

11.10.2021

# Second Quarter Fiscal Year 2022

Earnings Conference Call/Webcast

**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. 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. 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. 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. 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.

A grayscale photograph of an industrial facility, likely a power plant or refinery. The image shows large buildings, complex piping systems, and various pieces of machinery. The scene is brightly lit, possibly from an overcast sky. The overall tone is professional and industrial.

# BUSINESS OVERVIEW

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**DARREN JAMISON**  
Chief Executive Officer

# New Capstone Business Strategy (April 2021)

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Capstone Green Energy is focused on sustaining and achieving its strategic business goals as we continue to work to grow our competitive advantages and total addressable markets (TAM).

## *Our goals include:*

- Broadening our diverse energy products and service offerings to provide custom tailored green energy solutions
- Direct Solutions Sales team focused on growing top line revenue and the Energy-as-a-Service (EaaS) business
- Expanding the long-term rental fleet to 21 MW and beyond
- Increasing aftermarket margins and escalating parts availability to drive customers satisfaction and repeat orders
- Focusing on managing working capital and inventory turns
- Growing the Distributor Support System (DSS) subscription program to drive marketing and customer acquisition efforts
- Seeking strategic M&A opportunities that are accretive to the business

# Solutions For a Low Carbon World

## Decarbonization Solutions For a Cleaner Future

### Microgrids For Primary Power



### Hydrogen Systems



### Plant Efficiency and Resiliency



- Capstone Microturbines
- Hybrid DC Charging
- Solar PV Systems
- KORE Power Batteries
- Northern Reliability

- Capstone Microturbines
- Baker Hughes Turbines
- Hydrogen Solutions

- Capstone Microturbines
- Baker Hughes Turbines
- Alpha Laval
- Waste2ES

# Introducing The New Capstone Green Energy



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



**HYBRID DC CHARGING MICRO GRID SYSTEMS & KORE POWER BATTERY STORAGE SYSTEMS**



**ALFA LAVAL HEAT RECOVERY CHP SYSTEMS**



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

# Comprehensive Clean Energy Solutions



Energy as a Service

## EaaS

As a long-term partner, Capstone and its partners provide 24/7 strategic energy management with factory technicians that handle scheduled and unscheduled maintenance, and constant remote data monitoring.

- **New** Long-term microturbine rental fleet
- Long-term service contracts (FPP)
- Service and spare parts

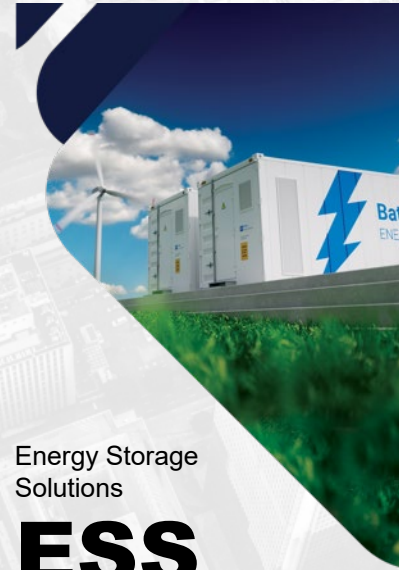


Energy Generation Technologies

## EGT

Energy Generation Technologies include products such as Capstone's microturbine technology that can operate on a wide range of fuels. These products produce high-efficiency CHP and CCHP.

- Capstone Microturbine (65kW-5MW)
- **New** Hybrid DC Solutions (5kW-50kW)
- **New** Baker Hughes Turbine (5MW-16MW)

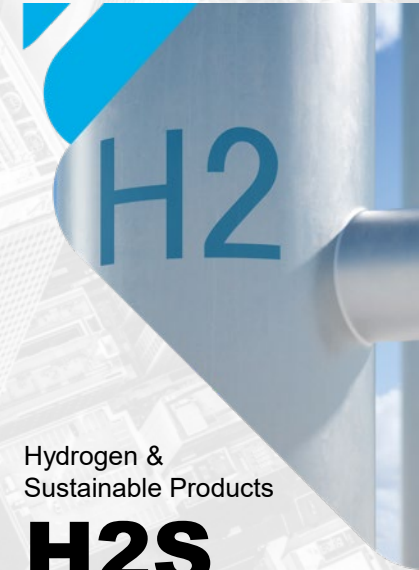


Energy Storage Solutions

## ESS

Capstone works to build a smart energy infrastructure using a custom tailored combination of multiple technologies, energy storage and monitoring software that maximize energy efficiencies, lower emissions and create resilient systems that meet clients' specific needs.

- **New** Lithium-Ion Batteries
- **New** Thermal Storage
- **New** Microgrid Controls



Hydrogen & Sustainable Products

## H2S

Capstone is currently developing a hydrogen version of its products & developing strategic relationships with technology partners. These OEMs will use the Capstone core technology for zero-carbon solutions in concentrated solar & biomass.

- **New** Hydrogen Blend Microturbines
- **New** Baker Hughes Hydrogen Turbines



# SECOND QUARTER HIGHLIGHTS

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**DARREN JAMISON**  
Chief Executive Officer



# Second Quarter Financial Highlights

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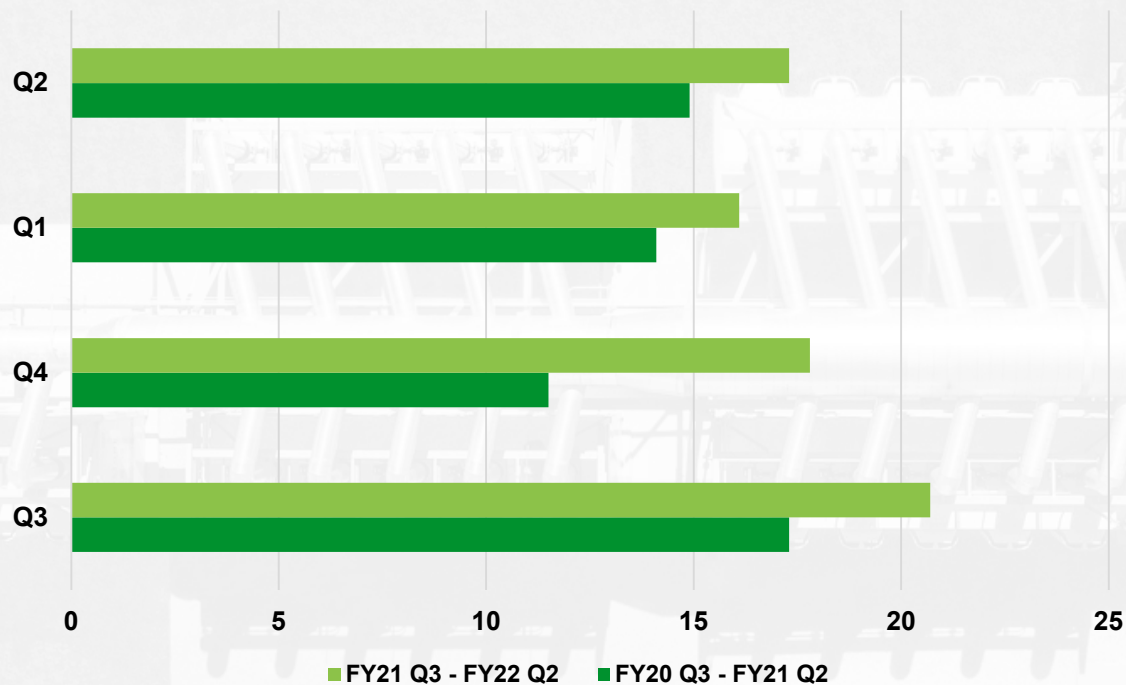
## Highlights of Q2 Fiscal 2022 vs. Q2 Fiscal 2021:

- Revenue in the second quarter was \$17.2 million, up 15%, compared to \$14.9 million in the second quarter last year, as orders and shipments continue to rebound despite continued negative impacts from the ongoing COVID-19 global pandemic.
- Revenue in the last four quarters was \$71.9 million, up 24%, compared to \$58.1 million in the prior four quarters as the Company continues its focus on growing its top line revenues.
- The book-to-bill ratio was 1.3:1 for the quarter, and new gross product orders were \$10.8 million, up from \$8.2 million in the prior quarter.
- The long-term microturbine rental fleet increased 1.0 megawatt (MW) to 13.1 MWs from 12.1 MWs during the quarter, as the Company continues to execute against its plan to increase the fleet to 21.1 MWs by March 31, 2022.

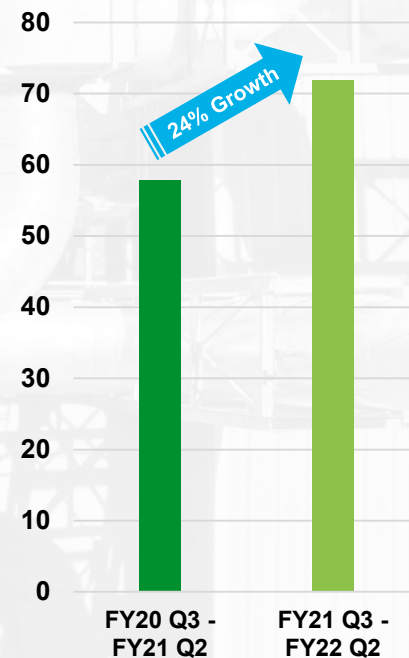
# Revenue Comparison – Last Twelve Months (LTM)

In millions

## LTM Q/Q Revenue



## LTM



**Quarter-Over-Quarter Revenue Growth Four Consecutive Quarters  
Total Revenue Growth of 24% Year-Over-Year for LTM Period**

# Revenue Growth Strategy (Ranking 1-6)

## New Direct Sales Team

*New Microgrid Products, Rentals, Large Customers*

## New Digital Marketing

*Website Update, Customized Campaigns, Unique INDYCAR Branding Strategy*

## New Hydrogen Product

*Released with an ultimate goal of Operating on 100% Hydrogen*



## New Parts Supplier

*with Better Build Quality. Improving Reliability, Lower Warranty and Higher FPP Margins.*  
**REPEAT CUSTOMERS**

## New Target Pricing Programs

*National & Key Accounts – New Gold Key Account Program*

## New Geographic Distribution Partners

*in Eastern Europe, Africa & the Middle East*

A grayscale photograph of an industrial facility, likely a power plant or refinery, featuring large buildings, complex piping, and a tall chimney stack. The image is semi-transparent, serving as a background for the text.

# FINANCIAL REVIEW

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**ERIC HENCKEN**  
Chief Financial Officer

# Q2 FY22 vs. Q2 FY21 Financial Results

<i>(In millions)</i>	Q2 FY22	Q2 FY21
Microturbine Product and Accessories	\$8.5	\$7.2
Parts & Service	\$8.7	\$7.7
Total Revenue	\$17.2	\$14.9
Gross Margin	\$2.7	\$2.6
Gross Margin Percent	<b>16%</b>	<b>17%</b>
R&D Expenses	\$1.0	\$0.6
SG&A Expenses	\$6.4	\$4.9
Total Operating Expenses	\$7.4	\$5.5
Net Loss	\$(6.0)	\$(4.2)
<b>Adjusted EBITDA **</b>	<b>\$(2.7)</b>	<b>\$(1.9)</b>

\*\* See Appendix, Slide 27

# YTD FY22 vs. YTD FY21 Financial Results

<i>(In millions)</i>	YTD Q2 FY22	YTD Q2 FY21
Microturbine Product and Accessories	\$16.9	\$13.8
Parts & Service	\$16.4	\$15.3
Total Revenue	\$33.3	\$29.1
Gross Margin	\$5.4	\$5.9
Gross Margin Percent	<b>16%</b>	<b>20%</b>
R&D Expenses	\$1.9	\$1.0
SG&A Expenses	\$11.7	\$8.4
Total Operating Expenses	\$13.6	\$9.4
Net Loss	\$(8.2) <sup>^</sup>	\$(6.0)
Adjusted EBITDA**	\$(5.0)	\$(1.8)

<sup>^</sup> Includes gain on extinguishment of debt of \$2.6 million

\*\* See Appendix, Slide 27

# Select Balance Sheet & Cash Flow Items

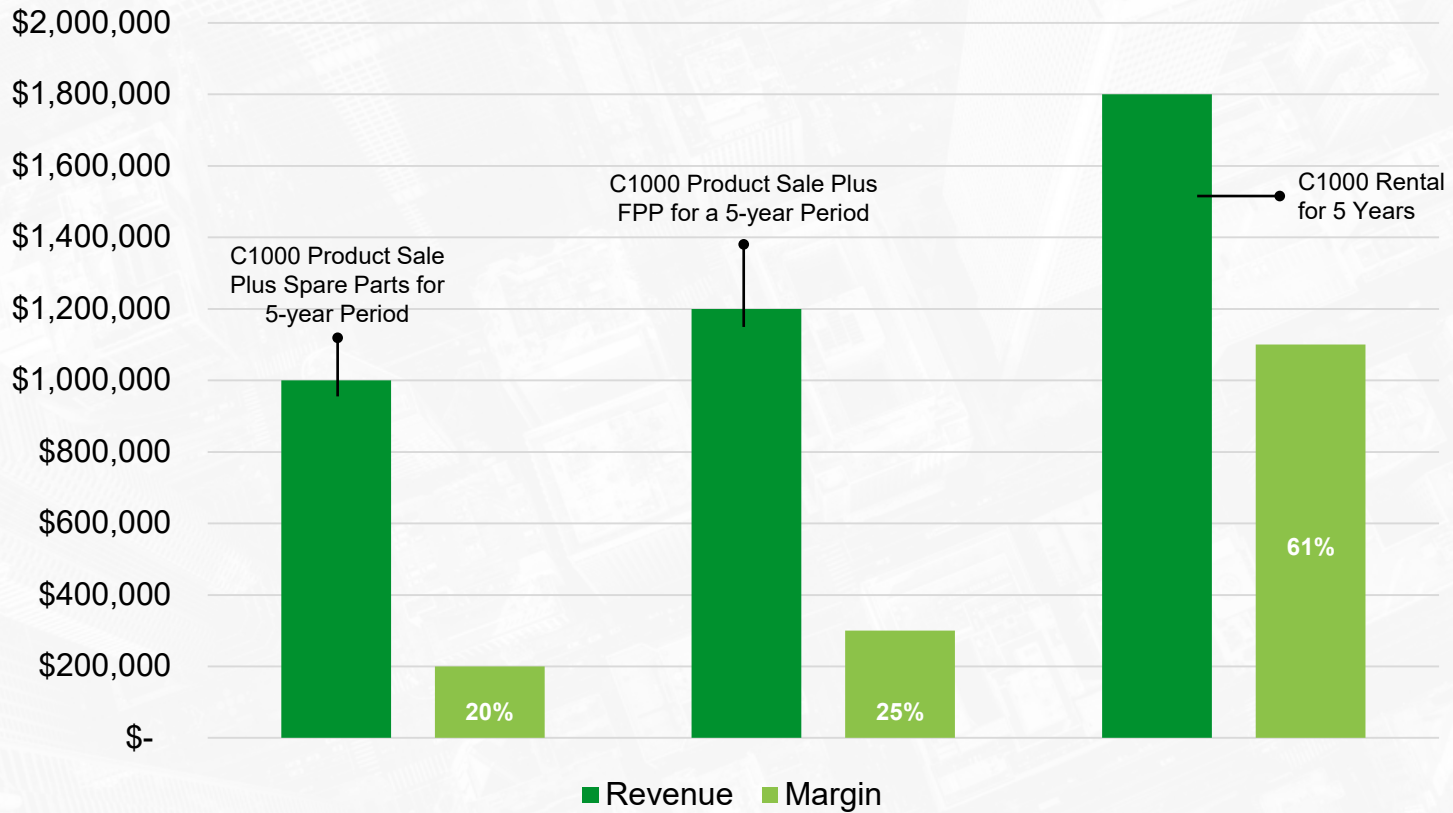
<i>(In millions)</i>	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Cash & Cash Equivalents	\$38.3	\$49.2	\$49.5	\$32.0	\$16.8
Cash Provided by (Used in) Operating Activities for the Three Months Ended	\$(9.2)	\$(10.1)	\$5.1*	\$(3.3)	\$1.9
Accounts Receivable, Net of Allowances	\$25.4	\$23.9	\$20.6	\$19.1	\$13.5
Total Inventories	\$19.8	\$16.7	\$13.7	\$13.1	\$15.5
Accounts Payable & Accrued Expenses	\$24.8	\$22.4	\$19.8	\$14.6	\$10.9

\*Includes \$5 million received from supplier legal settlement

# Long-Term Rental Fleet Business Case

## Hypothetical

### Rental vs. Traditional Product Sale





# As-If Pro Forma P&L Information (21MW)

<i>(in millions)</i>	FY21 Q3			
	As-if	(A)	\$ Δ	% Δ
Product and Accessories Revenue	\$ 12.8	\$ 12.8	\$ 0.0	0%
Service Revenue	9.4	7.9	1.5	19%
<b>Revenue</b>	<b>22.2</b>	<b>20.7</b>	<b>1.5</b>	<b>7%</b>
Direct Materials	13.9	13.9	-	0%
Warranty	0.4	0.4	-	0%
Royalties	0.1	0.1	-	0%
Manufacturing & Service costs	3.3	2.8	0.5	18%
<b>Cost of Goods Sold</b>	<b>17.7</b>	<b>17.2</b>	<b>0.5</b>	<b>3%</b>
Gross Margin	4.5	3.5	1.0	30%
<b>Gross Margin %</b>	<b>20%</b>	<b>17%</b>		
Product Development	0.7	0.7	-	0%
Selling, G&A	4.8	4.8	-	0%
<b>Total Operating Expenses</b>	<b>5.5</b>	<b>5.5</b>	<b>-</b>	<b>0%</b>
<b>Operating Income (Loss)</b>	<b>(1.0)</b>	<b>(2.0)</b>	<b>1.0</b>	<b>51%</b>
<b>Adjusted EBITDA **</b>	<b>0.1</b>	<b>(1.3)</b>	<b>1.4</b>	<b>108%</b>

## As-If Pro Forma notes

- The current rental fleet stands at 13.1 MW as of September 30, 2021
- The As-if column assumes Capstone has a 21.1 MW rental fleet, which is in-line with the Company's stated goals for year-end Fiscal 2022 and also in-line with Capstone's covenant requirements under the Goldman Sachs note.
- The As-if column assumes all 21.1 MW are on rent and assumes \$90K of revenue per MW per quarter (which is in-line with current experience and pricing)

\*\* See Non-GAAP reconciliation on slide 28

Note: the above as-if pro forma P&L information is provided as an example for discussion purposes, is based upon a variety of assumptions developed specifically for purposes of such example (certain of which assumptions are discussed above) and is not, is not intended to be, and should not be construed as, a representation of any historical results or a forecast of any future operating results.

# As-If Pro Forma P&L Information (50MW)

<i>(in millions)</i>	FY21 Q3			
	As-if	(A)	\$ Δ	% Δ
Product and Accessories Revenue	\$ 12.8	\$ 12.8	\$ 0.0	0%
Service Revenue	12.0	7.9	4.1	52%
<b>Revenue</b>	<b>24.8</b>	<b>20.7</b>	<b>4.1</b>	<b>20%</b>
Direct Materials	13.9	13.9	-	0%
Warranty	0.4	0.4	-	0%
Royalties	0.1	0.1	-	0%
Manufacturing & Service costs	4.2	2.8	1.4	50%
<b>Cost of Goods Sold</b>	<b>18.6</b>	<b>17.2</b>	<b>1.4</b>	<b>8%</b>
Gross Margin	6.2	3.5	2.7	79%
<b>Gross Margin %</b>	<b>25%</b>	<b>17%</b>		
Product Development	0.7	0.7	-	0%
Selling, G&A	4.8	4.8	-	0%
<b>Total Operating Expenses</b>	<b>5.5</b>	<b>5.5</b>	<b>-</b>	<b>0%</b>
<b>Operating Income (Loss)</b>	<b>0.7</b>	<b>(2.0)</b>	<b>2.7</b>	<b>135%</b>
<b>Adjusted EBITDA **</b>	<b>2.3</b>	<b>(1.3)</b>	<b>3.6</b>	<b>277%</b>

- The current rental fleet stands at 13.1 MW as of September 30, 2021
- The As-if column assumes Capstone has a 50.0 MW rental fleet
- The As-if column assumes all 50 MW are on rent and assumes \$90K of revenue per MW per quarter (which is in-line with current experience and pricing)

\*\* See Non-GAAP reconciliation on slide 29

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# FUTURE BUSINESS CATALYSTS

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**DARREN JAMISON**  
Chief Executive Officer

# Capstone Green Energy Growth Rates



## SOLUTIONS & SERVICE

Growth Type: High

Growth Rate: Organic & Non Organic



GLOBAL DISTRIBUTOR SALES

Growth Type: Low

Growth Rate: Organic



ENERGY-as-a-SERVICE (EaaS)

Growth Type: Medium

Growth Rate: Organic



DIRECT SALES SOLUTION

Growth Type: High

Growth Rate: Organic



STRATEGIC M&A

Growth Type: High

Growth Rate: Non-Organic

# Aligning With Customers & Stakeholders

Sustainability is a driving force behind today's buyer decision-making.

## What will they say about your business?



Younger buyers are increasingly more eco-aware and concerned with the environmental impact of their purchases. Gen Z, which comprises  $\frac{1}{3}$  of the world's population, is willing to pay **50-100% more for sustainable products** compared to older generations.



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

(1) NielsenIQ, "A 'natural' rise in sustainability around the world," January 10, 2019  
(2) CGS 2019 U.S. Consumer Sustainability Survey

# Green Energy Solutions

## What Do Most Commercial and Industrial Customers Need?

As a provider and partner in smart energy solutions, our ultra-reliable on-site power solutions will help our Customers lower their carbon footprint, improve energy efficiency, build better resiliency for their business and connect with their customers.

Capstone, working as an energy solutions provider, will work with our Customers as a trusted long-term partner. What this means is that we are with them every step of the way to design, deliver and manage a comprehensive package for each customer. From microturbines to microgrid solutions to strategic energy management, Capstone helps our Customers build and maintain a smart energy infrastructure.



**Reliable & Flexible  
Supply of Power**



**Self Sufficiency Plant &  
High Reliability**



**Competitive &  
Competitive Cost**



**Tap on Government  
Policy for CHP**



**Low or No Carbon  
Operation**



**Remote Monitoring  
& Analysis**

# Long-Term Partnership

## Capstone is a long-term partner that helps Customers prepare for the future today.

There's no one solution to the problem, which is why a partner like Capstone Green Energy can help guide customers through the design, implementation and management process through the utilization of technology and experience. Capstone is here to help customers have a positive impact on the environment and meet power, reliability and efficiency needs.

To date, Capstone has shipped over **10,000 units** to **83 countries** and estimates that in FY21, it saved customers approximately **\$219 million** in annual energy costs and approximately **397,000 tons of carbon**.

Total savings for customers over the last three years are estimated at approximately:

**\$700M**

IN FINANCIAL SAVINGS

**1M Tons**

OF CARBON SAVINGS

### DID YOU KNOW?

1 MILLION TONS OF CARBON IS COMPARABLE TO THE ANNUAL CO<sub>2</sub> OUTPUT OF ABOUT **120,423 U.S. HOMES** RUNNING ON ELECTRICITY.



# Capstone Business Catalyst Summary

## New Capstone Green Energy (CGRN)

- ✓ New strategic business plan is creating a larger TAM.
- ✓ Continuing the expansion of the higher margin EaaS.
- ✓ Rentals are improving cash flow and margin rates
- ✓ Revenue growth strategy in place – Book-to-Bill was 1:1 in Q1 FY22 and 1.3:1 for Q2 FY22
- ✓ Direct Sales Solution team focused on top line revenue growth – Larger customers with larger rollouts.
- ✓ Strong Balance Sheet reduces customers' perception of project adoption risk.
- ✓ Dedicated executive to find strategic acquisitions or partnerships – Leverage Network Partners

### 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.”*



A grayscale photograph of an industrial facility, likely a power plant or refinery. The image shows large buildings with corrugated metal siding, a complex network of pipes and metal structures, and several large cylindrical tanks or storage units. The scene is brightly lit, creating high contrast and some overexposure in the sky and ground areas.

# ANALYST Q&A SESSION

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Darren Jamison & Eric Hencken



A grayscale photograph of an industrial facility, likely a power plant or refinery. The scene is dominated by large, complex machinery with numerous pipes, valves, and structural supports. In the foreground, there are several large, rectangular units with multiple cylindrical components on top, connected by a network of pipes. The background shows large industrial buildings with corrugated metal roofs. The overall atmosphere is industrial and technical.

# APPENDIX

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# Reconciliation of Non-GAAP Financial Measures

Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA (in thousands)	Three months ended September 30,		Six Months ended September 30,	
	2021	2020	2021	2020
Net loss, as reported	\$ (5,994)	\$ (4,212)	\$ (8,176)	\$ (6,035)
Interest expense	1,278	1,313	2,513	2,604
Provision for income taxes	2	9	10	10
Depreciation and amortization	458	349	844	703
EBITDA	\$ (4,256)	\$ (2,541)	\$ (4,809)	\$ (2,718)
Gain on debt extinguishment	—	—	(1,950)	—
Additional PPP Loan forgiveness	—	—	(660)	—
Stock-based compensation and other expense	780	664	1,650	962
Legal settlements	750	—	750	—
Adjusted EBITDA	\$ (2,726)	\$ (1,877)	\$ (5,019)	\$ (1,756)

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 represents non-recurring legal settlements for employment 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 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 exact 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.

# Reconciliation of Non-GAAP Financial Measures

## Reconciliation of Net Loss to Adjusted EBITDA (in millions)

	As-if (21MW)	FY21 Q3
Net loss	\$ (8.0)	\$ (7.6)
Loss on debt extinguishment	4.3	4.3
Interest expense	1.2	1.2
Depreciation and amortization	0.8	0.4
Stock-based compensation expense	0.4	0.4
<b>Adjusted EBITDA</b>	<b>\$ 0.1</b>	<b>\$ (1.3)</b>

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Adjusted EBITDA is defined as loss on debt extinguishment, interest, depreciation and amortization expense, and stock-based compensation and other expense. Loss on debt extinguishment relates to refinancing of the Goldman Sachs term note in October 2020. Stock-based compensation and other expense includes expense related to stock issued to employees, directors, and vendors.

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# Reconciliation of Non-GAAP Financial Measures

## Reconciliation of Net Loss to Adjusted EBITDA (in millions)

	As-if (50MW)	FY21 Q3
Net loss	\$ (5.0)	\$ (7.6)
Loss on debt extinguishment	4.3	4.3
Interest expense	1.2	1.2
Depreciation and amortization	1.4	0.4
Stock-based compensation expense	0.4	0.4
<b>Adjusted EBITDA</b>	<b>\$ 2.3</b>	<b>\$ (1.3)</b>

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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 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. 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 Adjusted EBITDA only supplementally and by reviewing the reconciliations 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.



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*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