



INVESTOR RELATIONS PRESENTATION

NASDAQ: **CPST** | May 2020



*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.

Forward-looking statements may be identified by words such as “believe,” “expect,” “objective,” “intend,” “targeted,” “plan” and similar phrases.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties described in Capstone's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other periodic 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. 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. 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.



# COVID-19 & The Changing Global Energy Markets



## COVID-19 and the Imminent Change In Global Energy



“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*



# Making Green Being Green



## DID YOU **KNOW?**

In **FY19**, Capstone customers benefited from:

**95.6%** in Global Availability

**350,000 Tons** in Carbon Savings

**\$253 Million** in Financial Savings



# Capstone Turbine Advantages



## FEATURES & BENEFITS



### Low Emissions

No exhaust aftertreatment



### Patented Air Bearing Technology

No lubricants or coolants needed



### Inverter Based w/ One Moving Part

Low operating costs



### 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



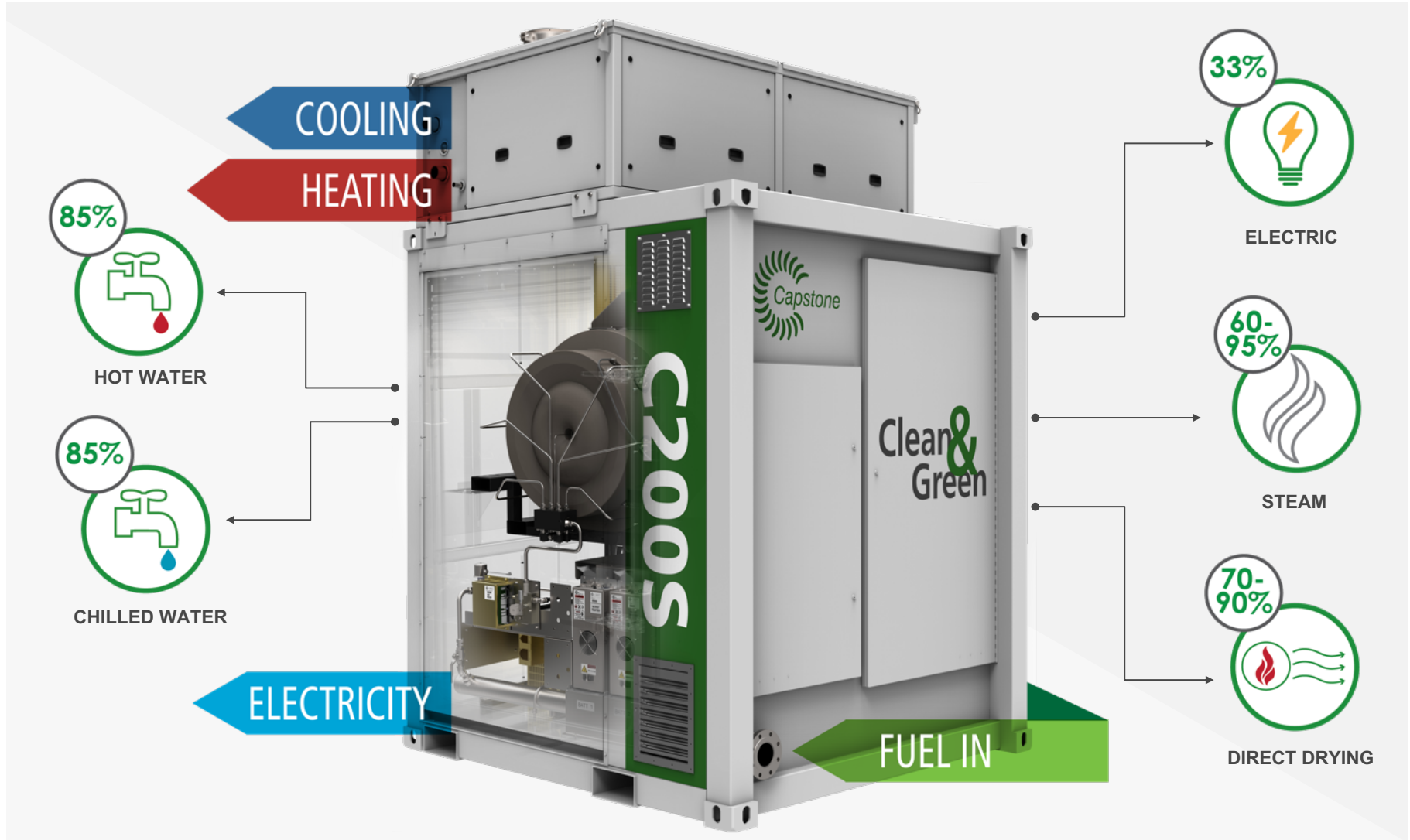
### Potential Emissions Credits

Offset project costs





# Energy Efficient Green Products

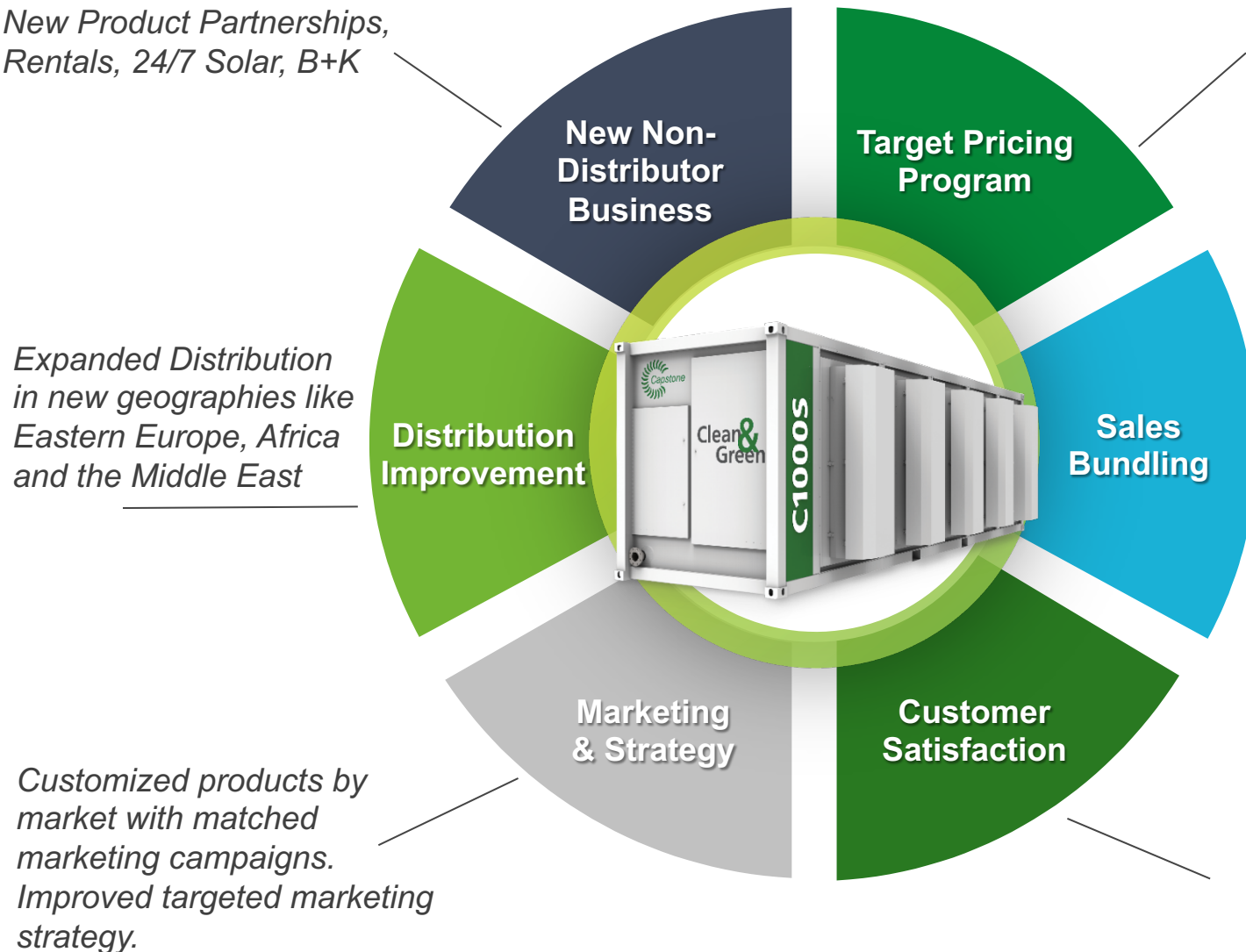


# CPST Revenue Growth Strategy



*OEM, Direct Sales, National Accounts,  
Expanded Product Portfolio,  
New Product Partnerships,  
Rentals, 24/7 Solar, B+K*

*Implementation of Target  
Pricing Programs for key  
National Accounts, OEMs*



*Product + Service  
Product + Accessories  
+ Service Installation +  
Product + Accessories  
+ Service*

*Improving C200 product  
performance with new  
parts supplier replacing  
legacy supplier with poor  
manufacturing quality.  
Improving reliability, lower  
Warranty and FPP costs.*



# Capstone Growth Catalysts



## CATALYSTS FOR GROWTH

Focus On Reducing Cost ●

Low Cost Natural Gas ●

Microgrid Adoption ●

Gas Flaring Regulations ●

New Engine Emissions ●

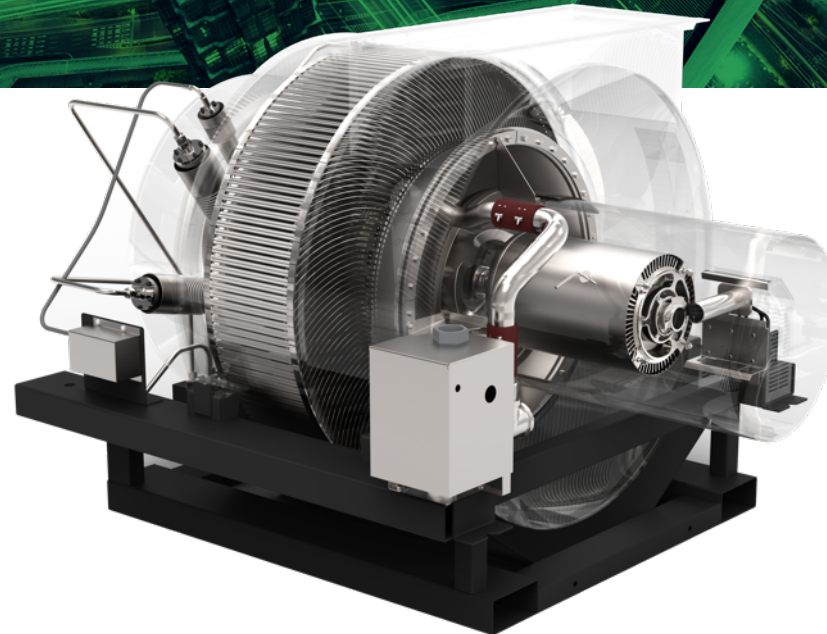
● Green Building (LEED)

● Severe Weather

● Crude Oil Prices

● Federal & State Subsidies

● Electrification



● Positive

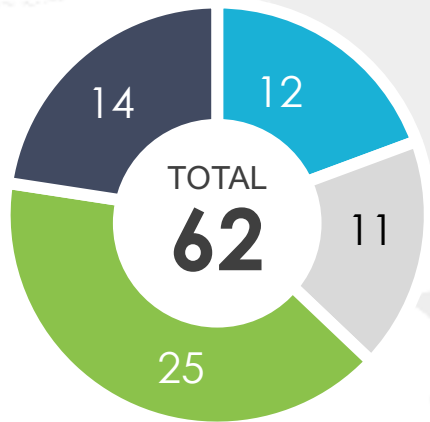
● Neutral

● Negative

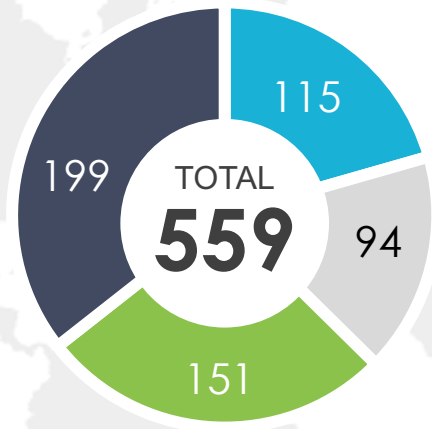
# Maturing Channel to Market



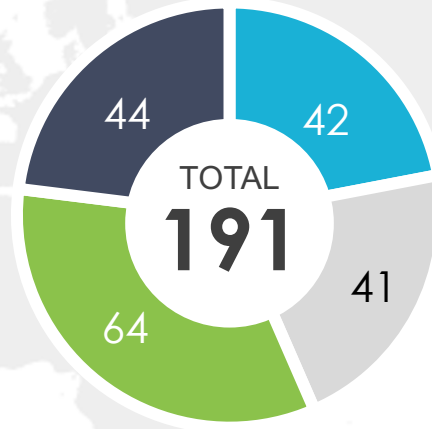
## DISTRIBUTORS



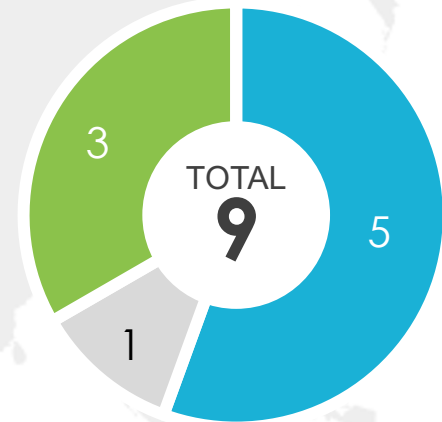
## DISTRIBUTOR EMPLOYEES



## DISTRIBUTOR LOCATIONS



## NA/OEMS



● U.S./CANADA  
CARIBBEAN

● LATIN AMERICA

● EMEA

● APAC/  
RUSSIA

*Note: The above employee and location figures are based on data provided by distributors and have not been independently verified.*

# Estimated Value of Distribution



**NORTH  
AMERICA**

**LATIN  
AMERICA**

**EUROPE  
MEA**

**APAC  
RUSSIA**

**TOTAL**

Distributor  
Employees

115@\$81k

94@\$42k

151@\$90k

199@\$36k

**\$33.9M**

Distribution  
Locations

42@\$55k

41@\$31k

64@\$39k

44@\$12k

**\$6.6M**

**Total Annual Value of Distribution Channel is ~ \$40M**



# Targeted Marketing Initiatives: CA Safety Power Shutdown



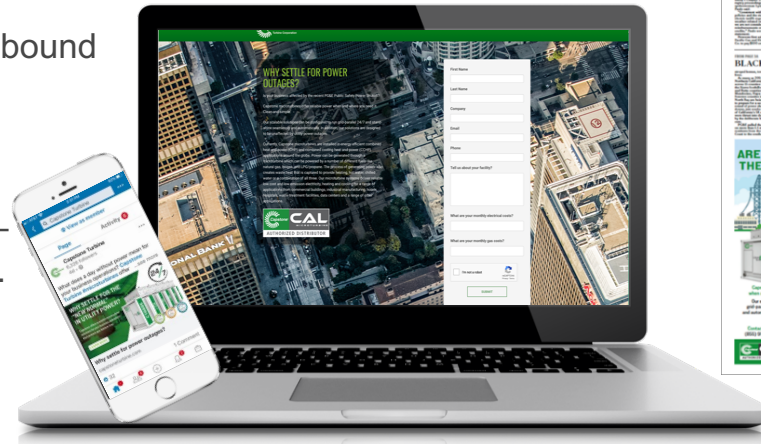
## Print Advertising

- Two ¼ page advertisements placed in the main sections of the “Sacramento Bee” Sunday and mid-week issues.
- Incoming leads/inquiries tracked with QR code and in-bound call metrics tracking software.



## Social Media – Paid and Organic

- Targeted paid advertising on LinkedIn and Facebook – Focus on industrial/commercial customers by location.
- Organic (non-paid) advertising on all corporate accounts (Facebook, Twitter, LinkedIn, Instagram)



## Custom Landing Page

- Custom landing page was created on corporate website to qualify and score incoming leads.
- All lead data is automatically entered and tracked in customer relationship management (CRM) system.

**Capstone Turbine**  
Sponsored

Protect your bottom line through grid outages with a Capstone microturbine. Capstone microturbines offer scalable solutions for your business and protect your bottom line through grid outages! What does a day without power mean for your business operations? Contact us today for your FREE energy assessment.

CAPSTONETURBINE.COM  
Don't Settle for the "New Normal" in Utility Power

LEARN MORE

**Capstone Turbine**  
Promoted

Is your business affected by the PGE&E Public Safety Power Shutoff (PSPS)? – Capstone microturbines protect your facility from power outages 24/7! Contact us today for your FREE energy assessment.

**WHY SETTLE FOR THE "NEW NORMAL" IN UTILITY POWER**

Capstone offers scalable microturbine solutions for your business operations that protect your bottom line.

LEARN MORE

capstoneturbine.com/pgeshutoff

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Like Comment Share

Be the first to comment on this

**Capstone Turbine** @CapstoneTurbine · 21h

Are you one of the 8,000+ businesses affected by the @PGE4Me #Plannedoutages? @CapstoneTurbine microturbines can protect your facility & bottom line through grid outages 24/7 while providing reliable and low-cost power.

Learn more [bit.ly/2Nm4JV6](http://bit.ly/2Nm4JV6)

#California // #PSPS

**PGE4Me** @PGE4Me · Oct 30

#PSPS: Due to favorable weather conditions, we will no longer need to turn power off in these counties: Alameda, Contra Costa, Santa Clara, Santa Cruz, San Mateo. This further reduces scope of Oct. 29 PSPS by 30,000 to approximately 10,000 customers in portions of 22 counties.

**Public Safety Power Shutoff**

Alert! Alerta! Cảnh Báo! Babala! 緊報! Тривога!

**Capstone Turbine**  
just now

What does a day without power mean for your business operations? Capstone Turbine microturbines offer scalable solutions & protect your facility from outages 24/7.

- ✓ Power
- ✓ Heat
- ✓ Cooling

More info <http://bit.ly/2Nm4JV6>

#PSPS // #poweroutages // #cleansimple

**WHY SETTLE FOR THE "NEW NORMAL" IN UTILITY POWER?**

Capstone offers scalable microturbine solutions for your business operations that protect your bottom line.

LEARN MORE

Like Comment Share



# **POSITIVE ADJUSTED EBITDA GOAL**

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# Capstone Positive Adjusted EBITDA Initiative – June 2020



- **Hire additional salespeople** for National Account development to drive incremental business for Capstone Turbine
- **Lower quarterly operating expenses** from an average of \$6.5M to a range of \$5.2M to \$5.7M, with a range of \$4.0M to \$4.5M specifically in Q1 from the COVID-19 Business Continuity Plan
- **Reduce direct material costs** \$3M annually
- **Cut annual R&D spend** by approximately 15%, delaying all non-essential product development
- **Expand long-term microturbine rental fleet** from current 8.6 MW up to 10 MW
- **Increase aftermarket spare parts margins** with newly upgraded United Kingdom Integrated Remanufacturing Facility (IRF)
- Help key distributors achieve **higher Factory Protection Plan (FPP) service contract attachment** rates from 38% of 45%
- Continue to focus on **improving product reliability** and drive warranty expenses from approximately 3% down to 1%
- **Increase distributor management** and push performance to produce near-term product backlog and revenue growth
- **Accessories, Parts & Service margins** to return to Q3/Q4 fiscal 2018 levels, after 2 years of working through costs driven by the supplier part defect issue identified in Q1 fiscal 2019



# New Direct Sales Strategy



## RENTAL SYSTEMS

- Oil & Gas
- C&I
- Reoccurring Revenue



## PROJECT DEVELOPMENT

- Major Projects
- Energy Auditing
- High Margin



## KEY ACCOUNTS

- National Accounts
- OEMs
- IndyCar B2B



## PARTNERSHIPS /JV's

- BOP Products
- New Technologies
- Services



# Initial Direct Product Sales Results



## DIRECT SALES

*OEM, DIRECT, NATIONAL ACCOUNTS*

26%

## DISTRIBUTOR SALES

*TRADITIONAL DISTRIBUTION MODEL*

74%

## REVENUE GROWTH STRATEGY



Target Pricing  
Program



Distribution  
Improvement



Sales  
Bundling



Marketing &  
Strategy

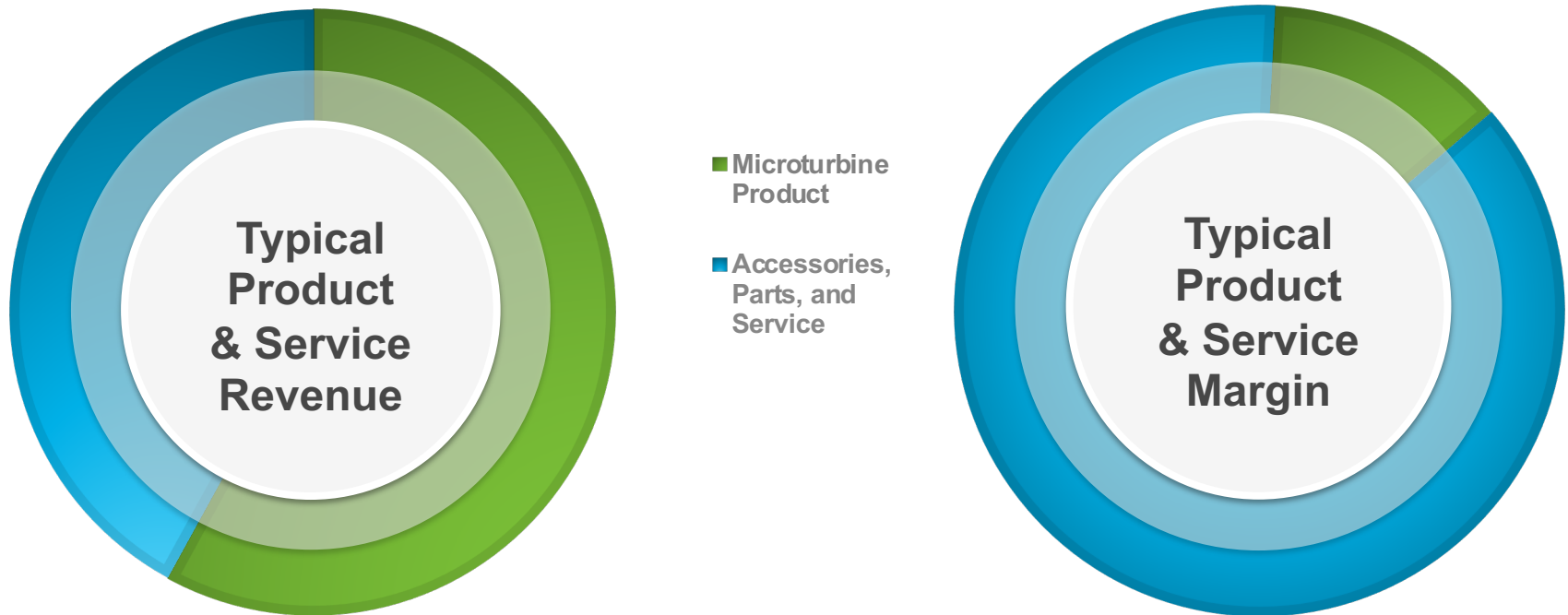


Customer  
Satisfaction

# Service Business Drives EBITDA



**Clean, Efficient, Reliable Low Margin Product Sales  
Drives High Margin Service Enterprise**



**Q2 FY2020 Capstone Aftermarket Service Business  
Was 42% of Revenue, But 87% of Margin**



# Strengthening Aftermarket

**Aftermarket is now composed of a healthy mix of offerings with both stable recurring revenue and higher margins**

- FY20 is the culmination of a multi-year aftermarket strategic plan
- Positions Capstone for profitable growth beginning in FY21

**Factory Protection Plan (FPP) long-term service contracts**

- FPP Backlog hits a record \$83.7M on December 31, 2019
- 54% of eligible fleet (265 MW) now covered under FPP

**Strong OEM parts business with healthy margins**

- \$10.8M shipped YTD with >50% gross margin
- Annual spare parts price increase

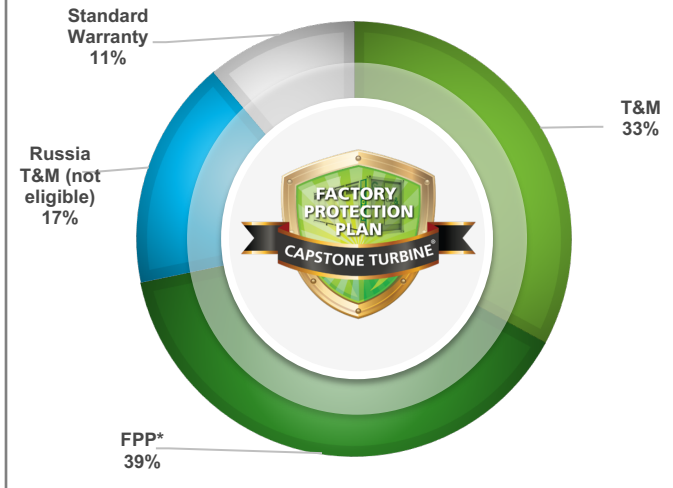
**Growing long-term rental business with healthy margins**

- 13% Q/Q growth with >50% gross margin
- Expands to 8.6 MW vs. a target of 10 MW

**United Kingdom Integrated Remanufacturing Facility (IRF) ribbon cutting completed in December 2019**

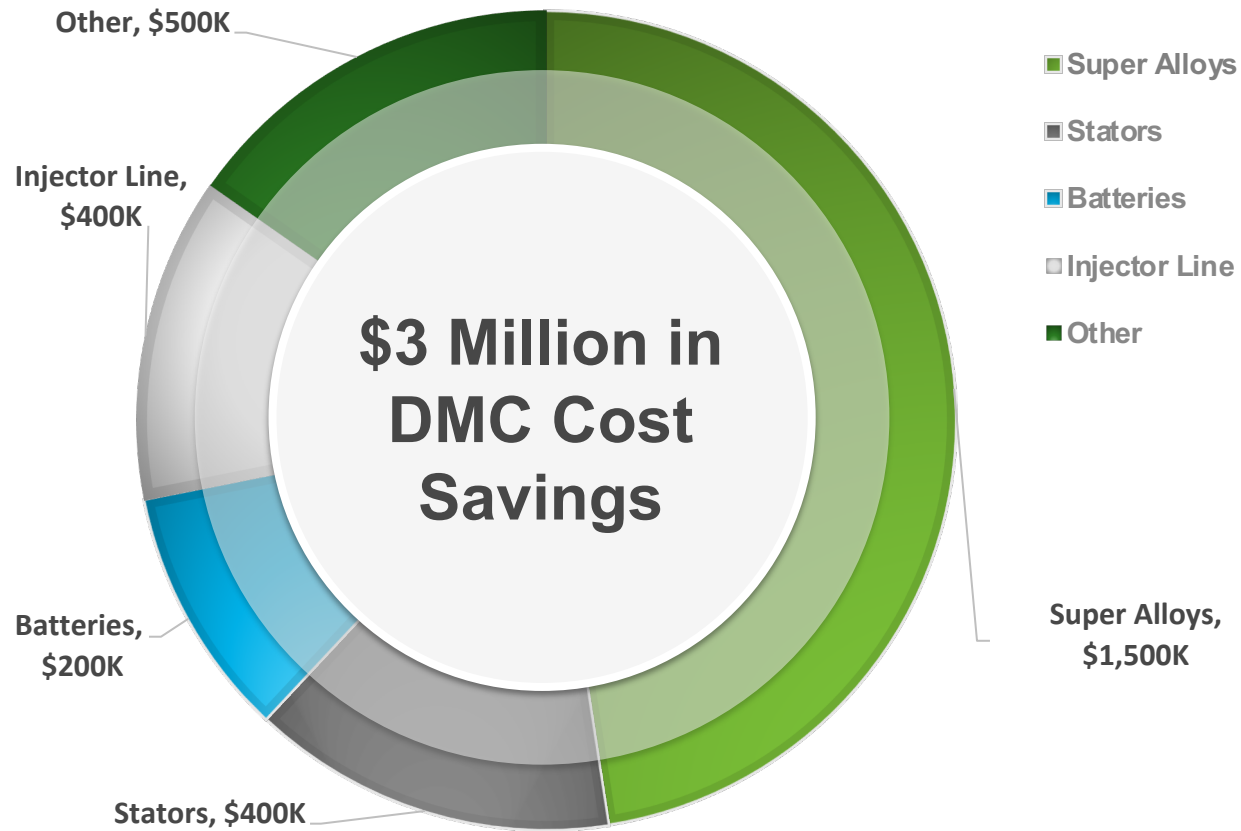
- Full Grid Connect test capability on schedule for early 2020
- Average 40% cost reduction using remanufactured parts for FPP
- Drives continued margin expansion of Capstone's aftermarket service business

**54% of Eligible Fleet (in MW) Covered Under FPP (incl. EXW & RSS)**





# DMC Cost Savings, Annualized



# 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 FY2019, CPST customers benefited from 350,000 tons in carbon savings while also saving \$253 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.

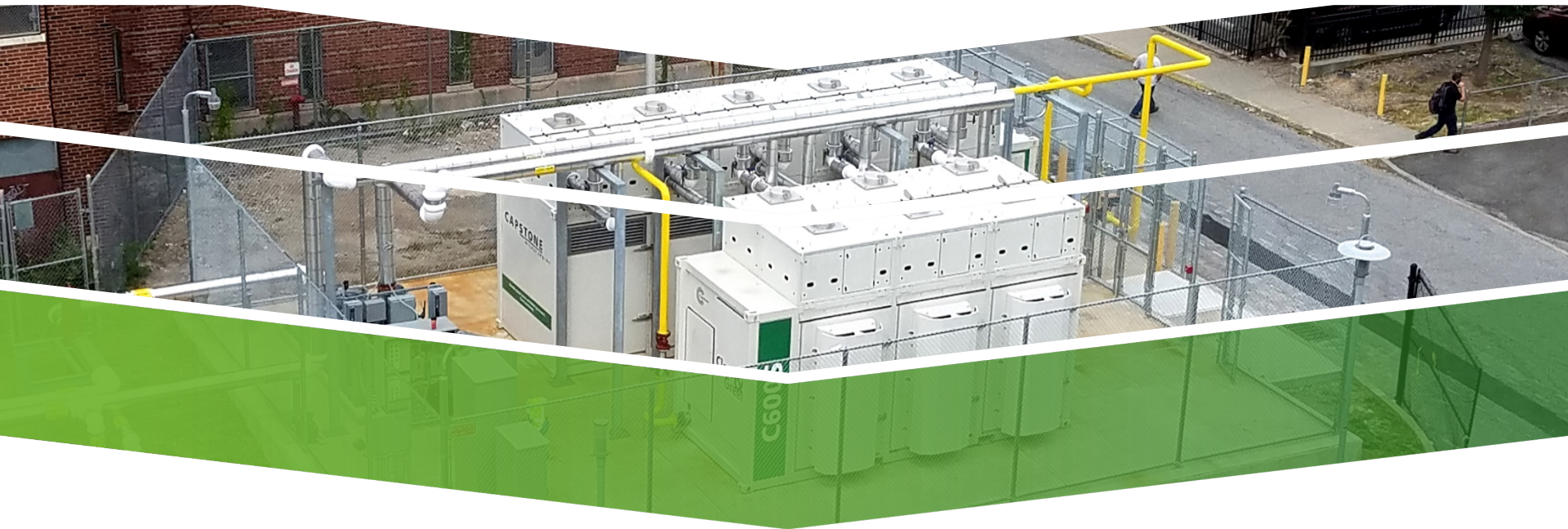
## SOCIAL

- 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.





# NEW TECHNOLOGY & PRODUCTS

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Nasdaq: **CPST**



# New Technology Roadmap



## 6 STEPS TO SUCCESS

HYDROGEN & METHANOL

ELECTRONICS MODERNIZATION

SIGNATURE SERIES C65

NEW C250S & C1250S

MICROGRID PRODUCTS

RENEWABLE PRODUCTS

- 





# New Renewable Fuels



## HYDROGEN •



Capstone will soon offer renewable power with the use of hydrogen in our product line of microturbines as a fuel source. Today we have operated on a blend of natural gas and hydrogen, and we have a plan to release a commercial 100% hydrogen fuel capable microturbine over the next couple of years.



## • METHANOL



Capstone has worked with a Swiss company for years, operating a C30 on methanol. We just completed a multi-year test program, and together we are exploring the use of our full line of turbines as they move from the product development into the commercial deployment phase.

# New 100% Renewable Products



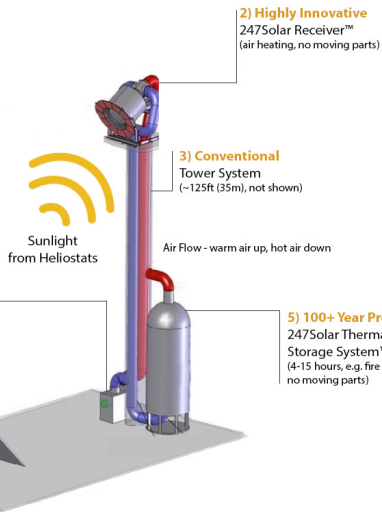
**247SOLAR**



**4) Capstone Microturbines**  
(Off-the-Shelf, 300-400 kW, outfitted with 247Solar Heat Exchanger™)



**1) Off-the-Shelf**  
Sun-tracking Heliostats  
(~4 acres per 400 kW)

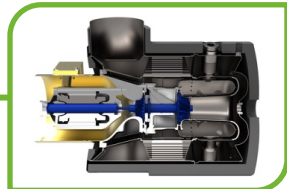


An illustration of the pre-engineered 247Solar Plant, outfitted with Capstone microturbines.

Another 100% renewable project is with a German company, B+K, that is using wood waste to generate superheated air and also expanding it across the Capstone microturbine. B+K has been operating a Capstone powered pilot project for more than a year and is moving into commercial sales, with several projects planned in 2020.

100% renewable project with new customer, 247Solar, together we are installing a solar-powered microturbine at a test site in Morocco using concentrated solar energy to expand superheated air across the Capstone microturbine to generate 100% renewable power with our microturbines. Once completed, 247Solar has a host of additional opportunities.

**B+K**



An illustration of the pre-engineered ClinX CHP solution, outfitted with Capstone microturbine



# **TARGET ANNUAL BUSINESS MODEL**

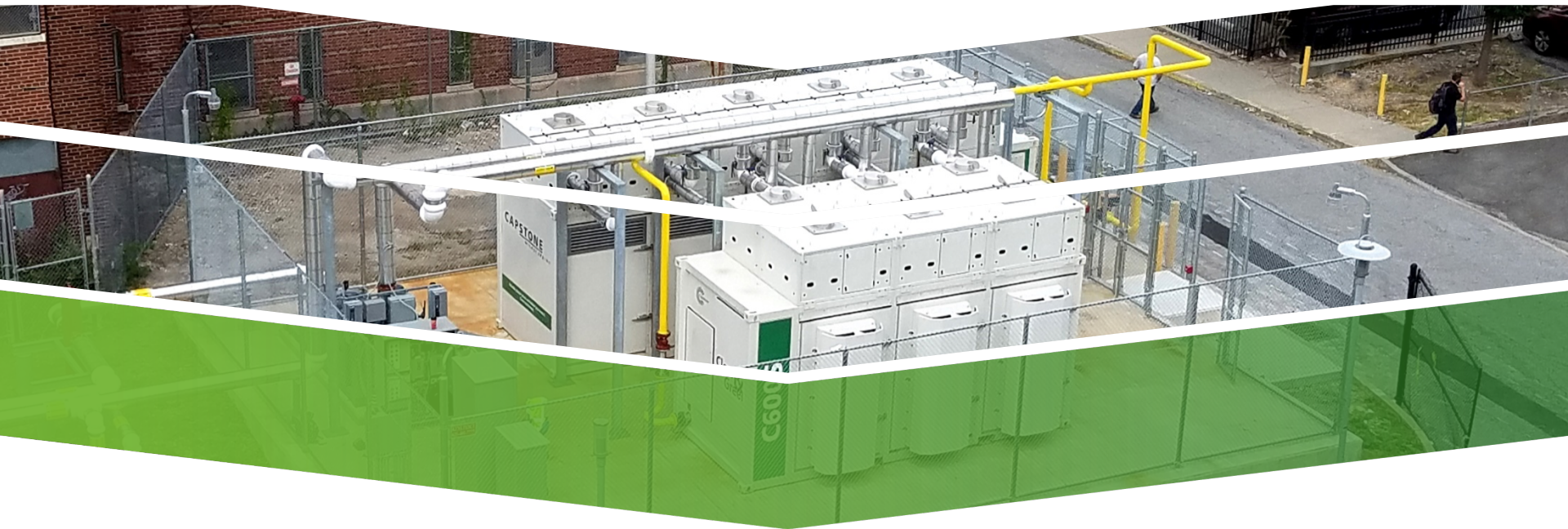
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# Annual Target vs. FY2014 Actual – Business Comparison



<i>(in millions)</i>	New Annual Target	FY14 (A)	Y/Y \$ Δ	Y/Y % Δ
Product Revenue	\$ 86.5	\$ 108.8	\$ (22.3)	(20%)
Accessories, Parts & Service Revenue	44.4	24.3	20.1	83%
<b>Revenue</b>	<b>130.9</b>	<b>133.1</b>	<b>(2.2)</b>	<b>(2%)</b>
Direct Materials	74.5	83.4	8.9	11%
Warranty	2.6	3.9	1.3	33%
Royalties	0.2	2.9	2.7	93%
Manufacturing & Service costs	15.3	21.3	6.0	28%
<b>Cost of Goods Sold</b>	<b>92.6</b>	<b>111.5</b>	<b>18.9</b>	<b>17%</b>
Gross Margin	38.3	21.6	16.7	77%
<b>Gross Margin %</b>	<b>29%</b>	<b>16%</b>		
Product Development	3.6	9.0	5.4	60%
Selling, G&A	23.7	27.9	4.2	15%
Total Operating Expenses	27.3	36.9	9.6	26%
<b>Operating Income (Loss)</b>	<b>11.0</b>	<b>(15.3)</b>	<b>26.3</b>	<b>172%</b>
<b>Adjusted EBITDA</b>	<b>\$ 13.2</b>	<b>\$ (10.8)</b>	<b>\$ 24.0</b>	<b>(222%)</b>





# COVID-19 BUSINESS CONTINUITY PLAN

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Nasdaq: **CPST**

# Distributed Energy Market



*“Capstone previously announced a near-term goal of reaching positive Adjusted EBITDA in the upcoming June quarter by focusing on improving the business with high margin repetitive revenue streams in areas that the company has more control over and that are not directly impacted by external factors such as macroeconomic conditions, project delays, geopolitical events, exchange rates, crude oil prices, trade wars and now we can add global pandemics to the list of external factors we can mitigate with our recurring revenues,”*  
*stated Darren Jamison*  
*President & Chief Executive Officer*  
*Capstone Turbine Corporation*





# Four Business Continuity Goals



**Employee  
Health & Safety**



**Increase Liquidity  
& Improve Working  
Capital**



**Business  
Continuity for  
Essential End  
Use Customers**



**Positive Adjusted  
EBITDA in Upcoming  
June Quarter**



# Business Continuity Plan



- Provide the Generally Recommended Safety Environment and Maintain Business Continuity
- Maintain All Employees' Health Insurance During the Period of Business Interruption
- Continue to Support the Critical Aftermarket Business and 60+ Worldwide Distributors
- Comply with the WARN Act Both Federal and State (California)
- Provides the Flexibility to Bring Back Employees Sooner or Later up to 180 Days
- Provides Cost Reduction with Lowest Risk of Unwanted Employee Turnover
- Immediately Reduce Payroll Expense and Provide Additional Liquidity
- Dramatically Slow Incoming Inventory to Improve Inventory Turns
- Generate Positive Working Capital in the June Quarter
- Provides a “Hard Reset” on Backlog and New Product Sales Forecast
- Afford the Opportunity to Right Size Payables and Drive Small Lot Sizes
- Applied for and Received Funding Under the New Government PPP/SBA Program
- Supports Q1 Positive Adjusted EBITDA Despite Pandemic and the Collapse of Oil Prices

**Drive for Positive Adj. EBITDA Despite COVID-19 Pandemic**<sub>30</sub>



# Q4 FY2020 Business Highlights



- Total cash is \$15.1 million, down only \$1.6 million from to \$16.7 million as of December 31, 2019 despite lower product revenues caused by the COVID-19 pandemic.
- Inventory receipts decreased by \$4.6 million, or 36%, to \$8.1 million in the fourth quarter compared to \$12.7 million in the third quarter supporting improved liquidity and driving potential positive working capital in the upcoming quarter.
- Factory Protection Plan (FPP) long-term service contract revenue continued to expand despite impacts from the COVID-19 pandemic and was up 16% year-over-year.
- The Company allocated 0.6 MW of new production to grow its long-term microturbine rental fleet, which now stands at 8.6 MW, approaching its 10 MW goal.
- Pre-built 5.9 MW of Finished Goods and shipped an elevated level of FPP spare parts during the quarter to ensure customer continuity of both units and spare parts supplies.
- New gross product orders were approximately \$9.1 million during the fourth quarter compared to \$9.3 million in the previous third quarter.
- Received \$2.6 million from ATM during the quarter as the company focused on liquidity.

## Q4 Shows Progress Despite COVID-19 Pandemic Slowdown



# LEADERSHIP & BOARD OF DIRECTORS

# Leadership Team



**Darren Jamison**

*President & Chief Executive Officer*



**Eric Hencken**

*Chief Financial Officer  
& Chief Accounting Officer*



**James Crouse**

*Chief Revenue Officer*



**Jeff Foster**

*Senior Vice President of  
Customer Service & Product  
Development*



**Kirk Petty**

*Senior Vice President  
of Operations*



**Jennifer Derstine**

*Vice President of Marketing  
& Distribution*

# Board of Directors



**HOLLY  
VAN DEURSEN**

- Independent director for companies in the chemical, industrial and contract manufacturing sectors; previously a director for companies in the oilfield services and packaging sectors
- Group Vice President, Petrochemicals and Group Vice President, Strategy for BP plc/Amoco Corporation, a \$250 billion oil, gas, and energy company, through 2005
- Executive roles with BP/Amoco in business management, business development and mergers & acquisitions, residing in North America, Asia and Europe

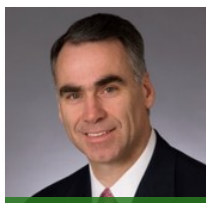
***Chair of the Board  
Member of the Audit Committee***



**PAUL  
DEWEESE**

- Managing Director, Echo Holdings, LLC, advisory services for M&A in oil and gas since 2019
- Chief Executive Officer, Boomerang Tube, LLC, a supplier of steel pipes and services for the energy industry 2018-2019
- Chief Executive Officer, Epic Industrial Solutions, LLC, provider of parts and services for industrial engines and compressors in the oil, gas and industrial markets 2015-2018
- Chief Executive Officer, Southwest Oilfield Products, Inc., an aftermarket supplier for drilling rigs 2012-2015

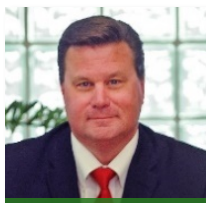
***Chair of Nominating and Corporate Governance Committee***



**ROBERT  
FLEXON**

- President and Chief Executive Officer, Dynegy Inc., an independent power producer and electricity marketer 2011-2018
- Chief Financial Officer of UGI Corporation, a distributor and marketer of energy products and services in 2011; and Chief Financial Officer then Chief Operating Officer of NRG Energy, Inc., a power generation and electricity marketer 2004-2009
- Chief Executive Officer of Foster Wheeler, a Swiss global engineering conglomerate 2009-2010

***Member of Audit Committee  
Member of the Compensation Committee***



**DARREN  
JAMISON**

- President and Chief Executive Officer, Capstone Turbine Corporation since 2006
- President and Chief Operating Officer for Northern Power Systems, Inc., a company that designs, manufactures and sells wind turbines into the global marketplace 2003-2006
- Vice President and General Manager of Distributed Energy Solutions for Stewart & Stevenson Services, Inc., a leading designer, manufacturer and marketer of specialized engine-driven power generation equipment to the oil and gas, renewable and energy efficiency markets 1996-2003



**YON  
JORDEN**

- Previously an independent director for Maxwell Technologies, Magnetek Incorporated, Bioscrip Incorporated, and U.S. Oncology Corporation, companies in energy, automation and healthcare industries
- Chair of Audit, Compensation, or Nominating & Governance Committee for a number of Boards
- Chief Financial Officer of four publicly traded companies, including AdvancePCS, Informix Corporation, Oxford Health Plans, Inc., and WellPoint, Inc. through 2004

***Chair of the Audit Committee  
Member of the Compensation Committee***



**GARY  
MAYO**

- Managing Principal of Sustainability Excellence Associates, LLC, a consulting firm specializing in strategic planning for sustainability and environment 2009-2016
- Vice President, Corporate Sustainability Strategies, MGM Resorts International, one of the world's leading global hospitality companies 2006-2008
- Leadership roles with Ford Motor Company and Visteon Corporation, including Director of Distributed Power Generation and Director of Government Affairs and Corporate Responsibility

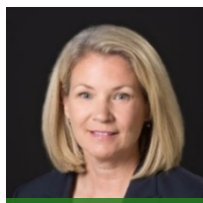
***Chair of the Compensation Committee  
Member of Nominating and Corporate Governance Committee***



**ROBERT  
POWELSON**

- President and Chief Executive Officer, National Association of Water Companies since 2018
- Commissioner for the Federal Energy Regulatory Commission 2017-2018
- Served on the Pennsylvania Public Utility Commission 2008-2017, as Chair 2011-2015, and on Pennsylvania's Marcellus Shale Advisory Commission 2011
- President of the National Association of Regulatory Utility Commissioners, 2011-2017

***Member of Nominating and Corporate Governance Committee***



**DENISE  
WILSON**

- Executive Vice President and President, New Business, for NRG Energy, Inc., a Fortune 500 company that generates electricity and provides energy solutions and natural gas to its customers 2011-2016
- Executive Vice President & Chief Administrative Officer for NRG Energy 2006-2011
- Executive leadership roles in human resources for Nash-Finch Company, Metris Companies, Inc. and General Electric

***Member of Nominating and Corporate Governance Committee  
Member of Compensation Committee***





# Q&A SESSION

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