

October 10, 2017



Capstone Further Lowers its Quarterly Operating Expense Target on Engineering Restructuring

CHATSWORTH, Calif., Oct. 10, 2017 (GLOBE NEWSWIRE) -- Capstone Turbine Corporation (www.capstoneturbine.com) (Nasdaq:CPST), the world's leading clean technology manufacturer of microturbine energy systems, announced today that it is further lowering its quarterly operating expense target from \$5.5 million per quarter to \$5.0 million per quarter after a restructuring of the company's engineering assets and other cost reduction activities.

This new restructuring places all of Capstone's engineering assets into one new Technical Solutions Group (TSG) reporting directly to Darren Jamison, Capstone's President and Chief Executive Officer. This restructure moves Capstone from a higher cost three-department research and development, sales engineering and technical services organizational structure to a single consolidated department resulting in a lower cost and more efficient product optimization and enhancement structure. The new TSG consolidates engineers from three different departments to work collaboratively together to support current products, accessories, unique applications, product certifications, product reliability, product derivatives and enhanced product functionality.

As part of its strategic Adjusted EBITDA breakeven plan, Capstone initially reduced its quarterly operating expenses from \$10.5 million in Q1 of fiscal 2016 to \$6.1 million in Q3 of fiscal 2017, representing an overall 42% reduction in operating expenses from historical levels. The new engineering restructuring and other cost reduction activities further reduce operating expenses by approximately \$500,000 a quarter, resulting in a total operating expense reduction greater than 50% once realized.

"We need to drive Capstone to profitability as quickly as possible in order to fuel Capstone's launch to the next level of product development and market penetration," said Darren Jamison. "We do this by making our existing microturbine technology more marketable, reliable and easier to install and service. The work of this new Technical Solutions Group should result in lower operating costs, increasing revenue and improved customer satisfaction," added Mr. Jamison.

Under our new Combined Heat and Power (CHP) balanced service business model, management has outlined a path to grow quarterly accessories, parts and service revenue to \$10.0 million per quarter at a 50% gross margin to essentially cover the company's quarterly operating expenses with higher margin recurring revenues. This approach substantially drops the quarterly revenue required to reach breakeven as compared to Capstone's previous oil and gas-focused business model that was comprised of lower margin quarterly

product revenue.

“This latest engineering restructuring and the pending sub-lease of our Chatsworth facility are key factors to reducing our quarterly operating expenses to a level where our growing aftermarket service business can essentially cover our operating expenses and drive the business to profitability,” concluded Mr. Jamison.

Adjusted EBITDA is defined as net income before interest, provision for income taxes, depreciation and amortization expense, stock-based compensation expense and change in fair value of warrants. Adjusted EBITDA is not a measure of our 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 our liquidity.

About Capstone Turbine Corporation

Capstone Turbine Corporation (www.capstoneturbine.com) (Nasdaq:CPST) is the world's leading producer of low-emission microturbine systems and was the first to market commercially viable microturbine energy products. Capstone has shipped over 9,000 Capstone Microturbine systems to customers worldwide. These award-winning systems have logged millions of documented runtime operating hours. Capstone is a member of the U.S. Environmental Protection Agency's Combined Heat and Power Partnership, which is committed to improving the efficiency of the nation's energy infrastructure and reducing emissions of pollutants and greenhouse gases. A UL-Certified ISO 9001:2015 and ISO 14001:2015 certified company, Capstone is headquartered in the Los Angeles area with sales and/or service centers in the United States, Latin America, Europe, Middle East and Asia.

This press release contains "forward-looking statements," as that term is used in the federal securities laws, including statements about Capstone's quarterly operating expense target, restructuring of Capstone's engineering assets and other cost reduction activities. Forward-looking statements may be identified by words such as "expects," "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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Source: Capstone Turbine Corporation