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Capstone Provides Updates on its Strategic Initiatives and Positive Adjusted EBITDA Plan

VAN NUYS, CA / ACCESSWIRE / October 22, 2019 /Capstone Turbine Corporation (www.capstoneturbine.com) (NASDAQ:CPST), the world's leading clean technology manufacturer of microturbine energy systems, today provided an update on its multiple strategic business initiatives and stated goal of achieving positive Adjusted EBITDA for the quarter ending June 30, 2020.

Updates on its Strategic Business Initiatives and Positive Adjusted EBITDA Plan

Capstone Turbine had previously announced its goal of reaching positive Adjusted EBITDA by focusing on improving the business in areas that it has direct control of, and in areas that are not impacted by externalities such as project delays, macroeconomic conditions, geopolitical events, trade wars, etc.

During the recent first-quarter earnings call, the company outlined a gross margin growth strategy that would produce an estimated \$5.4 million, or a 24% gross margin in the upcoming quarter ending June 30, 2020.

Today, the company is announcing that it is executing effectively on its strategic business initiatives, and now expects the company can lower its average quarterly operating expenses to a range of \$5.2 million to \$5.7 million, including in the upcoming quarter ending June 30, 2020, which could potentially generate a positive Adjusted EBITDA result during the quarter.

"The Capstone Leadership Team and each of our employees, suppliers and distribution partners are executing well against our multiple strategic initiatives, which should lead to a reduced quarterly cash burn, improved gross margins, lower direct material costs and lower operating expenses," said Darren Jamison, President and Chief Executive Officer of Capstone.

"The Leadership Team is confident we can achieve our stated goal of achieving positive Adjusted EBITDA in the June 2020 quarter. However, this is just the first step in building a sustainable and profitable business quarter-over-quarter and reach a positive cash flow to better support our long-term growth plans," added Mr. Jamison.

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

- Lower average quarterly operating expenses from approximately \$6.5 million to \$5.2 to \$5.7 million
- Reduce direct material costs \$3.0 million on an annual basis
- Expand the current 6.2 megawatts (MW) factory long-term rental fleet to 10 MW
- Improve Factory Protection Plan (FPP) contract attachment rates from 38% to 45%
- Grow the Distributor Support System (DSS) program
- Increase aftermarket spare parts margins to 55%

In September, the company ended its lease obligations at its Chatsworth, California facility, saving an estimated \$1.5 million in annual rent, utilities, maintenance, logistics and insurance costs. In addition, the company has an ongoing program to lean out its manufacturing, engineering, sales and marketing efforts.

Capstone has been able to reduce direct material cost (DMC) approximately \$1.3 million against a stated goal of \$3.0 million annually. This equates to an average 6% reduction in DMC for the C65 over the past three months and 2% for the C1000 product over the past six months.

"We continue to leverage and optimize both our internal core competencies and our suppliers' core competencies," said Kirk Petty, Capstone's Senior Vice President of Manufacturing. "This is not a one-step process, and we set out initiatives throughout our supply chain as well as internally to make this happen," added Mr. Petty.

The new higher-margin, recurring revenue, long-term microturbine rental fleet initiative continues to make progress with an installed base of 6.2 MW, against a 10 MW target, primarily directed at major oil and gas producers.

"We are very encouraged by the initial microturbine rental results by deploying 6.2 MW per our business plan and expect additional deployment opportunities in the next couple of quarters," said Jim Crouse, Capstone's Executive Vice President of Sales and Marketing.

Capstone also announced today that it has reached a new record of 250 MW under long-term Factory Protection Plans (FPP) service contracts. The innovative FPP aftermarket product remains a key strategic initiative, and the company continues to sign new contracts as well as transitioning existing customers with a record of \$4.2 million in first-quarter FPP revenue. This is the third-highest aftermarket revenue quarter and the highest ever first-quarter aftermarket revenue in Capstone's history. Another key milestone was reached in the quarter with an FPP attachment rate of 38%, which is a record for the company and demonstrates it is well on the way to the stated near term target of 45%.

Lastly, the innovative Distributor Support System (DSS) program is estimated to yield the company in excess of \$2.0 million in cash annually to help offset branding, sales and marketing expenses.

"We are very pleased with the demonstrated growth in both our FPP service business and the DSS programs thus far," said Jeff Foster, Capstone's Senior Vice President of Customer Service and Product Development. "However, we can still expand the opportunity and believe we can drive stronger results from both initiatives in the upcoming quarters," 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 have 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 Capstone Turbine on [Twitter](#), [LinkedIn](#), [Instagram](#), and [YouTube](#).

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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