



Nasdaq: CPST

Saving Money and the Environment  
– One Turbine at a Time.

# Safe Harbor



This presentation contains “forward-looking statements” regarding future events or financial performance of Capstone Turbine Corporation (Capstone), within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

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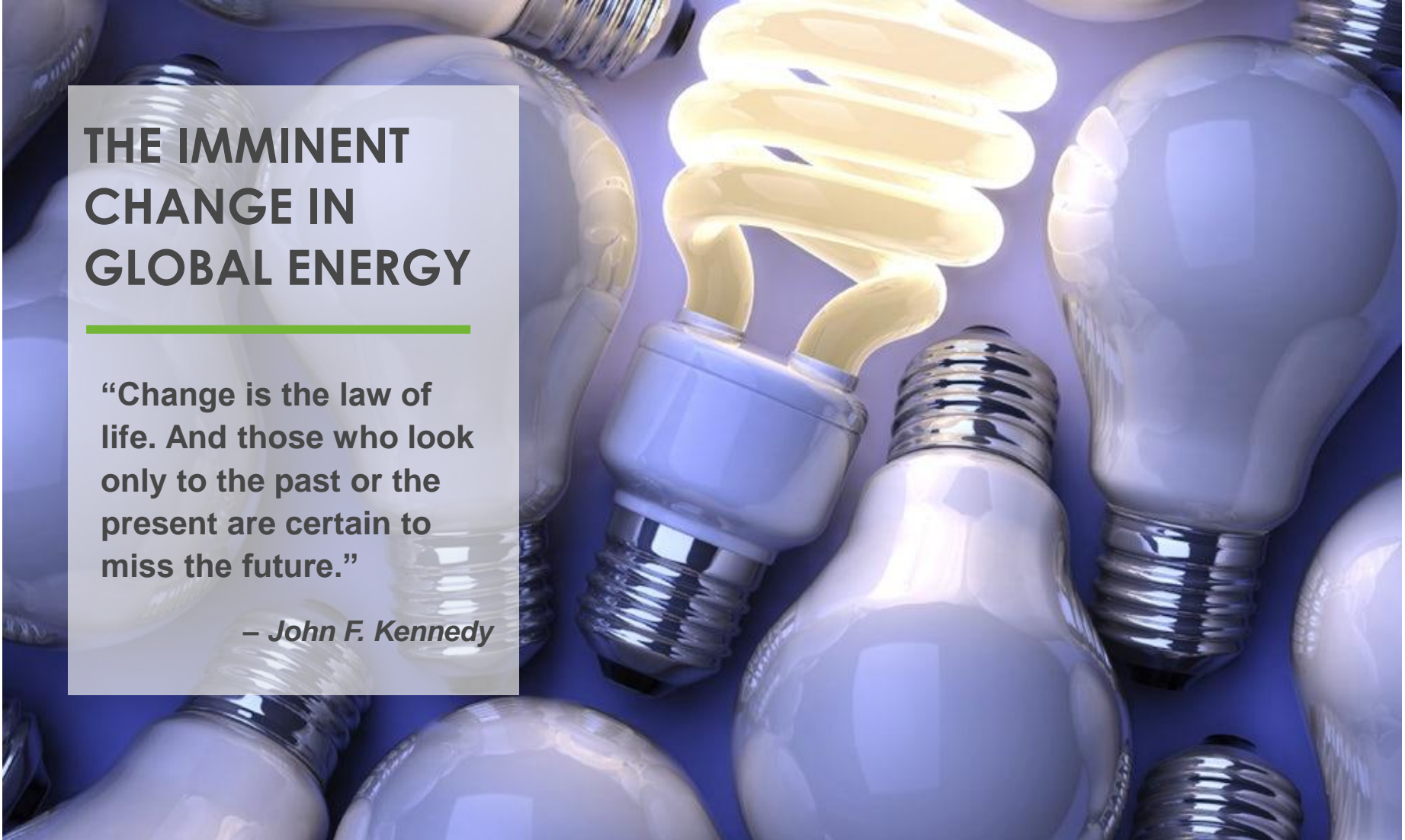


## THE IMMINENT CHANGE IN GLOBAL ENERGY

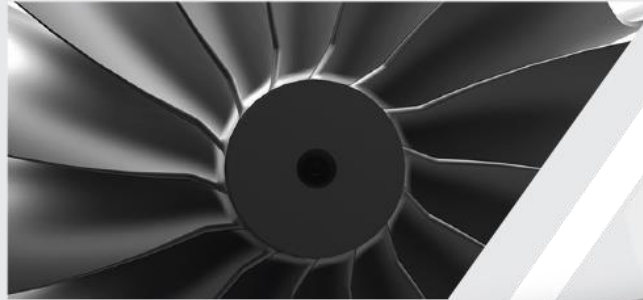
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“Change is the law of life. And those who look only to the past or the present are certain to miss the future.”

– John F. Kennedy



# Capstone Technology



## ENERGY EFFICIENCY

Overall **ELECTRIC EFFICIENCY** of 33%

85%



COLD WATER

60-95%

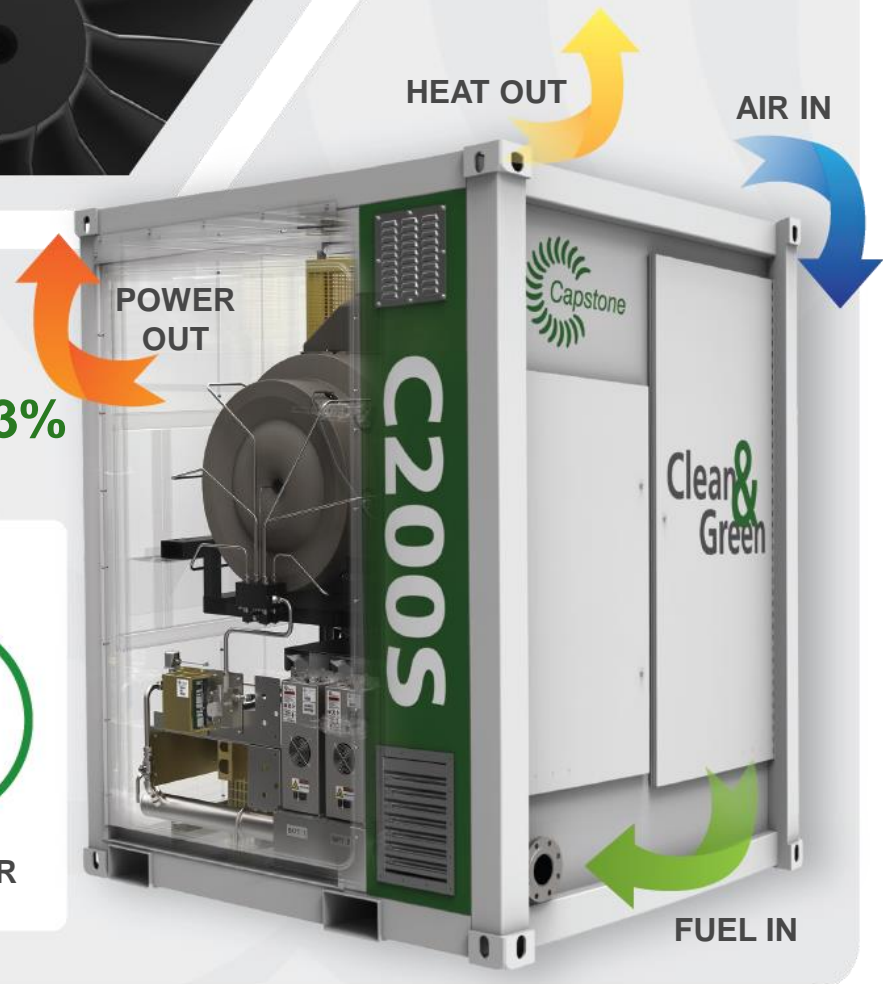


STEAM

85%



HOT WATER



Capstone has Approximately 112 Patents Protecting its Microturbine Technology

# Customer Benefits



## **ENERGY RESILIENCY**

**96.4% Global Availability  
in FY18**



## **CARBON SAVINGS**

**FY18 314,000 Tons in  
Carbon Savings**



## **FINANCIAL SAVINGS**

**\$194 Million Dollars  
Saved in FY18**







## FEATURES & BENEFITS



### **Inverter Based w/One Moving Part**

Factory guaranteed low operating costs



### **Patented Air Bearing Technology**

No lubricants or coolants needed



### **Low Emissions**

No exhaust aftertreatment



### **High Power Density**

Compact footprint, small modular design



### **Stand Alone Or Grid Connect**

Supports aging utility infrastructure



### **Fuel Availability**

Operates on gaseous, renewable, and liquid fuels



### **Free Clean Waste Heat**

Thermal energy for cogeneration/trigeneration



### **Remote Monitoring**

View performance and diagnostics 24/7

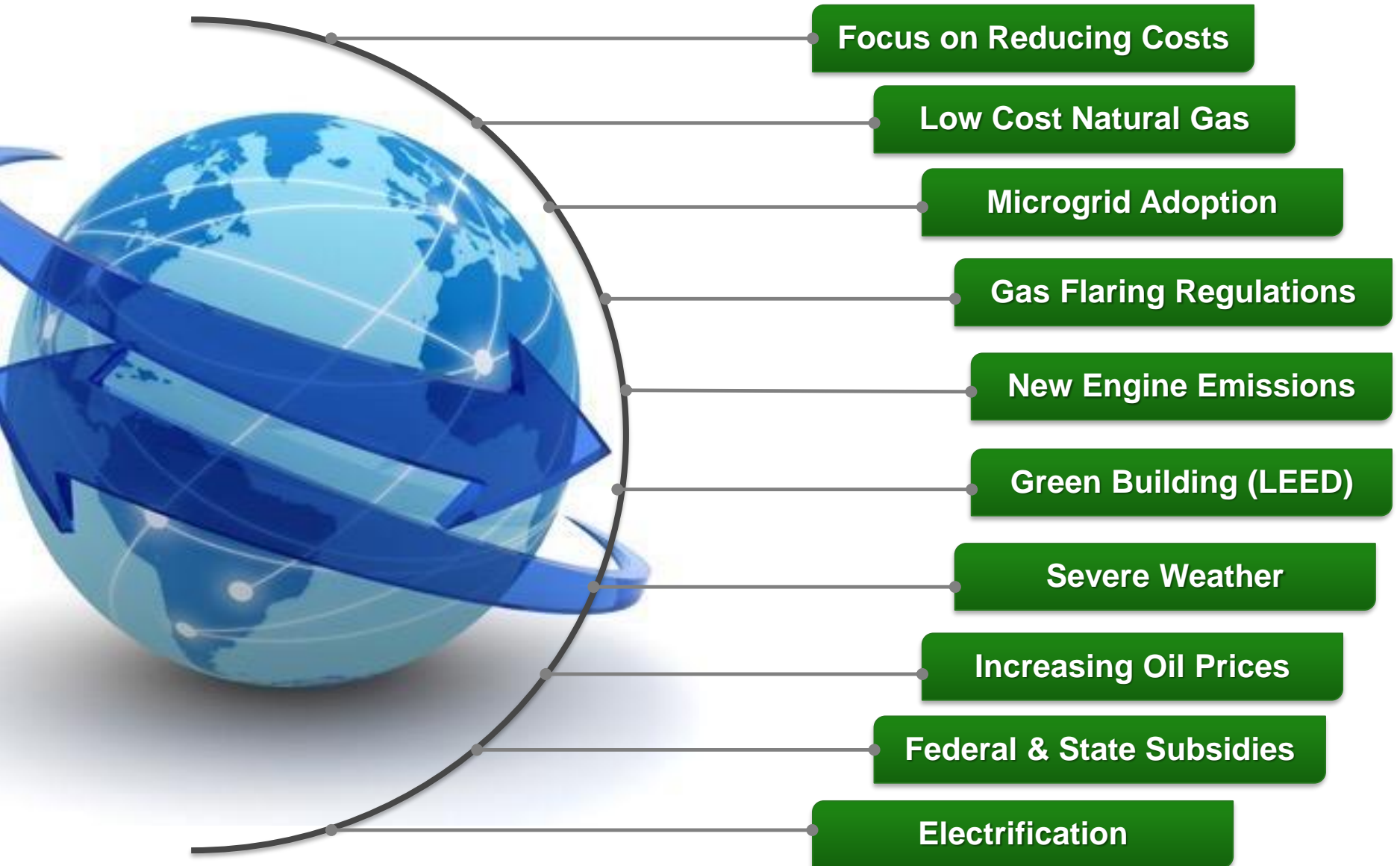


### **Scalable To Match Demand**

Multiple applications and industries



# Growth Catalysts



# Technology for Multiple Markets



**ENERGY  
EFFICIENCY**



**NATURAL  
RESOURCES**



**RENEWABLE  
ENERGY**



**CRITICAL POWER  
SUPPLY**



**MICROGRID  
SYSTEMS**

## APPLICATIONS INCLUDE:

### Large Retailers, Hospitality, Office Buildings, Recreation

- SL Green Realty
- Related Properties
- Tishman Speyer
- Brandywine
- Capreit
- Host Properties
- Marriott
- Wyndham
- Woods Bagot

### Oil & Gas, Land Rigs, Water Conversion, Gas Compression

- Shell
- EQT Corporation
- XTO Energy
- California Resource
- Williams Company
- Anadarko
- Occidental
- Pioneer
- Pacific Resources

### Wastewater Treatment Plants, Farm Digesters, Landfills, Food Processing

- Durango WWTP
- Oneida WWTP
- Dallas WWTP
- Tuscany WWTP
- Carmel WWTP
- Great Neck WWTP
- Taiwan Swine Farm
- Malaysian Palm Oil Farms

### Data Centers, Hospitals, Telecom, Power Rentals

- Intel Data Center
- Kaiser Hospital
- Kings County
- Dryden Hospital
- Auburn Hospital
- Pertamina Hospital
- Memorial Sloan Kettering
- White Memorial

### Manufacturing, Retail, Hospitality, Data Center

- Sierra Nevada
- Philly Navy Shipyard
- Stone Edge Farms
- Open Access Tech
- Goldwind, China
- Gordon Bubolz
- Plaza Extra
- Mali, Africa

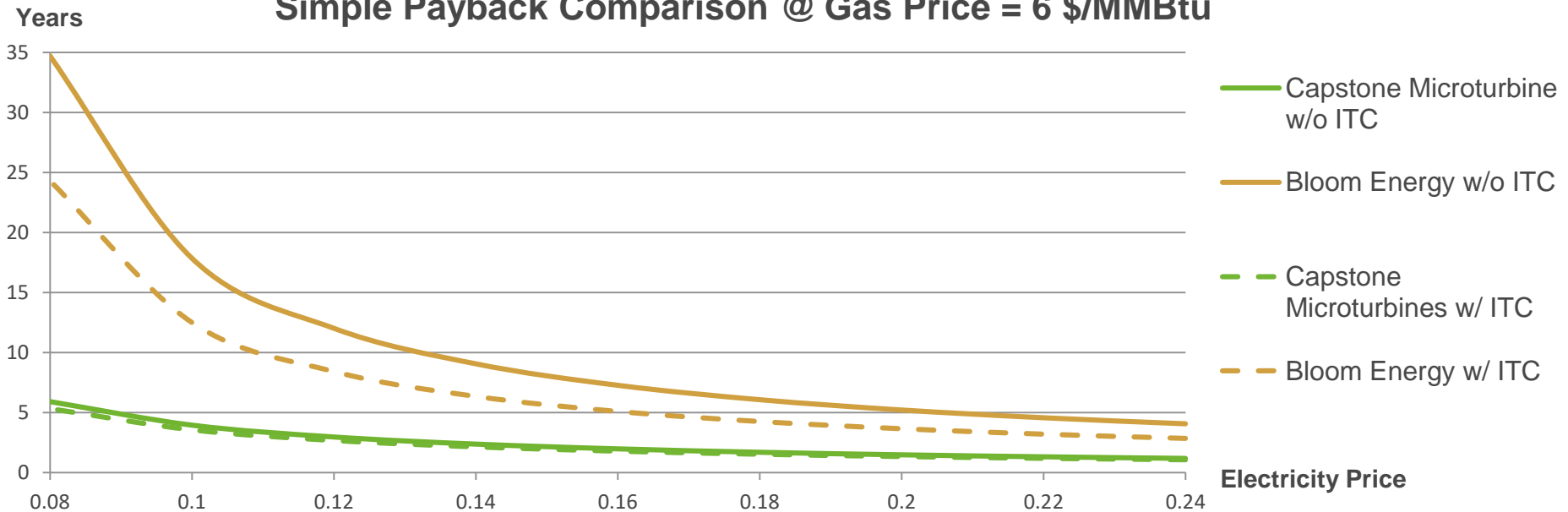


# Customer Economics



Economics		Microturbines	Fuel Cell
Total System Cost	\$/kW	2,100	6,440
Investment Tax Credit	\$/kW	210	1,930
Annual Maintenance Cost	\$/kW	140	200

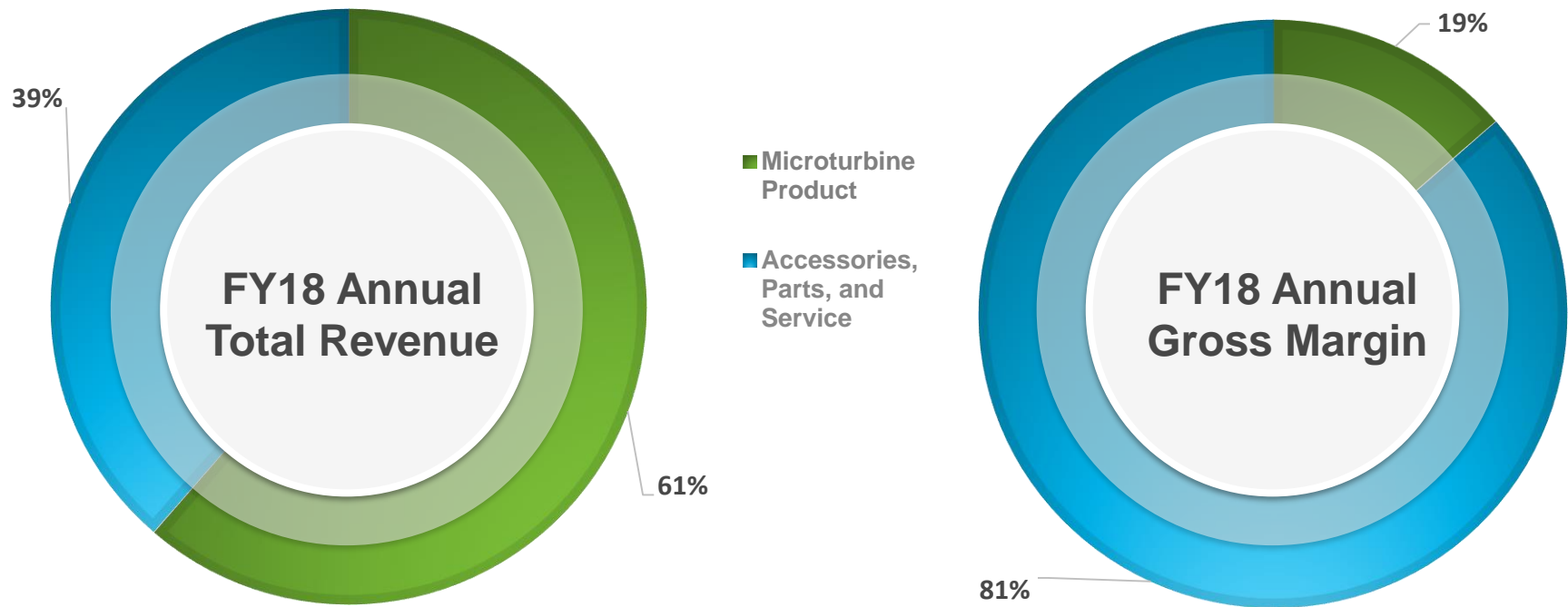
**Simple Payback Comparison @ Gas Price = 6 \$/MMBtu**



# Service Driven Business Model



## Clean, Efficient, and Reliable Energy Product and Service Enterprise

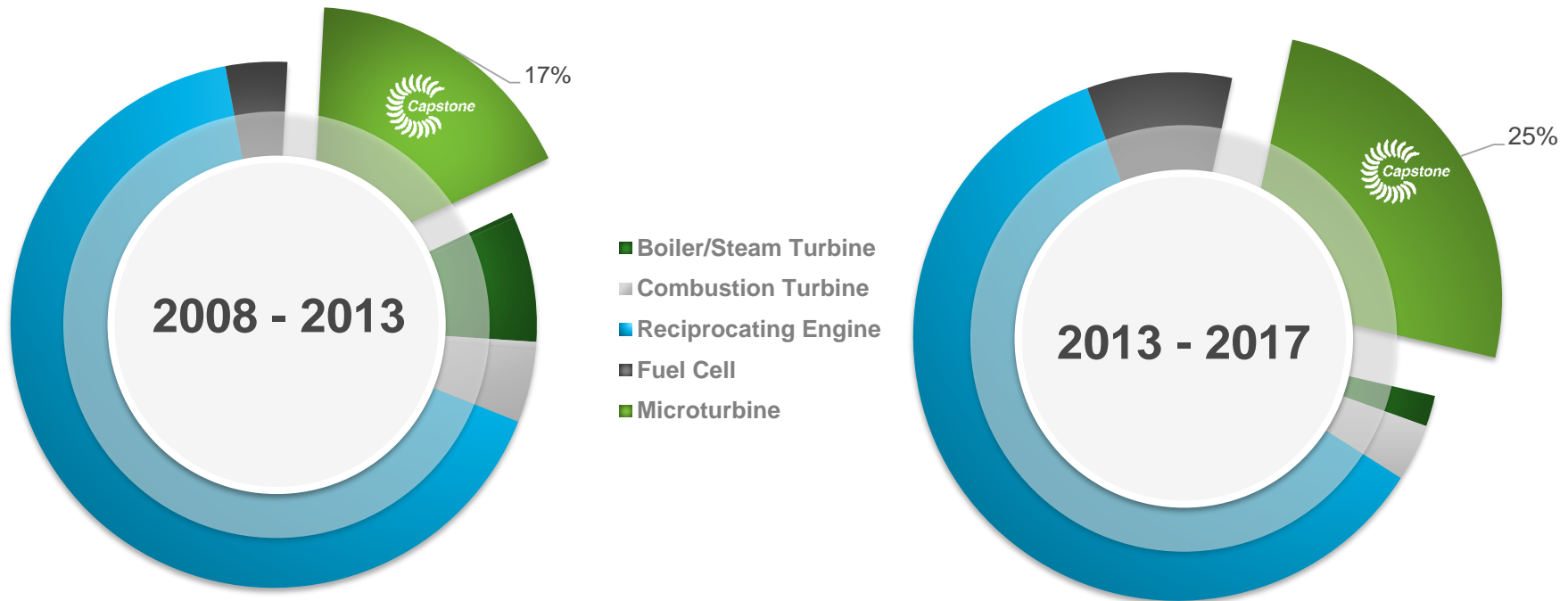


In FY18 Capstone Aftermarket Service Business was 39% of Revenue but 81% of Gross Margin

# Market Share is Increasing



## U.S. CHP Installations by Technology 100 kW – 5 MW

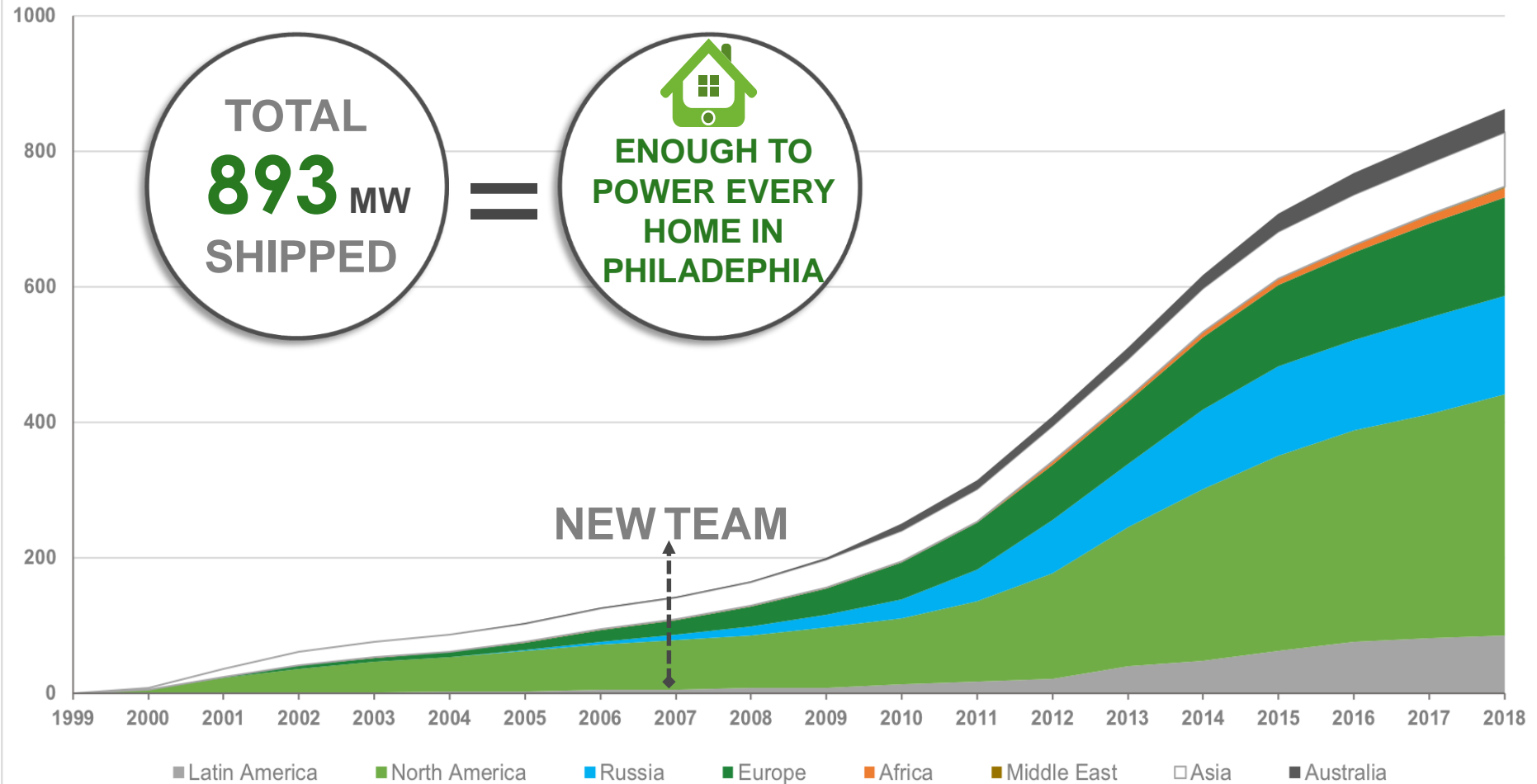




# Growing Worldwide Population

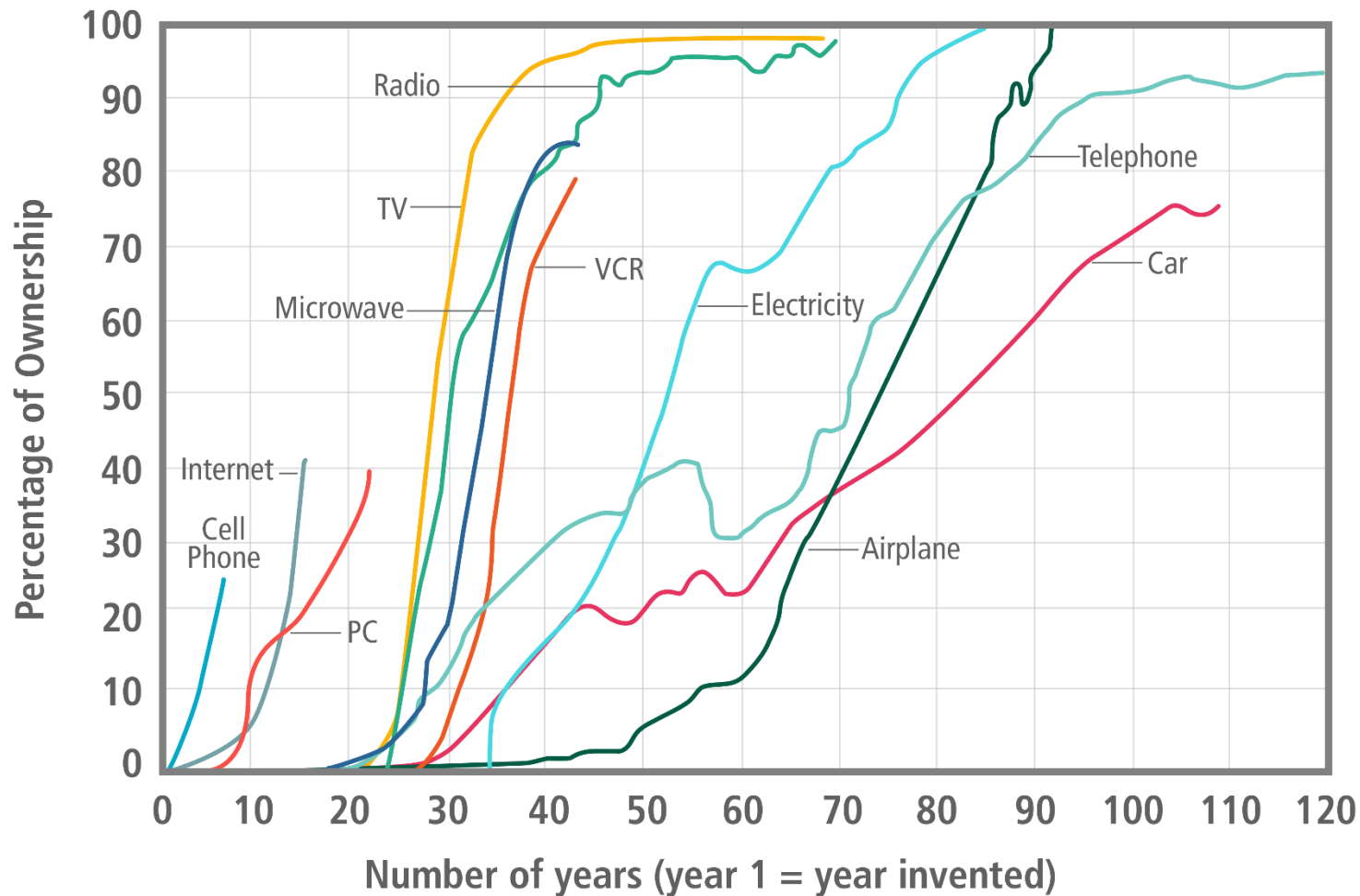


Cumulative MW Shipped by Global Region, by Fiscal Year



Capstone Has Transformed From a Small Single Product, Single Market, U.S. Only Business to a Global Multi-Product, Multi-Market Comprehensive Product & Services Enterprise

# Technology Adoption Timelines



# Service Growth = Clear Path to Sustained Profitability



FY18 Q3/Q4  
POSITIVE ADJUSTED EBITDA\*

**25%**

Absorption in  
FY16

**77%**

Absorption in  
Q3 FY18

**100%**

GOAL

Absorption by  
FY21



\*See Appendix, Slide 31

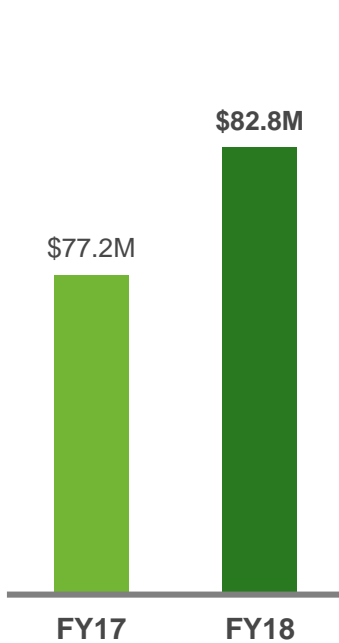
100% Absorption Limits Downside & Allows Product Growth With Market-Based Pricing



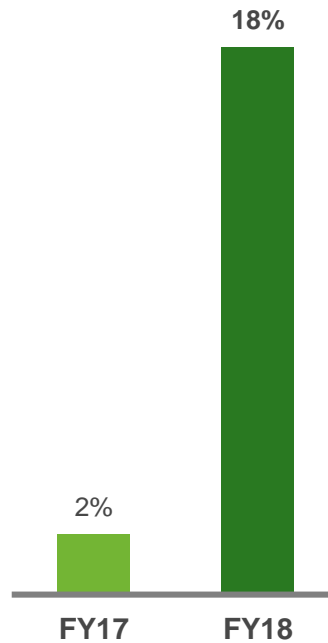
# Key Performance Indicators



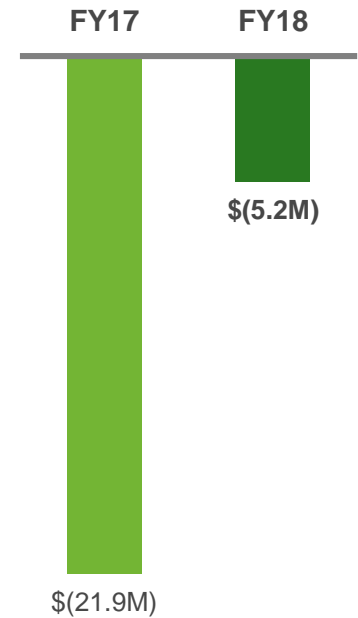
## Revenue



## Gross Margin



## Adjusted EBITDA\*



■ FY17      ■ FY18

\*See Appendix, Slide 31

# Strategic Business Goals



- 1. Improve quarterly working capital, cash flow, and balance sheet**
  - New “*Bundled Solutions*” program
  - Lean Manufacturing & SG&A
  - Increased aftermarket margins
  - Collect the fully reserved Russian receivable
- 2. Double digit growth through accelerating global product sales**
  - Increased marketing and customer acquisition initiative
- 3. Diversification into new market verticals and new geographies**
  - Product modification for Microgrid and Marine
  - Expand into Africa, Latin America, Caribbean and Middle East
  - Rebuild Russia and CIS distributor business
- 4. Increased Service/OpEx absorption percentage to 100% absorption**
  - Increased remanufacturing of spare parts
  - Higher service contract attachment rates in oil and gas
  - Sell air bearings into adjacent products and technologies

# Target Business Model



(In millions)	New Target Model	Initiatives and Strategies
Microturbine Product	\$25.0	Crude Oil Strengthening
Accessories, Parts, & Service	\$15.0	CHP Driven Service Growth
<b>Total Revenue</b>	<b>\$40.0</b>	New Bundled Solution Program
Cost of Good Sold	\$26.3	Higher Purchase Volumes
<b>Gross Margin</b>	<b>\$13.7</b>	Growing Product & Service
Gross Margin Percent	34%	Aftermarket Margin to 50%
<b>Total Operating Expenses</b>	<b>\$6.0</b>	Lean Manufacturing & SG&A
Net Income	\$7.7	\$658M in Federal NOLs

**Net Income Grows to 19% of Revenue in New Target Model**





C1000S Rental Unit, Texas

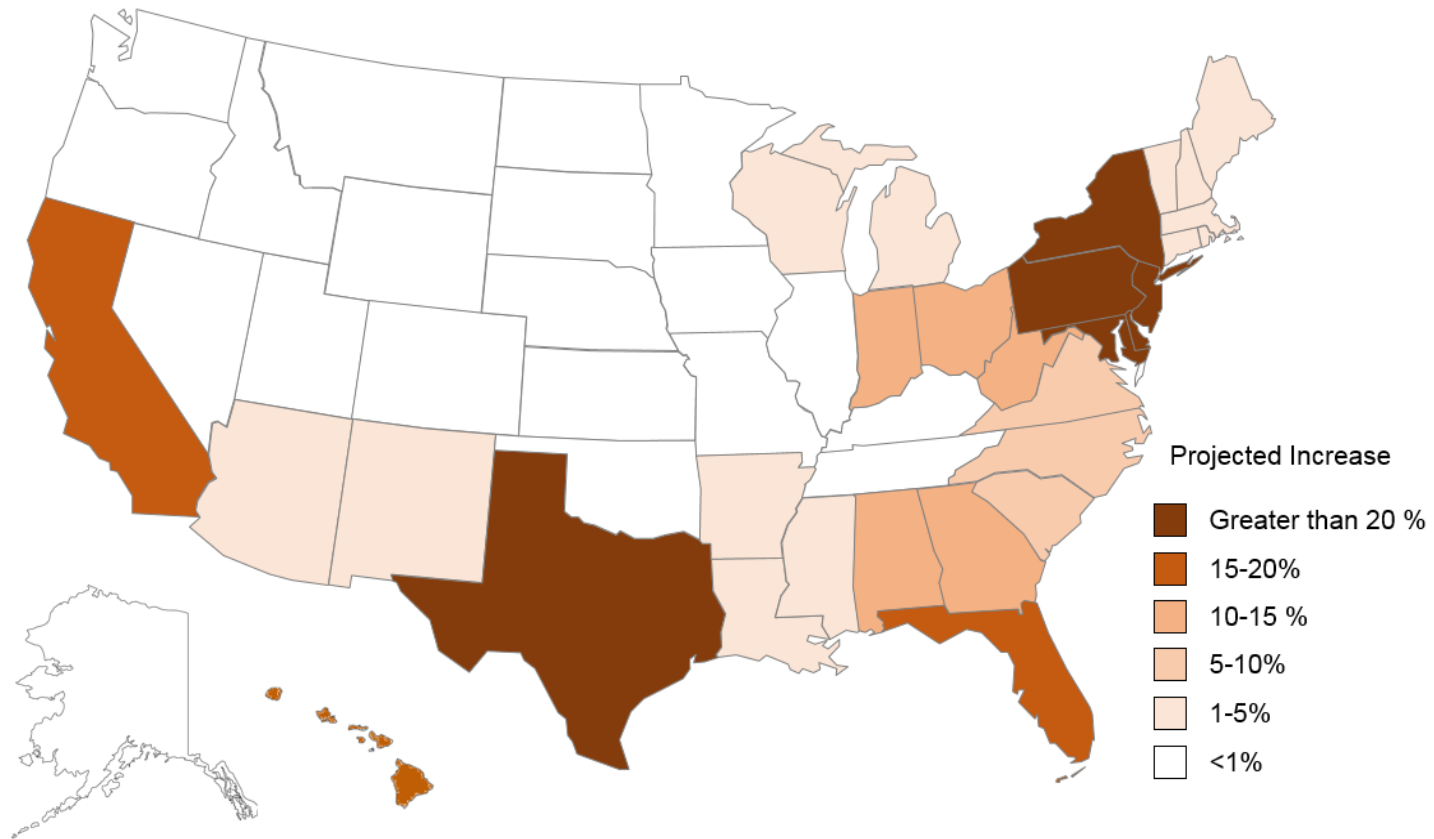
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# APPENDIX

# Electricity Prices are Increasing



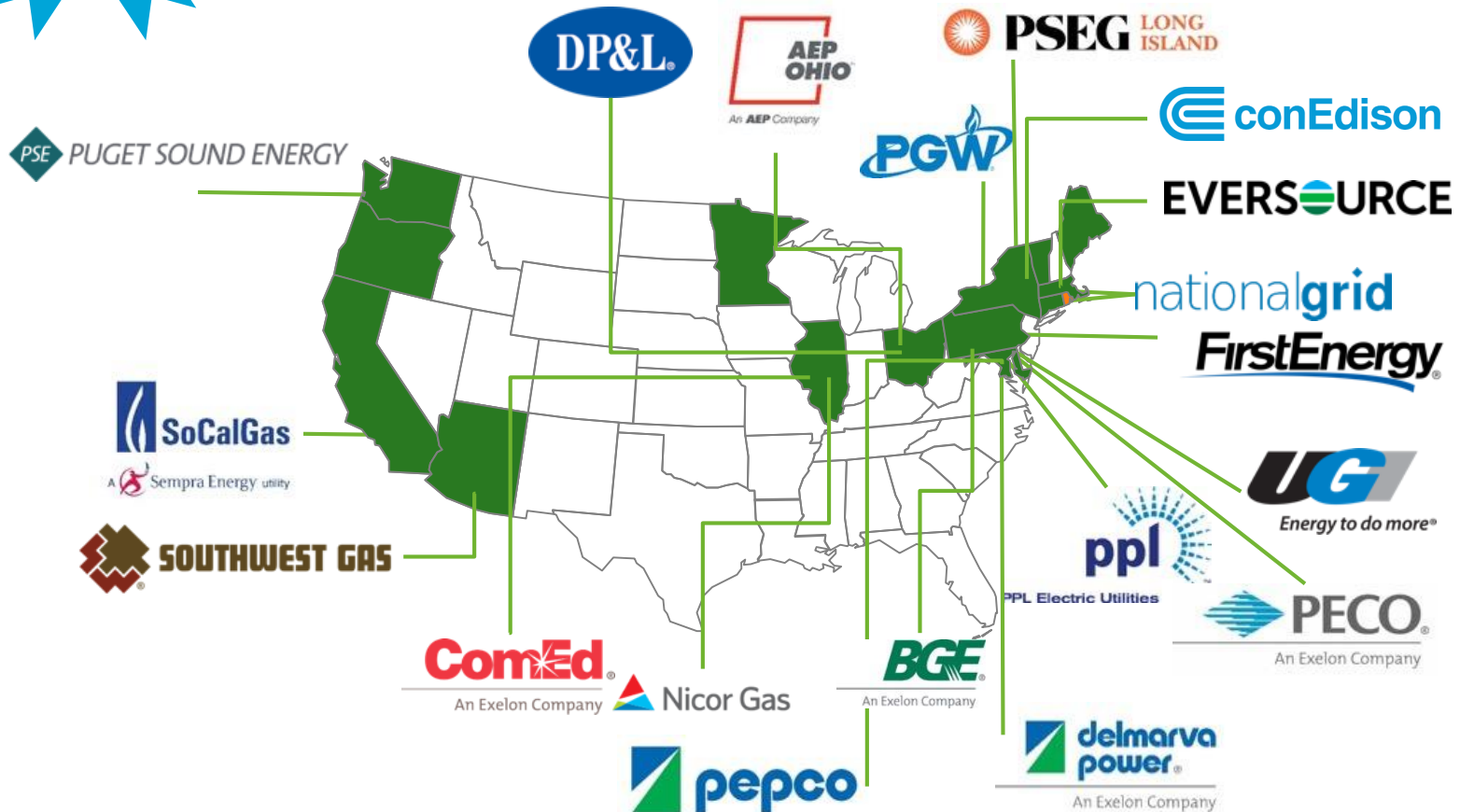
## Projected 20 Year Growth in Electricity Prices



# CHP Incentives are Increasing

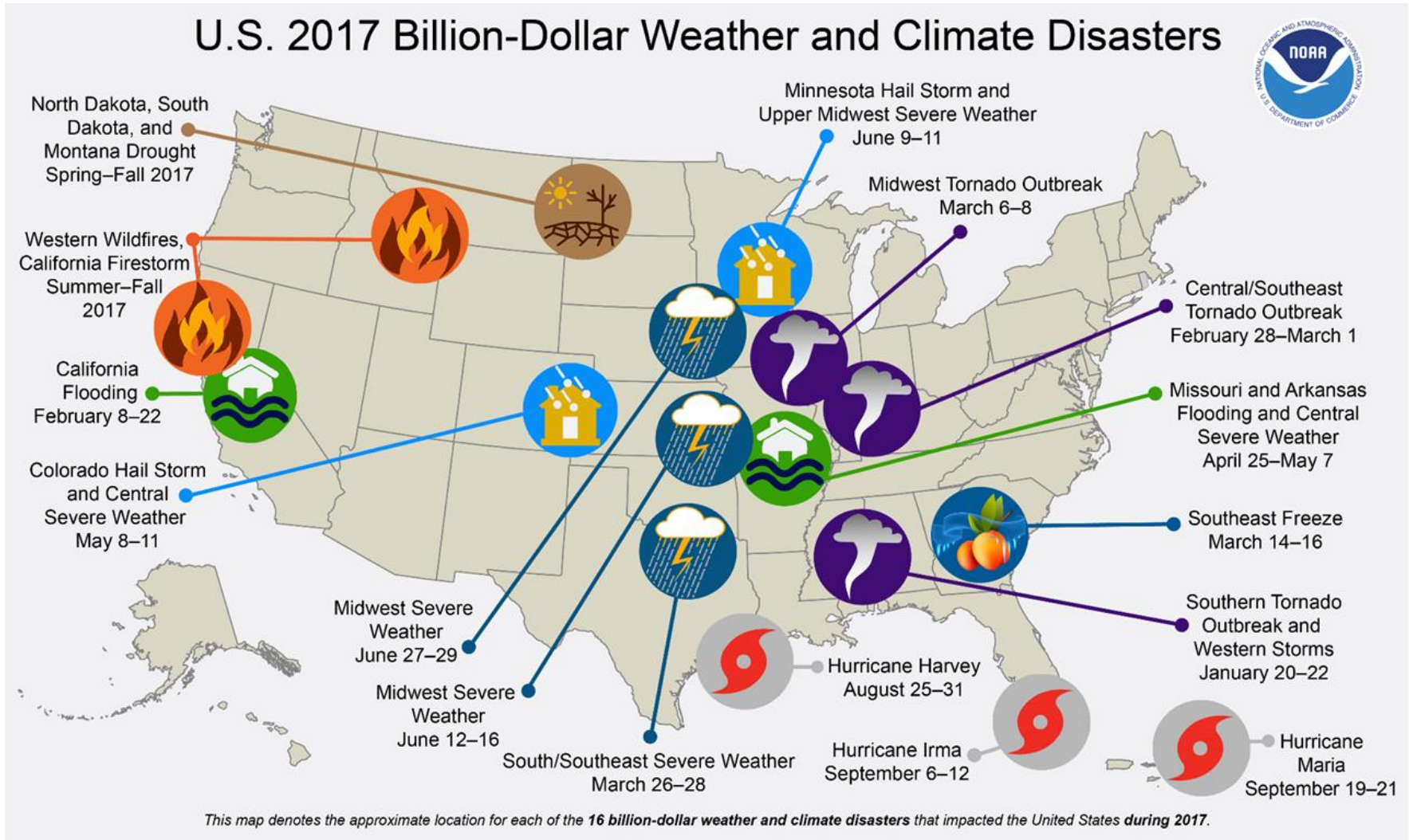


At least **20 utilities** are administering incentive programs specifically for CHP





# Resiliency Issues are Increasing



# Capstone vs. Bloom Technology Comparison



Technical Performances		Capstone Microturbines	Bloom Energy
System Designation	-	1 x C1000S	5 x Energy Server 5
Baseload Output	kW	1,000	1,000
System Efficiency (LHV)	%	70-85% (power and heat)	53-65% (power only)
Heat Rate	Btu/kWh	10,300	6,000
CO <sub>2</sub> Emissions	lbs./MWh	625	679-833
Weight	Tons	27	63
Dimensions (W x D x H)	x'y"	9'9" x 30' x 13'11"	73'9" x 43'4" x 35'
Noise	dBA	< 85 @ 3.3 feet	< 70 @ 6 feet
Heat Recovery	kW	1,500	0
Inlet Fuel Pressure	psig	75-80	10-18

# Capstone vs. Bloom Technology Comparison (cont.)

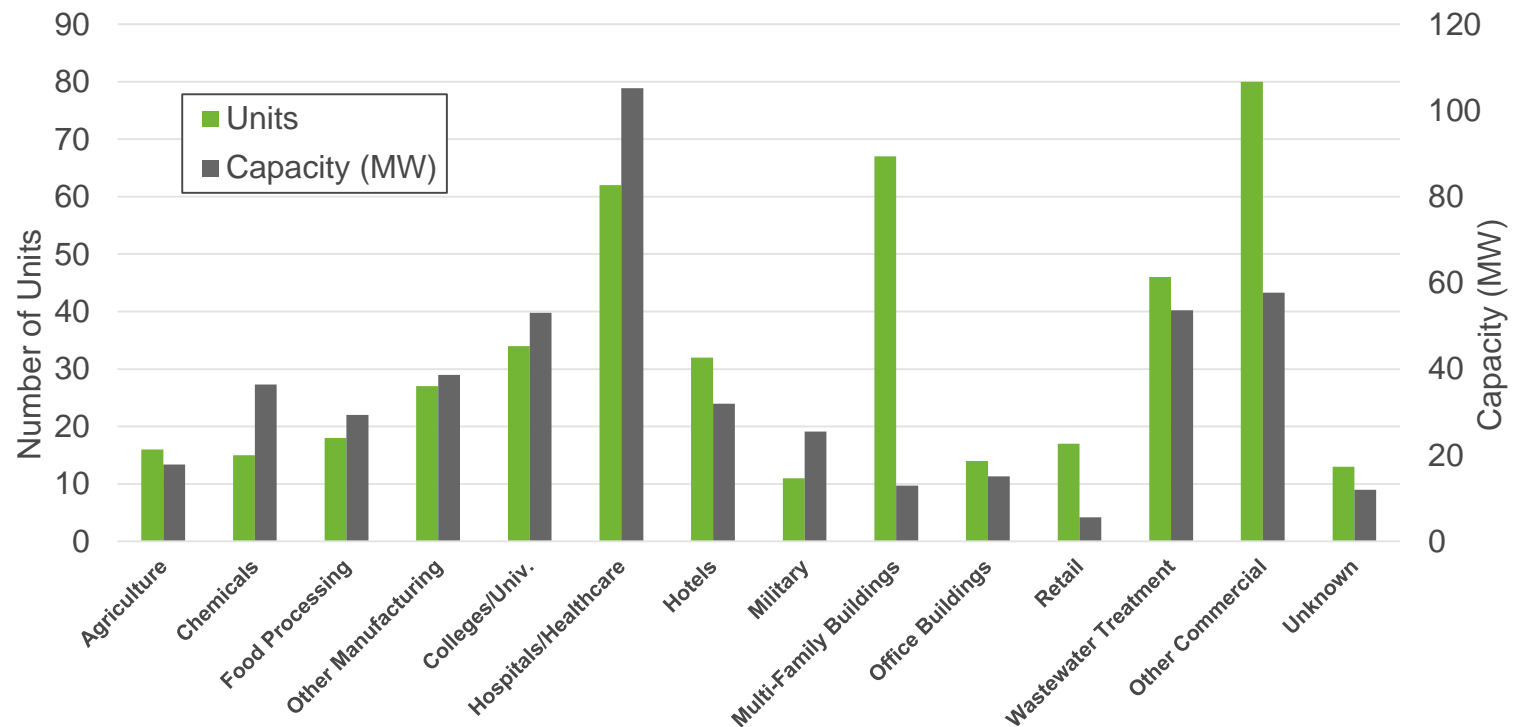


Operations		Capstone Microturbines	Bloom Energy
Fuel Flexibility	-	Natural gas, biogas, landfill gas, digester gas, sour gas, associated gas, LPG, propane, butane, liquid fuel, etc.	Natural gas, biogas (high sensitivity to sulfur in fuels)
Load Flexibility	-	High efficiency over wide operating range, part load power redundancy	High operating temperature requires long start-up times and limits load following applications
Annual Power Production	MWh	8,754	8,322
Annual Heat Production	MWh	13,130	0
Annual Fuel Consumption	MMbtu	90,200	49,900
Power Availability	-	99% availability	97% availability
Service Downtime	Day/Year	0.25	3
Product Life Expectancy	Years	20	10
Installation Base	MW	893 MW	328 MW

# Capstone Is a Good Fit for the Growing CHP/CCHP Market



## CHP “Watch List”: Projects in Development, 100 kW – 5 MW

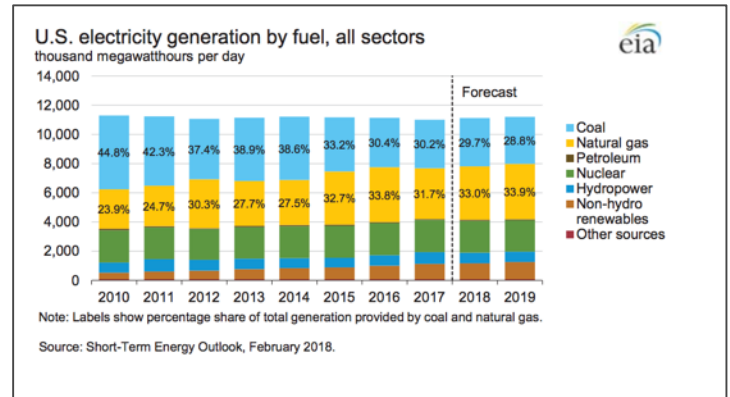


Source: ICF International

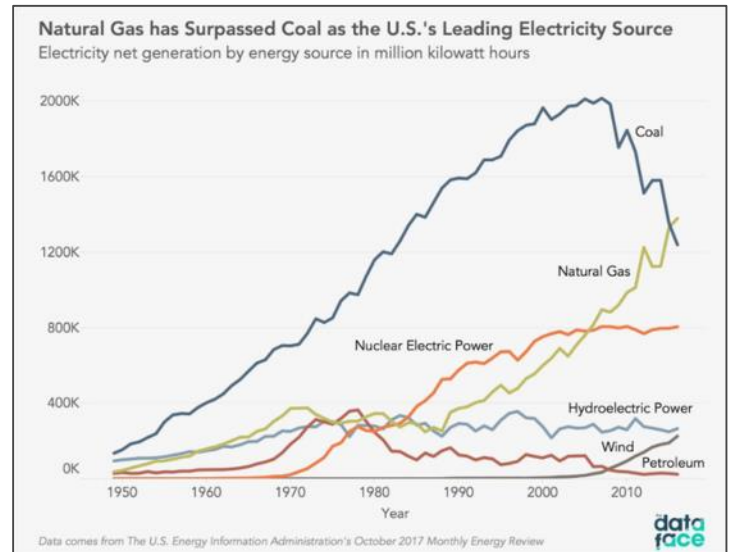
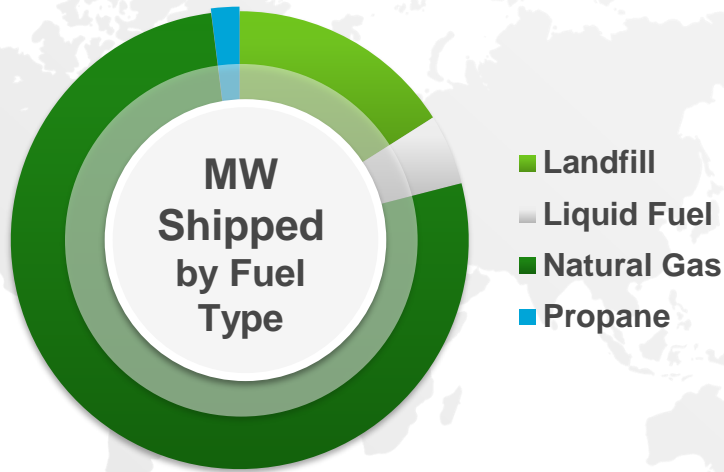
Microturbine Technology a Good Fit for Healthcare, Multi-Family, & Commercial Applications



# Leading U.S. Electricity Source Is Natural Gas (Also Fastest Growing)



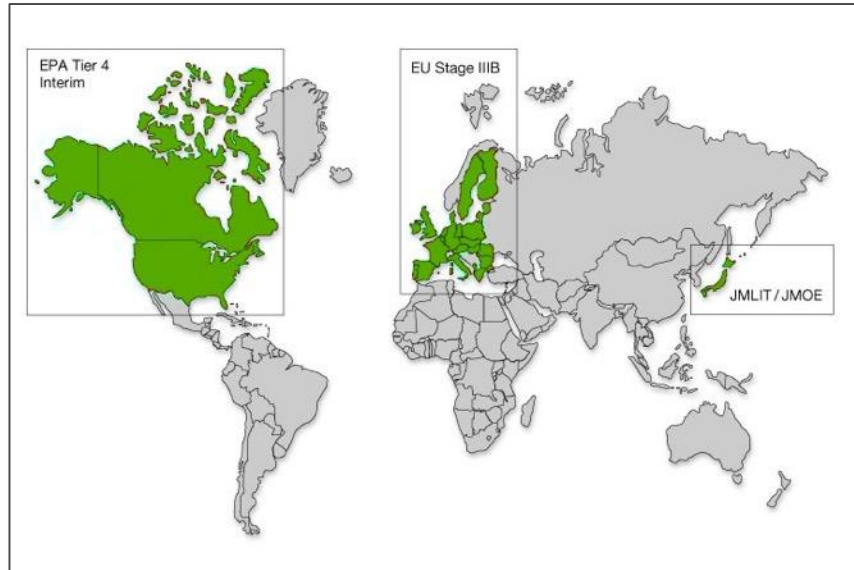
Source: <https://www.eia.gov/outlooks/steo/data.php?type=figures>



Source: <http://thedataface.com/2017/11/economy/energy-sources>

**77% of All Capstone Units Shipped Run Off Natural Gas**

# Tightening Emissions Regulations



			EPA Tier 4 Interim / EU Stage IIIB					EPA Tier 4 Final / EU Stage IV				
KW	EPA	HP	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
0-18*	0-24		(7.5) / 6.6 / 0.40									
19-36	25-48		(7.5) / 5.5 / 0.30									
37-55	49-74		(4.7 / 5.0 / 0.30 Option 1)					(4.7) / 5.0 / 0.03				
56-129*	75-173						3.4 / 0.19 / 5.0 / 0.02		0.40 / 0.19 / 5.0 / 0.02			
130-560*	174-751					2.0 / 0.19 / 3.5 / 0.02			0.40 / 0.19 / 3.5 / 0.02			
>560	>751					3.5 / 0.40 / 3.5 / 0.10			3.5 / 0.19 / 3.5 / 0.04			

KW	EU	HP	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
18-36	24-48		Stage IIIA (7.5) / 5.5 / 0.6									
37-55	49-74							(4.7) / 5.0 / 0.025				
56-129*	75-173						3.3 / 0.19 / 5.0 / 0.025		0.4 / 0.19 / 5.0 / 0.025			
130-560	174-751					2.0 / 0.19 / 3.5 / 0.025			0.4 / 0.19 / 3.5 / 0.025			

(NO<sub>x</sub> + HC) / CO / PM (Oxides of Nitrogen + Hydrocarbons) / Carbon Monoxide / Particulate Matter (g/kW-hr)  
 NO<sub>x</sub> / HC / CO / PM Oxides of Nitrogen / Hydrocarbons / Carbon Monoxide / Particulate Matter (g/kW-hr)  
 \* Combines regulatory powerbands with same emission levels

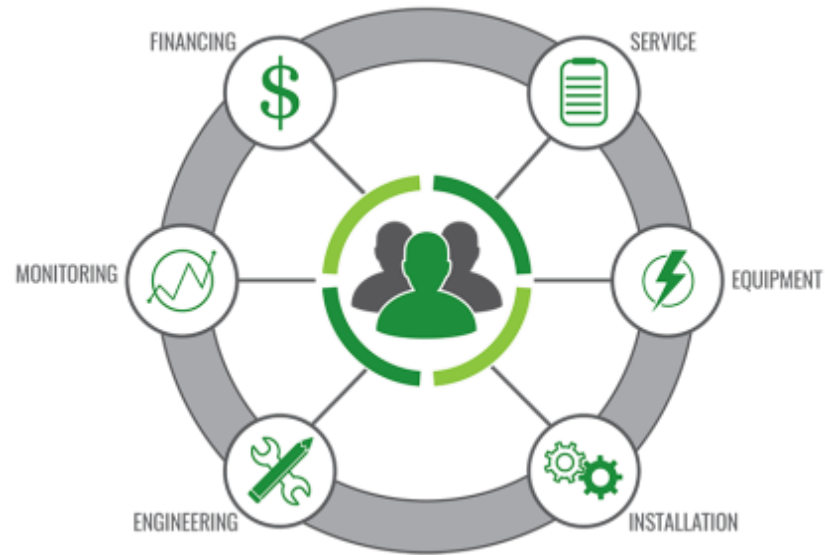
Source: <http://cumminsengines.com/emission-regulations>

Capstone Exceeds All EPA/EU Standards *Plus* Our Flagship C65 & C200 ICHP Systems Already Meet the World's Most Difficult Standard (CARB)

# Capstone Energy Finance JV Initiative



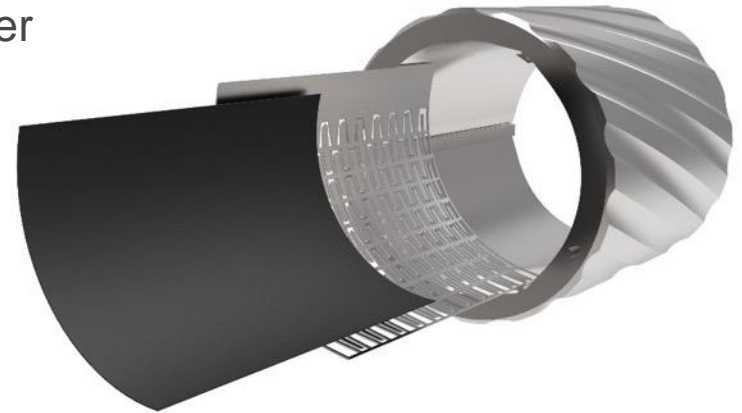
- Now Offering PPA, Lease and Rentals
- Executed First Agreement – September 18, 2017
- In Negotiation for Several Projects
- Projects Cover Wide Variety of Markets and Applications
- Pipeline over \$60M (product only)
- Actively Working with Sky Capital (subsidiary of Sky Solar Group) to Provide Up to \$150M in Project Financing
- Partnering with Additional Banks to Broaden Competitive Lease Rates



# New Air Bearing Business



- **Approach** – Offer existing Capstone air bearings plus engineering support to qualified non-competitive companies for integration into their products
- **Application** – Using existing Capstone air bearings requires customer product redesign and qualification
- Interested Companies Include:
  - ✓ Solar energy turbine company
  - ✓ Motor company, turbocharger manufacturer
  - ✓ ORC vapor compression company
  - ✓ Auxiliary power unit manufacturer
  - ✓ Fuel cell air compressor company
  - ✓ Air compressor
  - ✓ Turbine expander
  - ✓ Food processing blower
  - ✓ Downhole pump
- First Commercial Success Timeline with Praxair:
  - ✓ Feasibility discussions started 2009
  - ✓ First development parts order 2013
  - ✓ Second development parts order 2015
  - ✓ Production order for bearing sets 2018





# Technology Roadmap



6

STEPS TO  
SUCCESS

C65 SIGNATURE  
SERIES

ELECTRONICS  
MODERNIZATION

NEW FUEL  
CAPABILITIES

NEW C250S  
& C1250S

MICROGRID  
PRODUCT

ADVANCED  
TECHNOLOGY

# Q2FY19/Q4FY18 Balance Sheet



(In millions)	September 30, 2018	March 31, 2018
Cash & Cash Equivalents, Including Restricted Cash	\$18.3	\$19.4
Cash (used in) Provided by Operating Activities	\$(6.6)*	\$0.5
(*Approx. \$6.2 million for a negotiated royalty settlement agreement payment to Carrier, an unexpected supplier prepayment obligation and for one-time Leadership Incentive Bonus Program).		
Accounts Receivable, Net of Allowances	\$16.5	\$16.0
Total Inventories	\$16.6	\$16.7
Accounts Payable & Accrued Expenses	\$14.1	\$13.5

**Maintained Cash by Effectively Leveraging Credit Facility & ATM**

# Reconciliation of Non-GAAP Financial Measure



Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA	Three months ended		Fiscal Year	
	March 31, 2018	December 31, 2017	March 31, 2018	March 31, 2017
Net loss, as reported	\$ (1,942)	\$ (323)	\$ (10,024)	\$ (25,245)
Interest expense	116	170	606	536
Provision for income taxes	11	—	18	19
Depreciation and amortization	315	271	1,170	1,577
EBITDA	\$ (1,500)	\$ 118	\$ (8,230)	\$ (23,113)
Stock-based compensation	177	102	586	808
Restructuring charges	487	58	764	—
Change in warrant valuation	—	84	741	421
Leadership Incentive Program	981	—	981	—
Adjusted EBITDA	\$ 145	\$ 362	\$ (5,158)	\$ (21,884)

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 expense, restructuring charges, the change in warrant valuation and warrant issuance expenses. 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.



For more information on Capstone Turbine Corporation please visit [www.capstoneturbine.com](http://www.capstoneturbine.com)

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