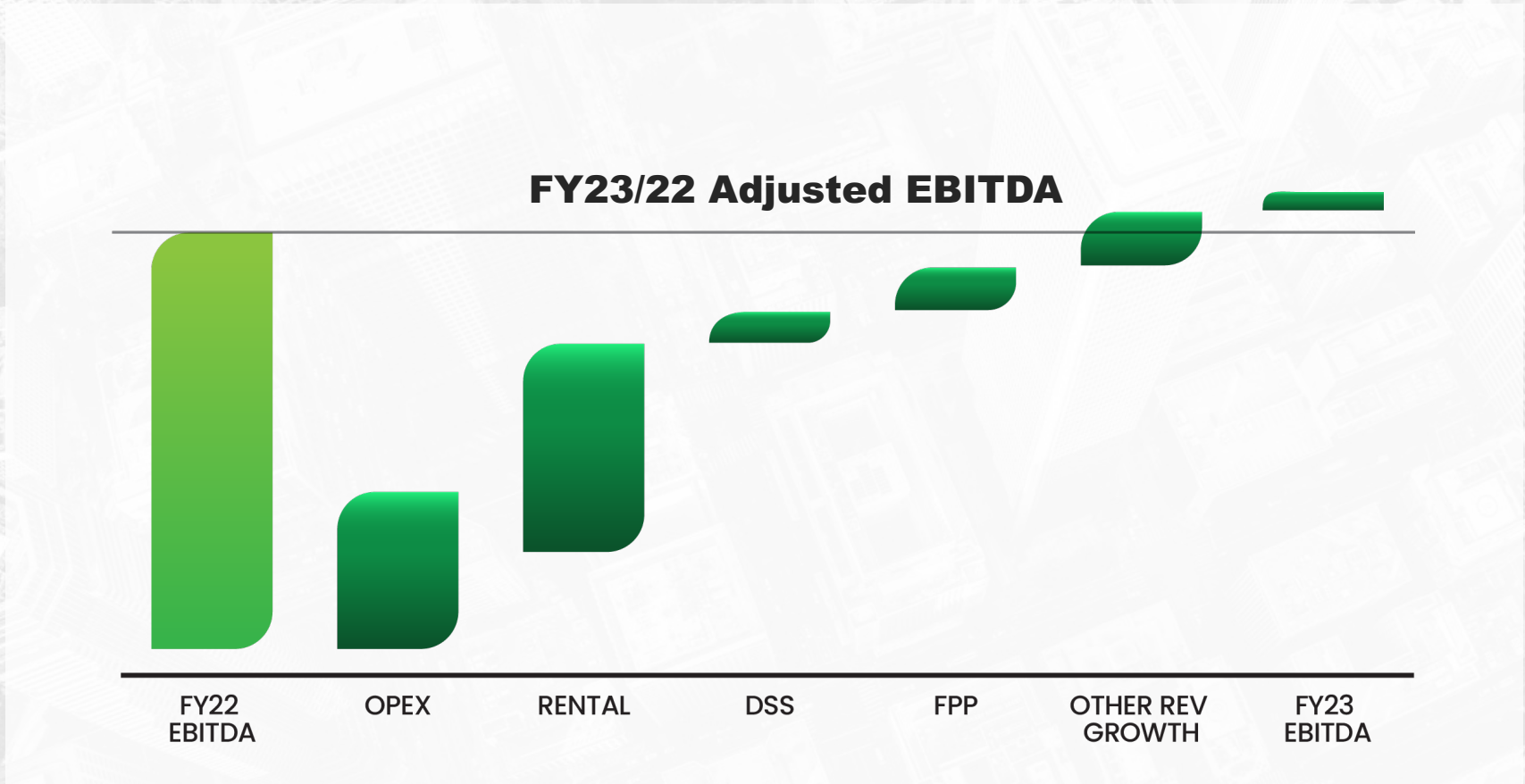
## **4 Increase Energy-as-a-Service Business – IN PROCESS**

- 7 MW under contract in March 2021
- 26 MW under contract in March 2022
- 34 MW under contract today, representing nearly 31% growth in the last 100 days.

\*The \$4.3M OpEx reduction is an estimate for the full fiscal year 2023



# FY23/FY22 Adjusted EBITDA Waterfall



- Management's goal is Adjusted Positive EBITDA for FY23 and Beyond

# First Quarter Financial Highlights

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**DARREN JAMISON**  
Chief Executive Officer



# First Quarter Financial Highlights

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## Highlights of Q1 Fiscal 2023 vs. Q4 Fiscal 2022:

- **Revenues** of **\$18.7 million, up 18%** from \$15.8 million in revenue during in the fourth quarter ended March 31, 2022, and up 16% from revenues of \$16.1 million in the year-ago quarter.
- **Margins** for **Q1 FY23 were 25%** compared to 6% in Q4 FY22 on the growth of the Energy-as-a-Service (EaaS) long-term rental services and May price increases.
- Capstone is seeing greater than anticipated customer demand across industries for its **Energy-as-a-Service (EaaS)** long-term rental services – which had 7 MW under contract in March 2021; 26 MW under contract in March 2022; and as of July 15, 2022 contracts in excess of 34 MW; representing nearly **31% growth** in the **last 100 days**.
- Gross product bookings in Q1 FY23 were \$12.4 million, down slightly from \$12.7 million in Q4 FY22. The product Book-to-Bill Ratio dropped to 1.4:1 in Q1 from 1.7:1 in Q4 as a result of lower product shipments in Q4. Ending product **Backlog** at the end of **Q1** was **\$24.8 million** compared to \$25.3 million on March 31, 2022.
- **Adjusted EBITDA** for the Q1 FY23 was **positive \$0.4 million** compared to an Adjusted EBITDA loss of \$4.7 million in Q4 FY22 and a loss of \$2.3 million at the year-ago quarter.





# Q1 FY23 vs. Q4 FY22 Financial Results

<i>(In millions)</i>	Q1 FY23	Q4 FY22
Microturbine Product and Accessories	\$9.0	\$8.0
Parts, Service & Rental	\$9.7	\$7.8
Total Revenue	\$18.7	\$15.8
Gross Margin	\$4.7	\$1.0
Gross Margin Percent	<b>25%</b>	<b>6%</b>
R&D Expenses	\$0.5	\$0.7
SG&A Expenses	\$4.9	\$5.9
Total Operating Expenses	\$5.4	\$6.6
Net Loss	\$(2.1)	\$(6.9)
<b>Adjusted EBITDA **</b>	\$0.4	\$(4.7)

\*\* Non-GAAP financial measure. See Appendix, Slide 31

# Select Balance Sheet & Cash Flow Items

<i>(In millions)</i>	June 30, 2022	March 31, 2022
Cash & Cash Equivalents	\$16.9	\$22.6
Cash Provided by (Used in) Operating Activities for the Three Months Ended	\$(3.4)	\$(4.5)
Accounts Receivable, Net of Allowances	\$25.2	\$25.9
Total Inventories	\$20.6	\$20.1
Accounts Payable & Accrued Expenses	\$22.2	\$25.1

- Managements Raised \$8M in a Underwritten Public Offering on August 23, 2022.

# Business Summary

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**DARREN JAMISON**  
Chief Executive Officer





# Key Takeaways – Market Trends

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## Capstone Expanded Product Line-up Addresses On-site Resiliency Concerns from Changing Grid Generation Mix & Customer Sustainability Demands

- Global energy demand continues to rise with electrification
- Rising share of renewables introduces need for grid balancing and resiliency
- On-site distributed energy resources and natural gas/low carbon fuels can support these needs
- Battery energy storage is seen as the technology of choice for balancing and arbitrage with huge market growth forecast
- Combined heat and power or CHP is a clean technology and reduces emissions vs the grid even out to 2050, especially with greater availability and affordability of renewable/low carbon fuels
- Oil and Gas sector increasingly looking to valorize waste gases vs flaring/venting as gas prices rise and investors/shareholders demand sustainability in the oil field
- Customers want to hear how solutions can adapt to low carbon/zero emission requirements and deliver results for 20+ years

# Capstone Business Catalyst Summary

- ✓ New US Policy driving improved project economics.
- ✓ Strategic business plan is creating a larger TAM.
- ✓ Continuing the expansion of the higher margin EaaS from 34MW to 50MW by March 31, 2023.
- ✓ Rentals expected to improve cash flow and margin rates.
- ✓ Revenue growth strategy in place – Up 18% YTD
- ✓ Direct Sales Solution team focused on top line revenue growth – Larger customers with larger rollouts.
- ✓ \$8M CMPO strengthens the balance sheet and reduces customers' perception of adoption risk and EaaS risk.
- ✓ Leveraging Network Partners to drive revenue growth.

## Wood Mackenzie

*“Energy storage is seeing a rapid increase because of lower battery cost and will be a \$7.6B annual market in 2025.”*

## Navigant Research

*“Total microgrid capacity is expected to grow multi-fold over the next decade – reaching 20 GW by 2028 from 3.5 GW in 2019.”*

# APPENDIX

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# Microturbine Product Suite

## Capstone Green Energy's Core Technology



C65 ICHP

C200 ICHP

C600 ICHP

C800 ICHP

C1000 ICHP



### Patented Air Bearing Technology

No lubricants or coolants needed



### Inverter Based w/ One Moving Part

Factory guaranteed low operating costs



### High Power Density

Compact footprint with small modular design



### Stand Alone Or Grid Connect

Supports aging utility infrastructure w/on-site resiliency



### Fuel Availability

Natural gas, biogas, liquid fuels & a hydrogen blend



### Free Clean Waste Heat

Thermal energy for cogeneration or trigeneration



### Remote Monitoring

View performance and diagnostics 24/7/365



### Scalable To Match Demand

Multiple applications and industries



# Global Rais Solar PV Systems

## APEX DUO - Complete Solar Energy System



*APEX DUO Wave Rack*

### Highest Energy Density

- Shade tolerant design allows more PV modules to be packed into a limited space at a higher tilt.

### Redundant Solar

- No single point failure – unlike conventional solar PV, every element of the systems have multiple connections making the entire system highly resilient.

### Storage Ready Now

- Modules can charge batteries directly for true DC-DC storage.

### Extremely Maintainable

- Smart low voltage design, maintaining a device is safe and easy by trained staff, eliminating the need for costly specialists.

Global RAIS® solutions allow customers to have more power generation over the life of their systems in the same square footage as a conventional solar system.

**64% More Energy**

THAN A  
CONVENTIONAL  
SOLAR SYSTEM

**2,900+**

INSTALLATIONS  
WORLDWIDE  
SINCE 2010

# Battery Energy Storage Systems

## Vertically Integrated Energy Storage System (ESS)

 KOREPOWER



### Power Quality Management

- Frequency Regulation & Voltage Reduction

### Demand Charge Reduction

- Utility scale monthly and annual capacity & transmission reduction
- Commercial application for removing large start-up loads and associated demand charges

### Islanding // Microgrid

- Allows system to operate as a stand-alone power disconnected from the grid.

### Peak Shaving // Peak Shifting

- Eliminates “ratchet charges” for commercial customers
- Moves PV energy from the daytime generation peak to the late afternoon and evening consumption peak.

Distributed energy storage has followed the same path as distributed generation, moving the storage systems closer to the end user either on the distribution network or behind-the-meter.

**110.7 kwh**

ENERGY





# Baker Hughes Industrial Gas Turbines

**NovaLT Family – 5MW, 12MW or 16MW**

Baker Hughes 



*NovaLT 5MW*



*NovaLT 16MW*

## Low maintenance cost with 99% availability

- 3-4 years continuous run without maintenance stops
- NovaLT5-1 ... 30 hours engine swap
- NovaLT12, LT16 ... 24 hours engine swap

## New modular design platform

- Leading to competitive cost and reduced activities at site for installation.
- Forward thinking, design flexibility, uniform speed & quality.

## Increased Partial Load Performance

- Significantly higher than competition, while being slightly better at full load.

Capstone Green Energy in partnership with Baker Hughes provides commercial and industrial customers with large scale its line of NovaLT gas turbines.

**35,000 hrs**

OF CONTINUOUS  
RUN W/O  
PLANNED  
INSPECTIONS

UP TO  
**100%**  
**Hydrogen**

PROVEN &  
AVAILABLE TODAY



# Alfa Laval Heat Recover Systems

## Alfa Laval Micro 606 and 718



### Product Features

- Designed for heating hot water, TEG, TFO, or generating steam
- As standard, equipped with regulation damper and electrical actuator for easy regulation of capacity
- Horizontal and vertical versions for in and outdoor installation
- Dry run possible, requiring no external exhaust bypass
- Finned spiral tube coil in corten or stainless steel (media side), fitted in a large isolated chamber (gas side).

Alfa Laval  
heat recovery  
comparison vs Cain  
for Hot Water CHP

**Alfa LAVAL**

\$49,350 COST  
TO DISTRIBUTOR  
W/ 2.49 MMBTU

VS

**CAIN**

\$90,700 COST  
TO DISTRIBUTOR  
W/ 2.43 MMBTU

# Reconciliation of Non-GAAP Financial Measures

## Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA (in thousands)

Three Months Ended  
June 30,

	2022	2021
Net loss, as reported	\$ (2,059)	\$ (2,182)
Interest expense	1,362	1,235
Provision for income taxes	2	8
Depreciation and amortization	695	386
EBITDA	—	(553)
Gain on debt extinguishment	—	(1,950)
Additional PPP loan forgiveness	—	(660)
Stock-based compensation and other expense	432	870
Adjusted EBITDA	<u>\$ 432</u>	<u>\$ (2,293)</u>

To supplement the company's unaudited financial data presented on a generally accepted accounting principles (GAAP) basis, management has presented Adjusted EBITDA, a non-GAAP financial measure. This non-GAAP financial measure is 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 this metric. Accordingly, disclosure of this non-GAAP financial measure provides investors with the same information that management uses to understand the company's economic performance year-over-year.

EBITDA is defined as net income before interest, provision for income taxes, and depreciation and amortization expense. Adjusted EBITDA is defined as EBITDA before gain on debt extinguishment, additional PPP loan forgiveness, stock-based compensation and other expense, and legal settlements. Gain on debt extinguishment and additional PPP loan forgiveness relates to the Paycheck Protection Program loan forgiveness. Stock-based compensation and other expense represents expense related to stock issued to employees, directors, and vendors. Legal settlements represent legal settlements for employment related matters.

Adjusted EBITDA is not a measure of the company's liquidity or financial performance under GAAP and should not be considered as an alternative to, net income (loss) 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 measure provides useful supplemental information to investors, there are limitations associated with the use of this measure. This measure is 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 method of calculation. Management compensates for these limitations by relying primarily on the company's GAAP results and by using Adjusted EBITDA only supplementally and by reviewing the reconciliation of the non-GAAP financial measure to its most comparable GAAP financial measure.

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.







**Time to take the power  
in your hands.**

[www.capstonegreenenergy.com](http://www.capstonegreenenergy.com)



16640 Stagg Street | Van Nuys, CA | 91406 USA



*Clients come to us looking to meet a new environmental, social and governance standard, or maybe they simply want to attain a LEED green building certification. At Capstone Green Energy, we provide thoughtful custom solutions to improve their cost of on-site energy and reduce their carbon footprint, while also providing critical energy resiliency. Businesses shouldn't wait for the government to make them innovate or let the competition innovate first. Businesses need to take control of their energy future now because with Capstone Green Energy, the power is in their hands.*

**DARREN R. JAMISON**  
President & CEO