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Capstone Announces the 4-Year Results of its Extensive Parts Remanufacturing Program, Resulting in a Cumulative \$15 Million Savings in Aftermarket Costs

VAN NUYS, CA / ACCESSWIRE / July 30, 2019 /Capstone Turbine Corporation (www.capstoneturbine.com) (NASDAQ:CPST), the world's leading clean technology manufacturer of microturbine energy systems, announced today the results from four years of its Extensive Parts Remanufacturing (EPR) program, implemented back in 2015, to reduce material costs associated with the company's expanding aftermarket service business. The cumulative results have generated \$15 million in cumulative savings since inception, demonstrating the continued sustainable progress against its strategic initiative to increase gross margin and achieve its near-term profitability goals.

"The recent success of our parts remanufacturing program has been masked by a temporary vendor part reliability issue and the overall availability of used 40,000-hour parts to build up a significant pool of parts available to be remanufactured. However, as we enter the back half of this fiscal year both these issues should be behind us, and investors should begin to see the true gross margin impact of our EPR program," said Darren Jamison, Capstone's President and Chief Executive Officer.

The company previously announced its focus on improving the clean and green microturbine business in areas that it has direct control of, and in areas that are not impacted by outside market forces, macroeconomic conditions, geopolitical events, tariffs or trade wars.

The current management focus is on the following areas to improve the business:

- Reducing costs through the Extensive Parts Remanufacturing (EPR) program
- Reducing material costs through the new Capstone Strategic Supplier (CSS) program
- Developing a new 10 MW Capstone Long-Term Rental program
- Expanding Factory Protection Plan (FPP) service contract attachment rates
- Developing and expanding the new Distributor Support System (DSS) program
- Increasing overall aftermarket spare parts revenue and gross margin

The EPR program was launched as a lean manufacturing and continuous improvement project, and since its inception in 2015, Capstone's remanufacturing efforts have contributed to a cost avoidance of over \$15 million in service parts and warranty and FPP spend, with savings and gross margin increasing year-over-year. The EPR focuses on the strategic reusing, repurposing, and refurbishing of microturbine parts returning from the approximately 9,000 microturbines worldwide from both scheduled and unscheduled maintenance activities.

Kirk Petty, Capstone's Senior Vice President of Manufacturing, noted that "at the start of the project, a collaborative team of engineering, quality, customer service, and manufacturing members participated in determining the most economically viable solutions for dispositioning returning product." Mr. Petty continued, "While the initial focus of the project team concentrated on the basic cleaning, inspection and screening of parts, the overall remanufacturing program smartly evolved into developing cost-efficient rework methods. In some cases, these remanufacturing efforts resulted in savings of over 90% of the cost of a new part, while achieving the same original standard of quality our customers have come to expect."

The EPR program also helps to address a Capstone corporate value initiative, which is to reduce its global environmental footprint both in its products and in its microturbine manufacturing efforts. "Our remanufacturing program helps reduce, reuse or recycle the overall amount of material that would have normally gone into landfills or other waste streams, in keeping with our ISO 14001 environmental objectives, and our social and corporate responsibility," said Mr. Jamison. "This is essentially an environmentally friendly steel recycling program that is on top of the estimated \$253 million in annual energy costs and 350,000 tons of carbon we have saved end-use customers," added Mr. Jamison.

The remanufacturing program coincides with multiple efficiency improvements the company has realized over the last several years in its critical aftermarket business, supporting its stated strategic goal to completely absorb all operating expenses through margins contributed from the aftermarket business. "In realizing the initial successes of the remanufacturing program at Capstone's headquarters, we determined that even greater savings could occur by moving the processes upstream to our forward-operating United Kingdom facility," stated Jeff Foster, Capstone's Senior Vice President of Customer Service and Product Development.

"Over the last several years, our Capstone United Kingdom facility has been transformed from a field services hub to a state-of-the-art facility that has similar remanufacturing capabilities to that of our corporate worldwide manufacturing headquarters in California. When we complete this U.K. transformation project in 2020, we will have greatly reduced the costs associated with our growing fleet operating in Europe, Russia, the Middle East, and Africa. We believe the expected results from the remanufacturing program will be reflected in future continued, sustainable improvements in aftermarket gross margins, as well as overall company margins," concluded Mr. Foster.

About Capstone Turbine Corporation

Capstone Turbine Corporation (www.capstoneturbine.com) (Nasdaq: CPST) 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 units to 73 countries and has saved customers an estimated \$253 million in annual energy costs and 350,000 tons of carbon.

For more information about the company, please visit www.capstoneturbine.com. Follow

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Forward-Looking Statements

This press release contains “forward-looking statements,” as that term is used in the federal securities laws. Forward-looking statements may be identified by words such as “expects,” “believes,” “objective,” “intend,” “targeted,” “plan” and similar phrases. These forward-looking statements are subject to numerous assumptions, risks and uncertainties described in Capstone’s filings with the Securities and Exchange Commission that may cause Capstone’s actual results to be materially different from any future results expressed or implied in such statements. Capstone cautions readers not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. Capstone undertakes no obligation, and specifically disclaims any obligation, to release any revisions to any forward-looking statements to reflect events or circumstances after the date of this release or to reflect the occurrence of unanticipated events.

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