



FIRST QUARTER FISCAL 2021

Earnings Call | August 6, 2020



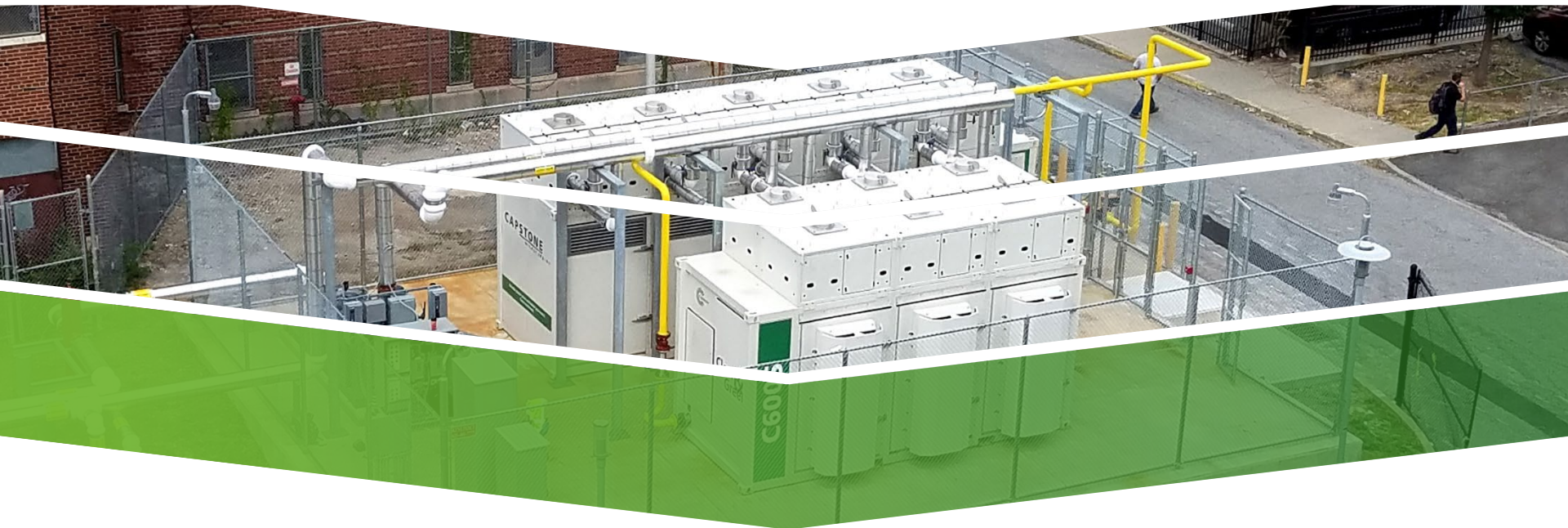
5MW ENERGY EFFICIENCY
INSTALLATION

Safe Harbor



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 Turbine 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. Factors that could cause actual results to differ from those projected include, but are not limited to: the impact of the COVID-19 pandemic on our business, results of operations and financial condition; failure to sustain or grow profitability or generate positive cash flows; failure to effectively introduce and market new products; delays in product introductions; significant competition; inability to further penetrate our current customer base, expand our user base and increase the frequency of use of our products by our customers; inability to achieve or maintain satisfactory pricing and margins; manufacturing difficulties; product defects or failures; potential adverse regulatory actions, and general market, political, economic and business conditions.

Further information on these and other factors that could affect the Company's financial results is included in the reports on Form 10-K, Quarterly Reports on Form 10-Q and other periodic 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 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.



POSITIVE ADJUSTED EBITDA INITIATIVE

Darren Jamison

Nasdaq: **CPST**

Positive Adjusted EBITDA Initiative



PHASE 1

- Substantially lower operating expenses
- Reduce direct material costs \$3M annually
- Cut annual R&D spend by approximately 25%, delaying all non-essential product development
- Expand long-term microturbine rental fleet from current 8.6MW up to 10 MW with 85% utilization
- Increase aftermarket spare parts margins with newly upgraded United Kingdom Integrated Remanufacturing Facility (IRF)
- Improve product reliability and drive warranty expenses from 3% down to below 1%



PHASE 2

- Help key distributors achieve higher Factory Protection Plan (FPP) service contract attachment rates from 38% to 45%
- 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

Adjusted Positive EBITDA Goal Achieved in Q1 as Forecasted

Q1 FY2021 Adj. EBITDA Results



“We achieved our stated goal of positive adjusted EBITDA for the quarter ended June 30th despite the impacts of COVID-19. The results represent a \$5.1M improvement compared to the March quarter and \$3.5M improvement year-over-year.

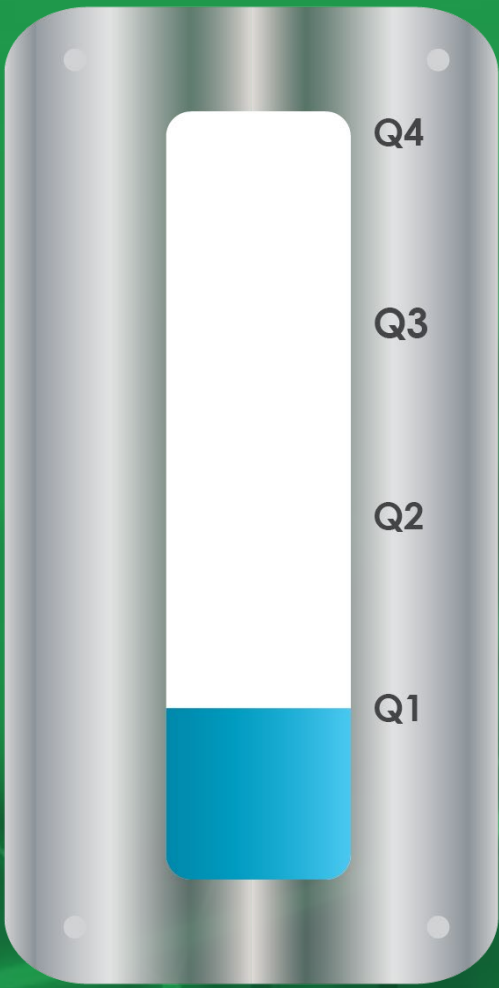
These tremendous improvements are driven by the work we put into lowering our operating expenses, improving aftermarket service margins and a small rebound in product shipments.”

Darren Jamison – Capstone CEO

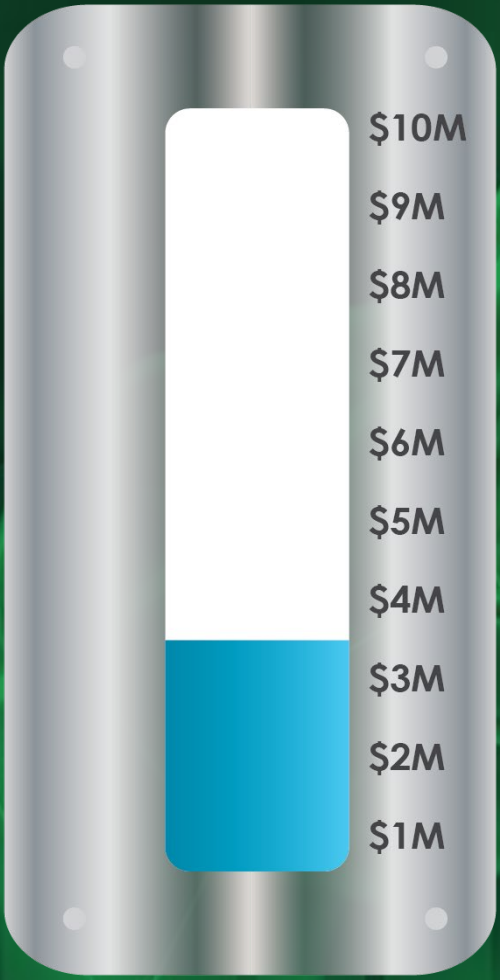
Adjusted EBITDA Improvement



Quarter-To-Date



Y/Y Improvement





FIRST QUARTER RESULTS

Eric Hencken

Nasdaq: **CPST**

Q1 FY2021 Business Highlights



- Total revenue for Q1 FY2021 was \$14.2 million, up 22%, compared to \$11.6 million in Q4 FY2020.
- Accessories, parts, aftermarket service, FPP long-term contracts, rentals, and Distributor Support System (DSS) revenue was \$8.1 million, up 4% from \$7.8 million in Q4 FY2020.
- Inventory receipts decreased by \$2.9 million, or 36%, to \$5.1 million in Q1 FY2021 compared to \$8.0 million in Q4 FY2020 and decreased \$9.0 million, or 64%, compared to \$14.1 million in Q1 FY2020, supporting improved liquidity and positioning the Company for positive working capital in the upcoming quarter.
- Total cash and cash equivalents as of June 30, 2020, were \$16.2 million, an increase of \$1.1 million, compared to \$15.1 million as of March 31, 2020, despite ongoing impacts from the COVID-19 pandemic.
- New gross product orders were \$5.5 million and the book-to-bill ratio was 0.9:1 for Q1 FY2021.
- Cash provided by financing activities of \$3.1 million during the quarter, as the Company focused on liquidity as part of its COVID-19 Business Continuity Plan.

Strong Progress Against Strategic Business Initiatives

Q1 FY2021 vs. Q4 FY2020 Financial Results



<i>(In millions)</i>	Q1 FY21	Q4 FY20
Microturbine Product	\$6.1	\$3.8
Accessories, Parts & Service	\$8.1	\$7.8
Total Revenue	\$14.2	\$11.6
Gross Margin	\$3.4	\$0.5
Gross Margin Percent	24%	4%
R&D Expenses	\$0.4	\$0.8
SG&A Expenses	\$3.5	\$5.2
Total Operating Expenses	\$3.9	\$6.0
Net Loss	\$(1.8)	\$(6.9)
Adjusted EBITDA*	\$0.1	\$(5.0)

*See Appendix, Slide 23

Q1 FY2021/Q4 FY2020 Balance Sheet



<i>(In millions)</i>	June 30, 2020	March 31, 2020
Cash & Cash Equivalents	\$16.2	\$15.1
Cash Used in Operating Activities	\$1.9	\$4.0
Accounts Receivable, Net of Allowances	\$14.7	\$16.2
Total Inventories	\$19.2	\$22.7
Accounts Payable & Accrued Expenses	\$10.8	\$15.0

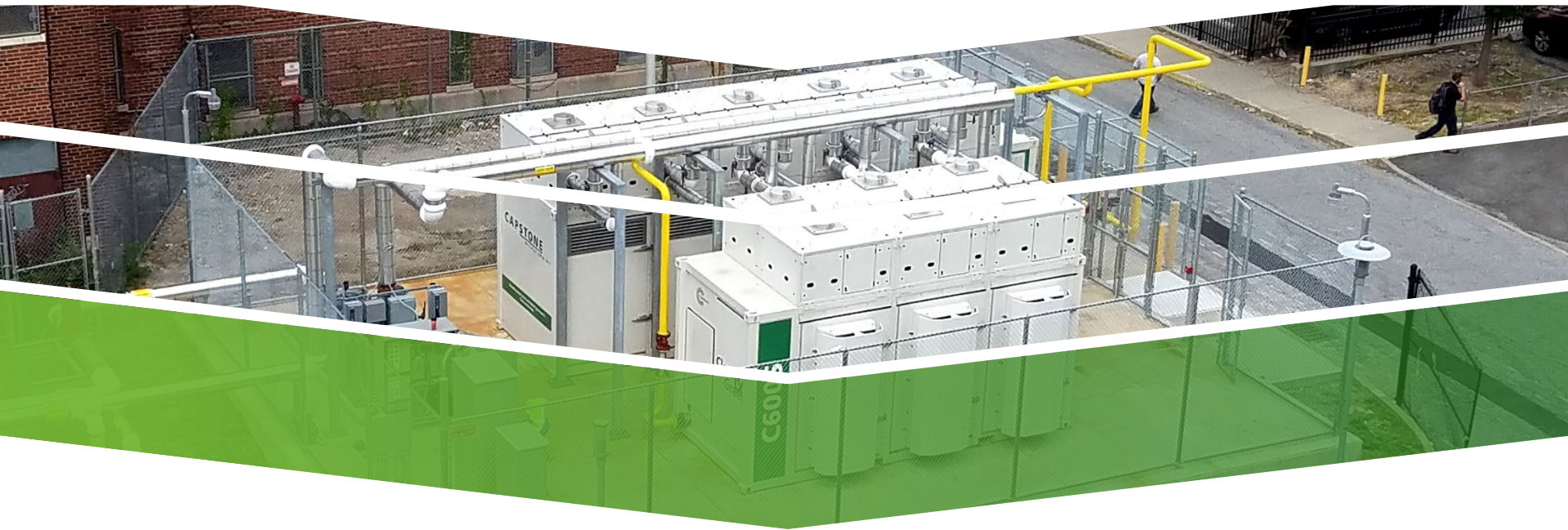
\$30M Goldman Sachs 3-Year Term Note Increases Financial Flexibility

Q1 FY2021 vs. Q1 FY2020 Financial Results



<i>(In millions)</i>	Q1 FY21	Q1 FY20
Microturbine Product	\$6.1	\$10.1
Accessories, Parts & Service	\$8.1	\$9.1
Total Revenue	\$14.2	\$19.2
Gross Margin	\$3.4	\$2.9
Gross Margin Percent	24%	15%
R&D Expenses	\$0.4	\$0.9
SG&A Expenses	\$3.5	\$6.2
Total Operating Expenses	\$3.9	\$7.1
Net Loss	\$(1.8)	\$(5.6)
Adjusted EBITDA*	\$0.1	\$(3.4)

*See Appendix, Slide 23



FY2021 BUSINESS GOALS & OBJECTIVES

Darren Jamison

Nasdaq: **CPST**

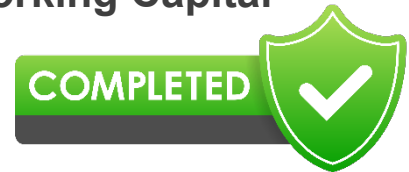
Top 4 Critical Short-Term Goals



**Employee
Health and Safety**



**Increase Liquidity
and Improve
Working Capital**



**Business
Continuity for
Essential End
Use Customers**



**Positive Adjusted
EBITDA in June
Quarter**



Capstone Achieved its Top 4 Critical Short-Term Goals

FY21 Business Goals & Objectives

\$10M+ GOAL

Of Y/Y Adj. EBITDA Improvement

“The pandemic has undeniably been challenging, but it did afford us a unique opportunity to thoroughly reevaluate every aspect of our strategic business plan and make the tough, but necessary, adaptations so that we were able to support our long-term goals, and most importantly we have an opportunity to emerge from this global crisis as a stronger and more resilient business than before.”

- Darren Jamison



6x
INVENTORY
TURNS

10 MW
RENTALS



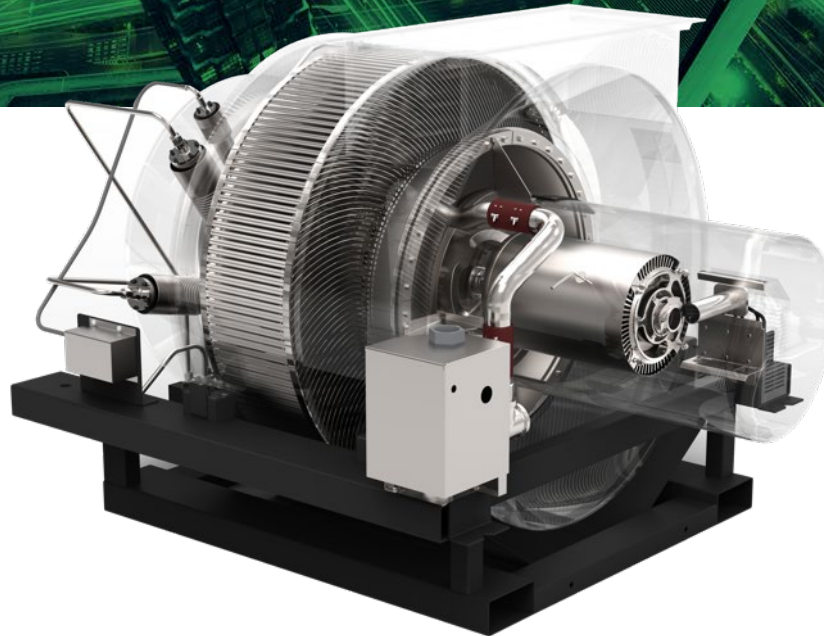
22%
GROSS MARGIN

15%
DIRECT SALES

Capstone Growth Catalysts



CATALYSTS FOR GROWTH



Focus On Reducing Cost ●

Low Cost Natural Gas ●

Microgrid Adoption ●

Federal & State Subsidies ●

New Engine Emissions ●

● Green Building (LEED)

● Severe Weather

● Electrification

● Gas Flaring Regulations

● Crude Oil Prices

● Positive

● Neutral

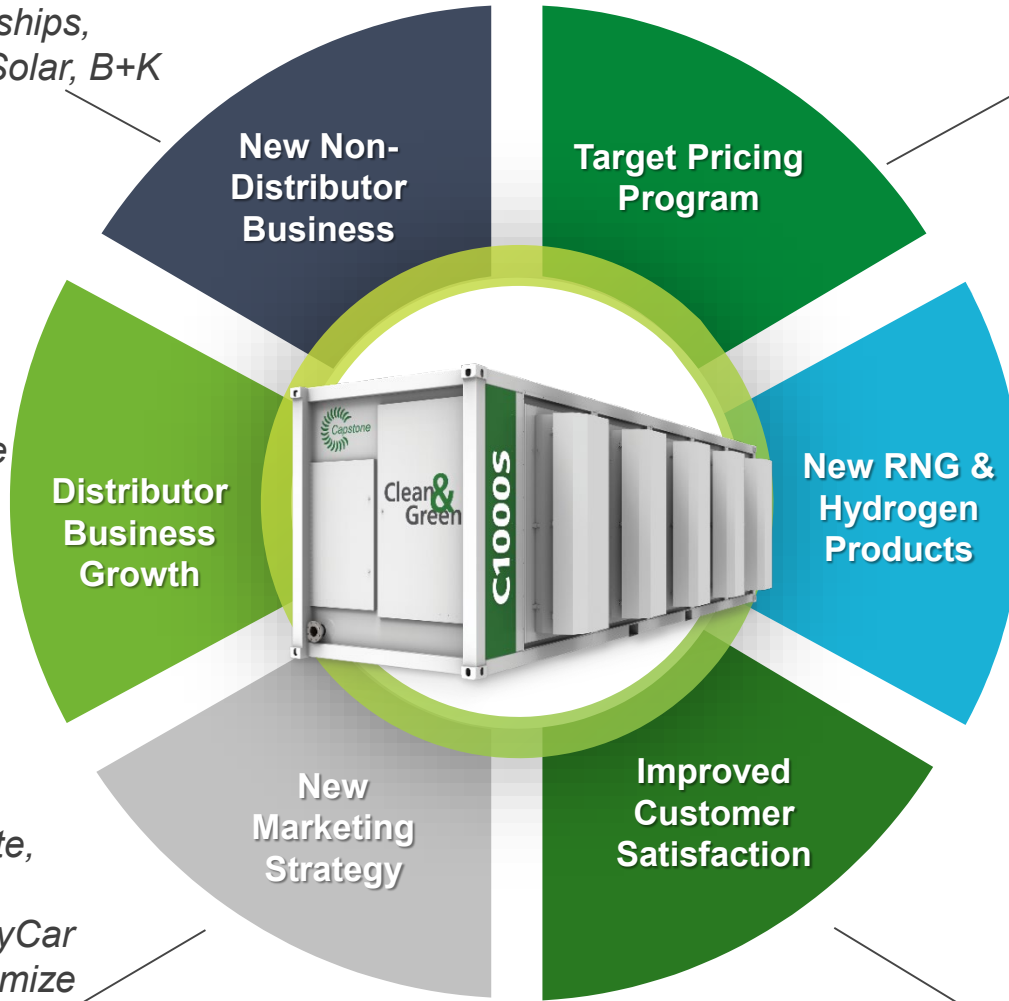
● Negative

FY21 Revenue Growth Strategy



Direct Sales, National Accounts, Expanded Product Portfolio on New Fuels, Strategic Partnerships, Rentals, OEM like 24/7 Solar, B+K

Implementation of Target Pricing Programs for Key National Accounts, OEMs with Existing Capstone Installations



Expanded Distribution in New Geographies like Eastern Europe, Africa and the Middle East

New RNG and Hydrogen Product Released with a goal of Operating on 100% Hydrogen in 18 months

New Digital Marketing Strategy, Website Update, Customized Campaigns Targeted by Market, IndyCar Branding Strategy. Maximize B2B and Marketing IRR

Improving C200/C1000 Product Performance with New Parts Suppliers. Replacing Legacy Supplier with Poor Manufacturing Quality. Improving Reliability, Lower Warranty and FPP Costs.

New Hydrogen Fueled Products



HYDROGEN



Capstone now offers renewable power with the use of up to 20% Hydrogen in our product line of microturbines as a fuel source. Today we have successfully operated on a blend of natural gas and hydrogen and a newly patented injector.

HYDROGEN

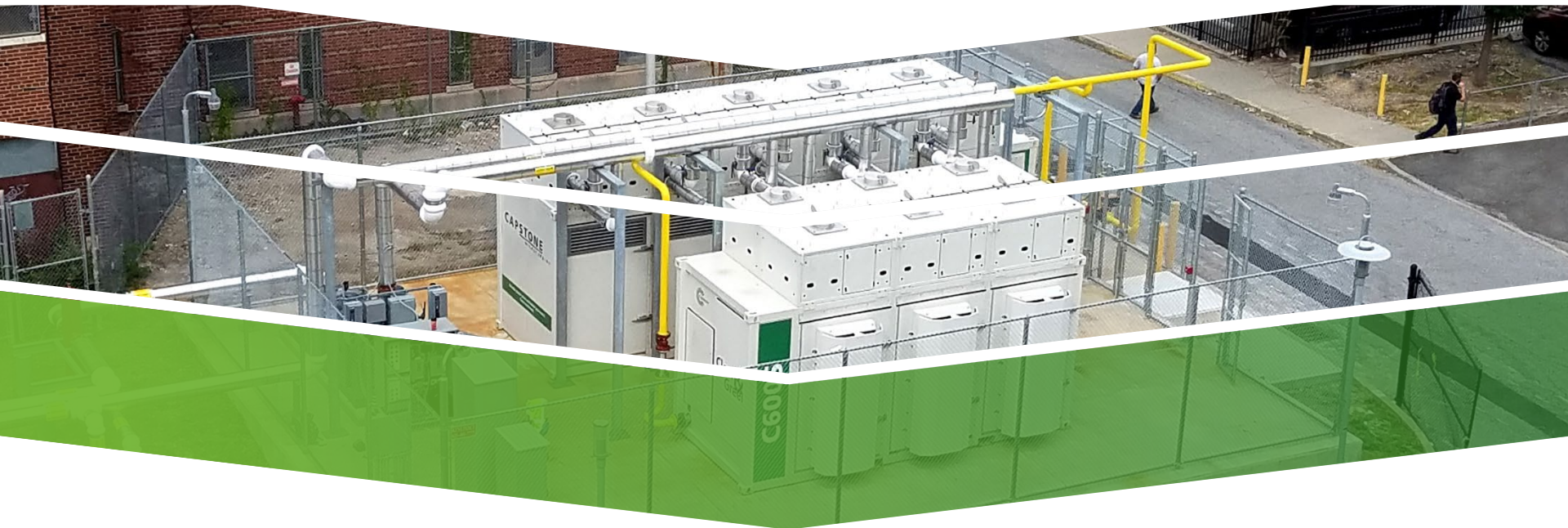


New Patent 10,184,664, is for a multiple-fuel capable, pre-mixed, low emission injector for high flame speed fuel combustion for Hydrogen and Renewable Natural Gas (RNG). Plans are in place to release a commercial 100% hydrogen fuel capable microturbine over the next couple of years.



ANALYST Q&A SESSION

Nasdaq: **CPST**



APPENDIX

Making Green Being Green

DID YOU KNOW?

In FY20 and FY 21, Capstone customers benefited from:

- **718,000 TONS** of Carbon Savings
- **Half a Billion** in Financial Savings



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 FY2020, CPST customers benefited from 368,000 tons in carbon savings while also saving \$219 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.



Financial & Market Statistics Comparison



Selected Public Companies

(\$ in millions)

Company	IPO (1)	Financial Statistics						Market Statistics		
		Revenue	Gross Margin	GM %	OPEX	EBITDA	Revenue Per Employee	Market Cap (2)	Cash (3)	Q/Q in Cash
Capstone Turbine Corporation (4)	32	\$14.2	\$3.4	24.0%	\$3.9	\$0.1	\$0.14	\$45.9	\$16.2	\$1.1
Small-Cap Distribution Generation										
American Superconductor Corp.(5)	33	18.1	2.5	13.8%	8.7	(5.1)	0.07	215.4	24.7	(0.8)
Ballard Power Systems(6)	12	24.0	5.2	21.7%	15.7	(9.1)	0.03	3,534.0	181.6	33.8
FuelCell Energy(7)	28	18.9	0.2	0.9%	8.3	(3.3)	0.06	449.0	77.2	(9.2)
Plug Power, Inc.(8)	23	40.8	(4.5)	(11.0%)	21.4	(6.1)	0.06	2,647.0	131.1	(63.2)
Avg. selected companies	24	\$25.5	\$0.9	6.3%	\$13.5	(\$5.9)	\$0.06	\$1,711.4	\$93.7	(\$9.9)

(1) Years since incorporation or first initial public offering

(2) Source: Nasdaq as of July 30, 2020

(3) Cash, cash equivalents and restricted cash

(4) Source: Capstone Turbine Corporation's August 2020 Form 10-Q filing

(5) Source: American Superconductor Corporation's June 2020 Form 10-K filing

(6) Source: Ballard Power Systems May 2020 Form 10-Q filing

(7) Source: FuelCell Energy's June 2020 Form 10-Q filing

(8) Source: Plug Power, Inc. May 2020 Form 10-Q filing

Reconciliation of Non-GAAP Financial Measure



Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA (in thousands)	Three months ended		Three months ended			
	March 31,		June 30,			
	2020	2020	2020	2019		
Net loss, as reported	\$	(6,950)	\$	(1,823)	\$	(5,593)
Interest expense		1,345		1,291		1,276
Provision for income taxes		4		1		8
Depreciation and amortization		392		354		373
EBITDA		(5,209)		(177)		(3,936)
Stock-based compensation and other expense		244		298		262
Restructuring charges		—		—		300
Adjusted EBITDA	\$	(4,965)	\$	121	\$	(3,374)

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 and other expense, restructuring charges, leadership incentive program, the change in warrant valuation and warrant issuance expenses. Stock-based compensation and other expense includes expense related to stock issued to employees, directors, and vendors. 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.



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