



# Management Presentation

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Reliable power when and where you need it.  
Clean and simple.



# Safe Harbor Statement



This presentation contains “forward-looking statements” regarding future events or financial performance of the Company, within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements relate to, among other things, benefits from our cost reduction initiatives, improved operating leverage and organizational efficiency, strengthened distribution channels, new product development and the success of our Signature Series product, benefits and competitive advantage associated with our product, compliance with government regulations, increased sales in Russia, implementation of the Capstone Energy Finance business, growth of our aftermarket service business, growth and diversification of our end markets, increase in revenue and performance in light of macroeconomic headwinds, and attaining profitability. 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 Form 10-K, Form 10-Q and other recent 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 today. 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 conference call or to reflect the occurrence of unanticipated events.



# Who is Capstone Turbine?



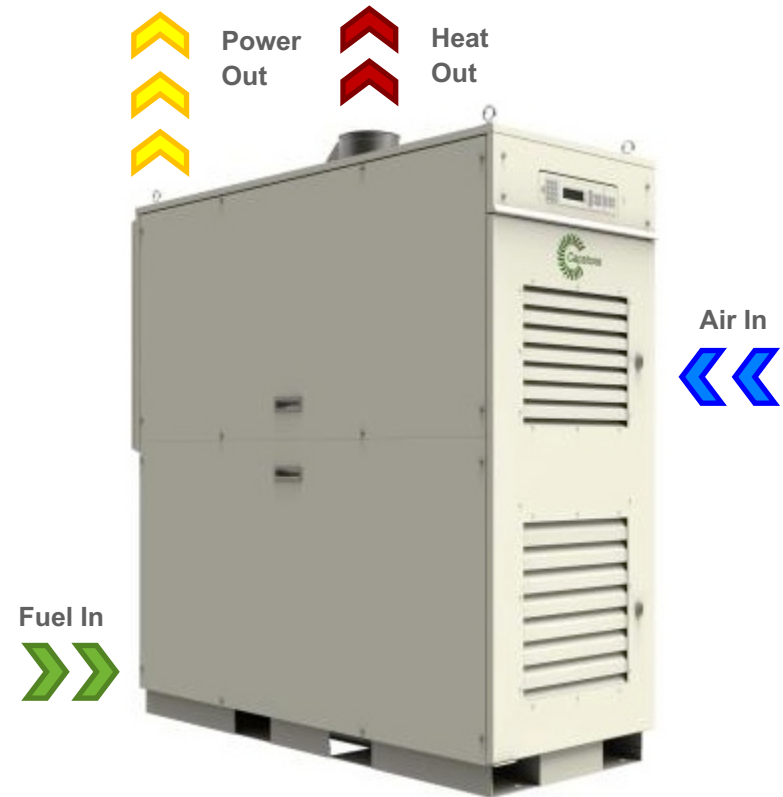
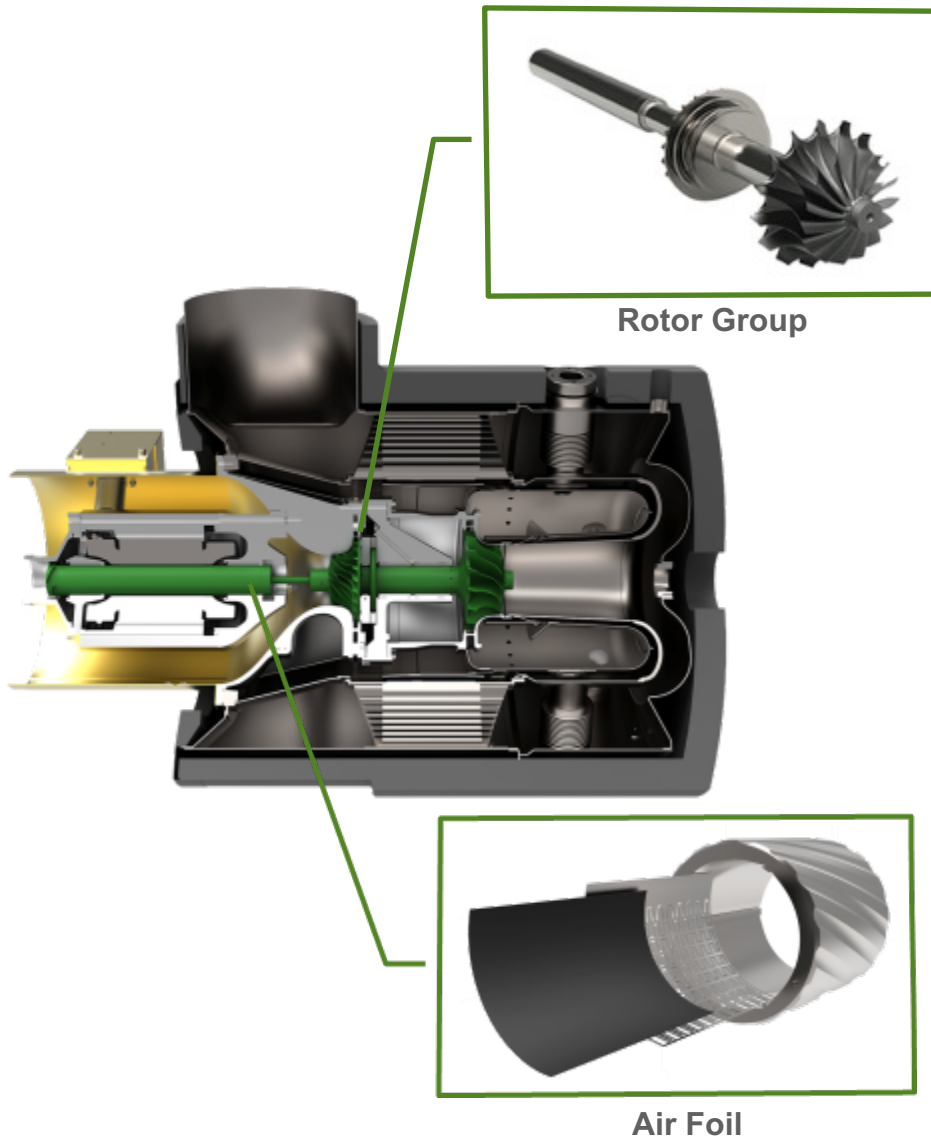
- Founded 1988 – Commercial launch in 1998
- Public Corporation 2000 (NASDAQ: CPST)
- World leader in Microturbines
- Headquartered in Chatsworth, California with two manufacturing plants
- Over 86 distribution partners and 759 dedicated distributor employees
- Approximately 9,000 units shipped worldwide
- Over 50,000,000 operating hours
- Installations in 73 countries worldwide
- Not heavily dependent on government subsidies
- Expense reductions enhance operating leverage



Darren Jamison, President and CEO of Capstone Turbine Corp., standing alongside C65 CHP units that are preparing for shipment



# What is a Microturbine?



CHP/TYPE	EFFICIENCY	
	ELECTRIC	TOTAL
Hot Water	33.0%	85.0%
Steam	33.0%	60.0-95.0%
Chilled Water	33.0%	85.0%



# Competitive Advantages



## Features

## Benefits



Only one moving part

Longer service intervals, low operating cost



Patented air bearing technology

No lubricants or coolants needed



Stand alone or grid connect

Multiple applications and industries



Wide fuel range

Operates on gaseous, renewable and liquid fuels



High power density

Compact footprint, small modular design



Advanced combustion controls

Low emissions, no exhaust aftertreatment



Clean waste heat

Thermal energy for cogeneration/trigeneration



Remote monitoring

View performance and diagnostics 24/7



# Global Market Verticals



## Energy Efficiency



Generate on-site power capture thermal energy from the clean exhaust in CHP and CCHP applications.

Hotels  
Large Residential Complexes  
Retail Buildings  
Office Buildings



## Oil, Gas & Other Natural Resources



Produce on-site power for all phases of oil and gas production in both onshore and offshore applications.

Drilling Operations  
Flare Gas Reduction  
Gas Compression  
Mining  
Water Conversion



## Renewable Energy



Cleanly and efficiently generate onsite power operating on biogas and other waste products to create high-efficiency renewable power and heat.

Farm Digesters  
Landfills  
Solid Waste Management  
Wastewater Treatment  
Food Waste



## Critical Power Supply



Mission critical businesses have an uninterruptible power source with the world's only microturbine-powered UPS solution.

Data Centers  
Telecom  
Power Rentals  
Hospitals



## Transportation



Operate in conjunction with battery packs to provide onboard battery charging and vehicle range extension.

Commercial Trucks  
Heavy-duty Vehicles  
Supercars  
Transit Buses  
Delivery Vehicles



## Marine



Provide onboard power, vessel range extension and utilize thermal energy for onboard heating and cooling.

Work Boats  
Cargo Ships  
Commercial Vessels  
Tour Boats



# Recent Order Momentum



November 29, 2016

*"Capstone Secures Multi-Megawatt 16 Unit Order for Repeat Oil and Gas Customer"*

November 14, 2016

*"Capstone Secures C1000S Order with Integrated Heat Recovery Modules for Leading New York Food Retailer"*

November 7, 2016

*"Capstone Secures C800S Order to Upgrade Artificial Casing Manufacturer in Mexico"*

November 3, 2016

*"Capstone C800S Microturbine to Power Large Pharmaceutical Company in California"*

October 14, 2016

*"Capstone's New Russian Distributor Powers Far Eastern Federal District Railway Station"*

October 12, 2016

*"Capstone's Russian Distributor Secures Another 3MW as Business Rebounds"*

August 22, 2016

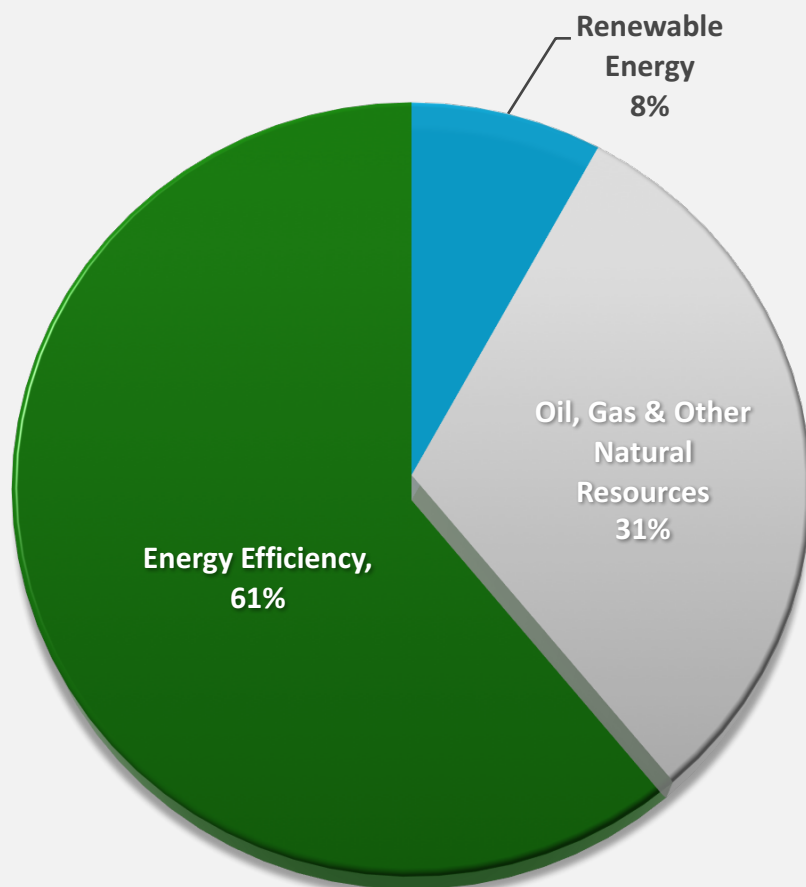
*"Capstone's Russian Distributor, BPC Engineering, Secures Another C1000 Signature Series Project"*



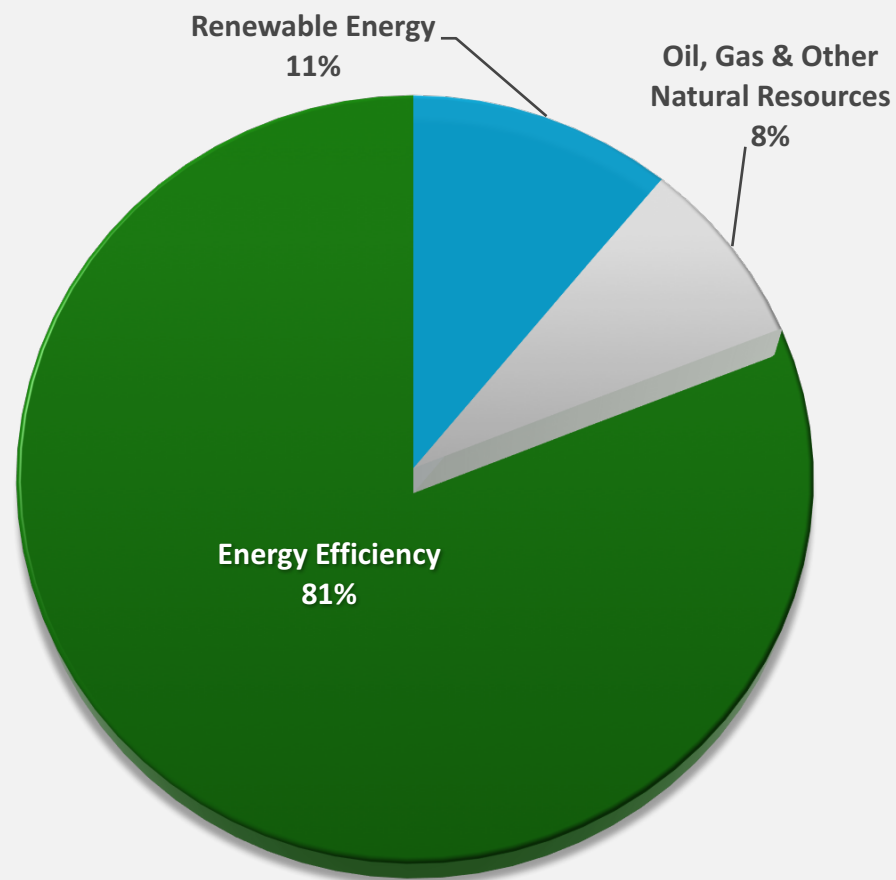
# Product Shipments by Vertical Market



**Six Months – FY17**



**Q2 – FY17**



**Record Energy Efficiency as a Percentage of Sales**



# New C1000 Signature Series



- 1.0MW Electrical Output
- 1.5MW CHP Heat Recovery
- Integrated Heat Recovery
- Two Stage Air Filtration
- Improved Enclosure Design
- Lower System Noise Level



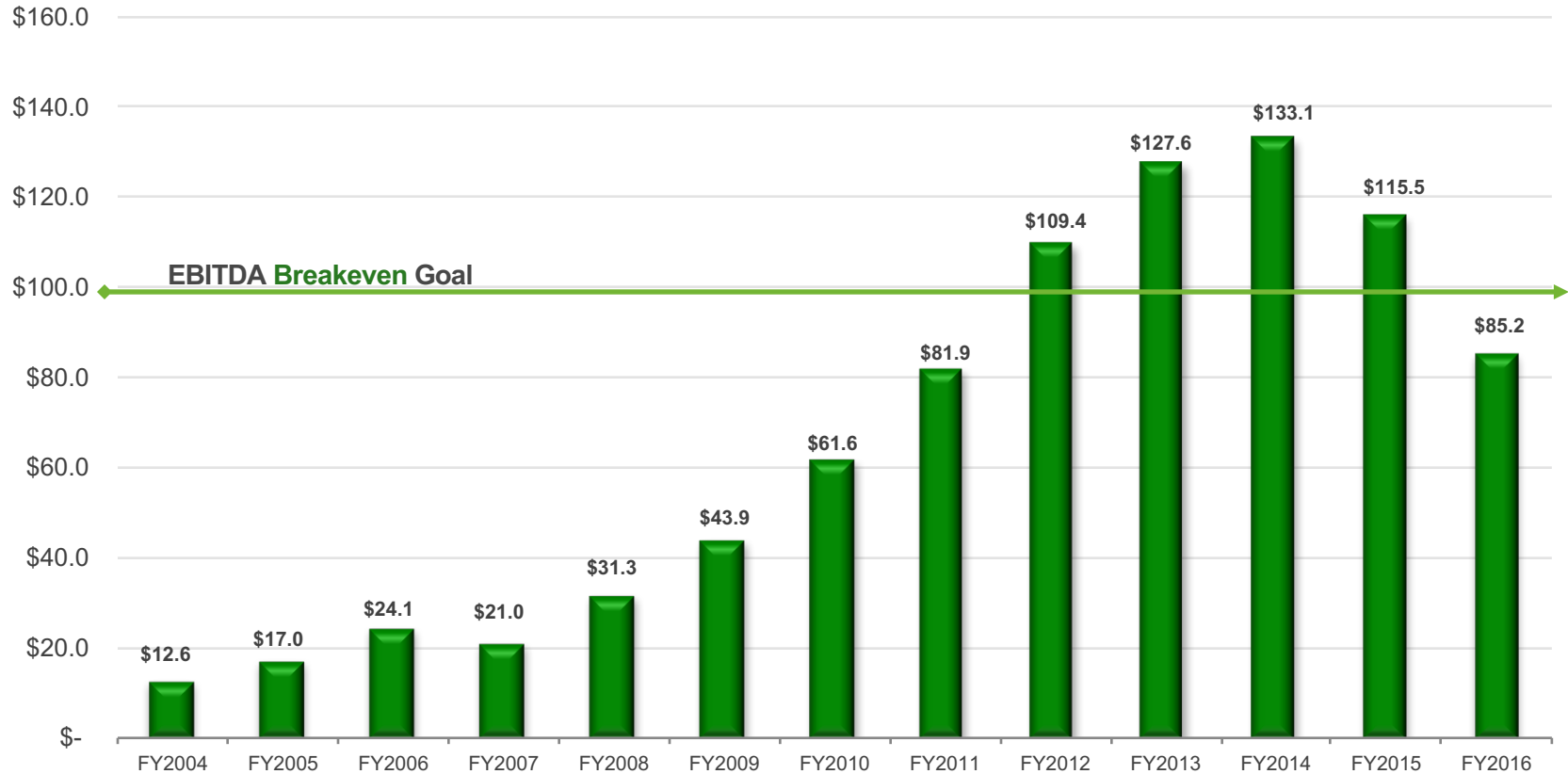
February 2016 - First C600 Signature Series Delivery  
Minneapolis, MN

- Relocated Engine Exhaust Stack
- 12 Year Marine Grade Paint
- Higher Inlet Fuel Temperature
- New System Control Platform

**Focus Product on Energy Efficiency/CHP Market**



# Capstone Revenue History





# Capstone Strategic Plan



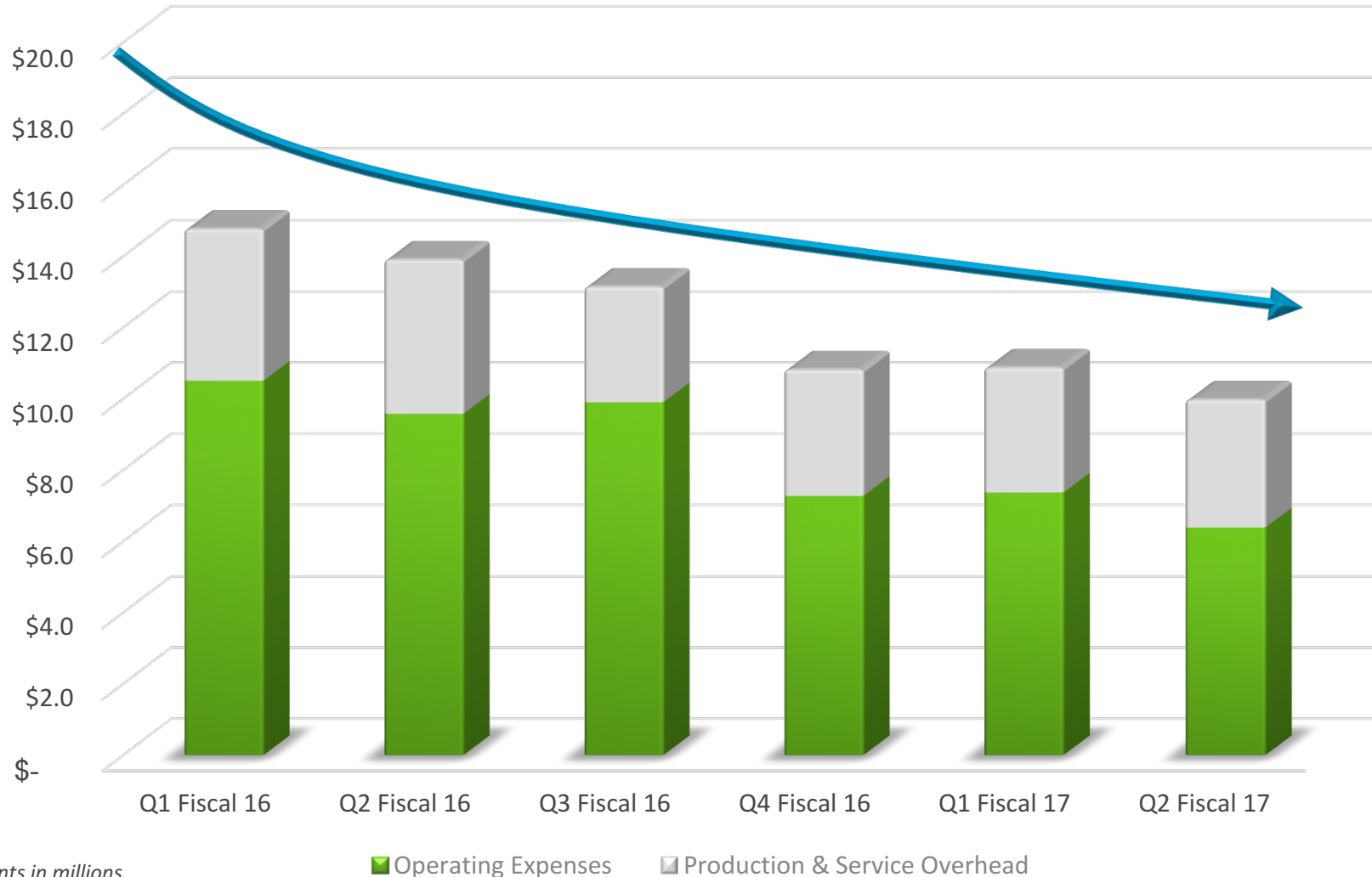
## Three-Pronged Capstone Business Profitability Plan

- 1) Reduce target breakeven from \$160M annually at a 25% GM to \$100M annually at a 25% GM by reducing business expenses by approximately 35% from Q1 FY2016 levels
- 2) Develop new product & service revenue growth opportunities
- 3) New Capstone Energy Finance business to capture lost orders





# Cost Reduction Program



**Business Expenses Down 29% From Q1 FY16**



# New Sources of Revenue



## ***Completed:***

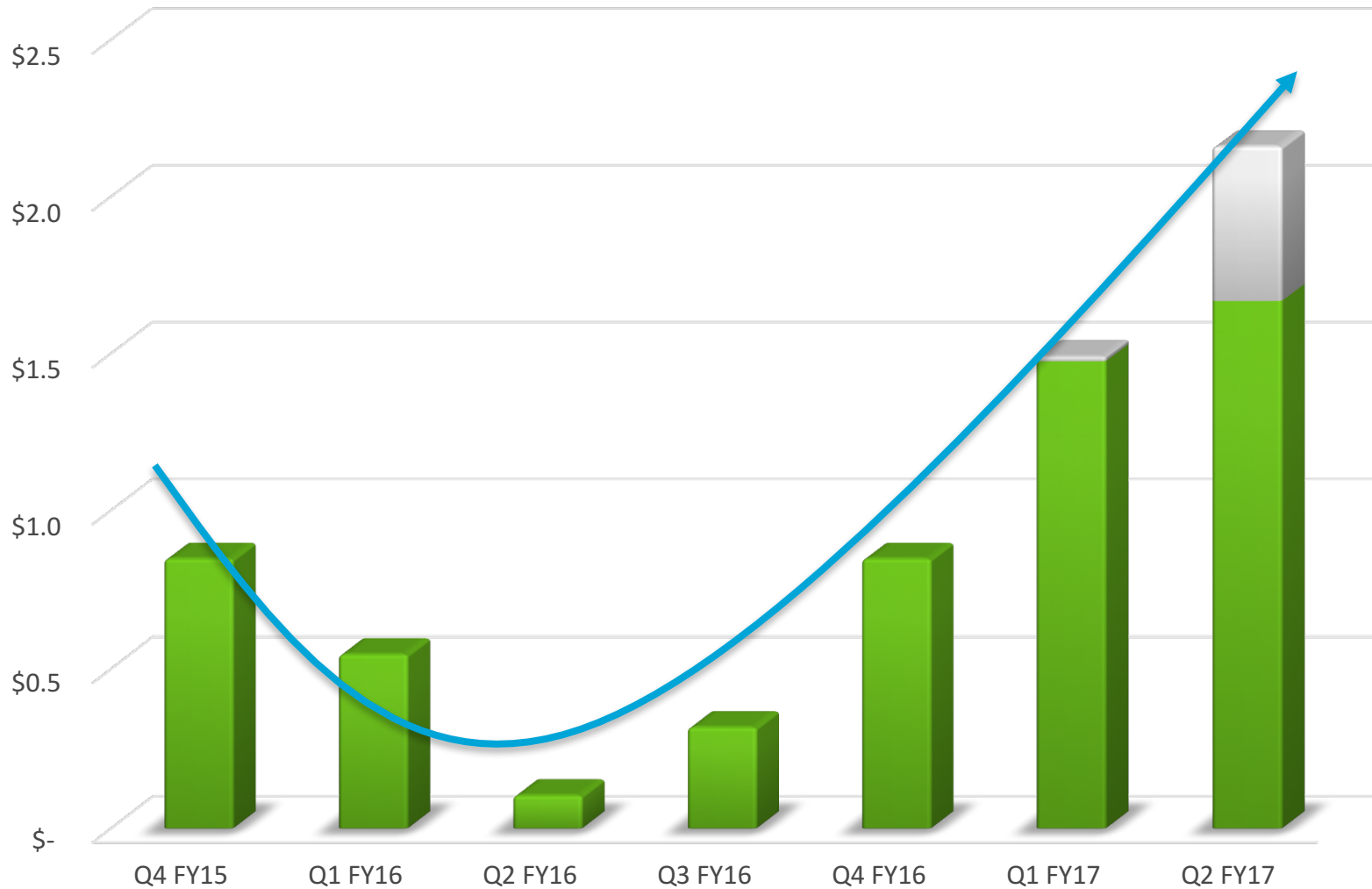
- Enhanced top selling C1000 product line with better performance and integrated ICHP for CHP market
- Continued growth from Service Business with improved Factory Protection Plan (FPP) program and new extended Warranty product
- Increased accessory sales with new heat recovery module (HRM) for C1000 Signature Series
- Improved market vertical diversification with more focus on CHP and Renewables
- Rebuild Russian business by continuing to support BPC and adding additional distributors in Russia and Commonwealth of Independent States (CIS)
- Sell new Signature Series upgrade kits for non-Signature Series products

## ***In Process:***

- Improved geographic diversification with a heavier focus on growing the business in Asia, Australia, Europe, Russia, the Middle East and Africa
- Work with global distribution channel to add 100 new sales professionals and improve our key performance indicators (KPIs)



# BPC Sales Recovery

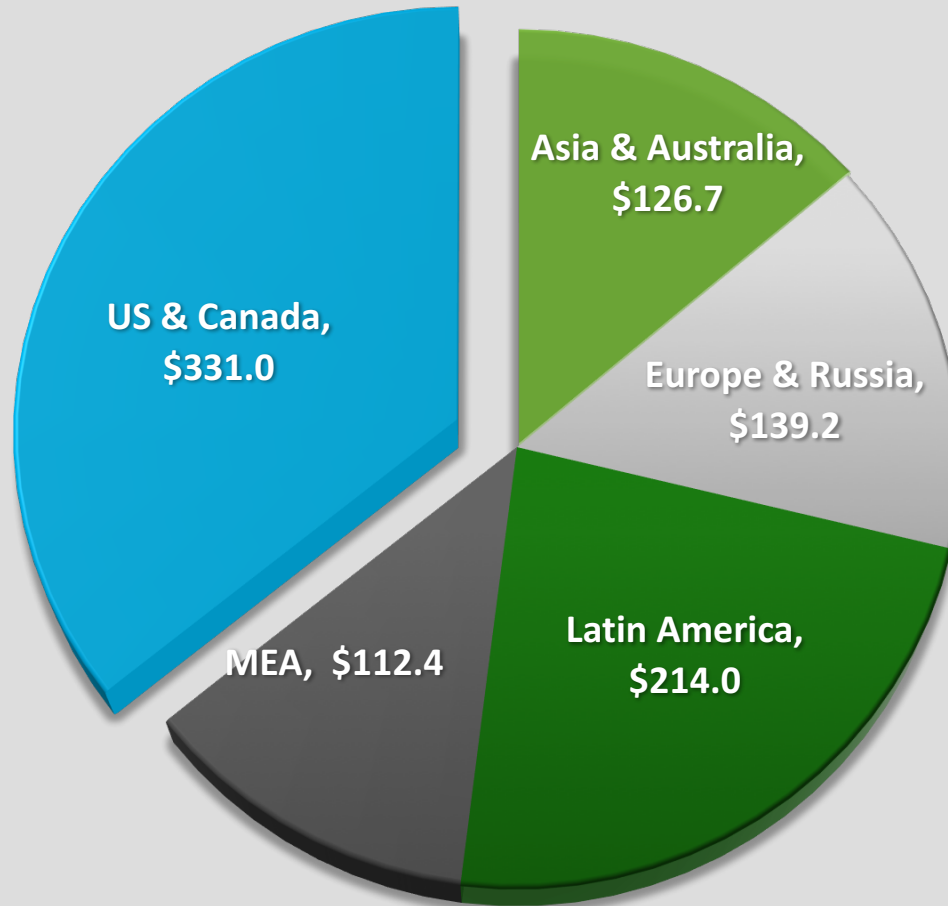


BPC Business Analysis  
Amounts in millions

■ Revenue ■ Bad debt recovery



# Sales Pipeline by Region



Source: Capstone distributors via Salesforce  
Amounts in millions

**12 Month Pipeline of \$923.3M as of Q2 FY17**



# Aftermarket Service Growth



- Contributing to overall gross margin
- Record FPP contract backlog
- 9,000 unit install base provides scalability
- C200/C1000 reliability improving
- Lower product warranty expense
- Improved reliability decreases FPP costs and increases customer satisfaction
- New extended Warranty Product

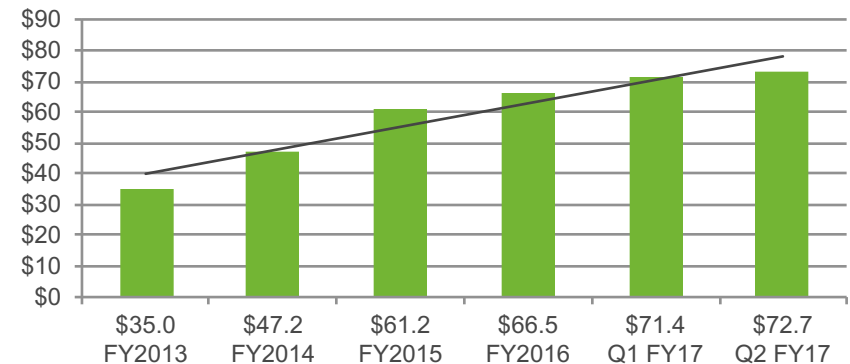
## Global Customer Footprint

- Supporting 86 Distributors/9 OEM partners in 73 countries
- 2 Capstone service centers globally
- 1,200+ units under FPP and growing
- Establishing regional remanufacturing centers to lower logistical costs and service
- Improved alignment with Sales and Aftermarket



C65 Turbine Nozzle

## FPP Contract Backlog (\$M)

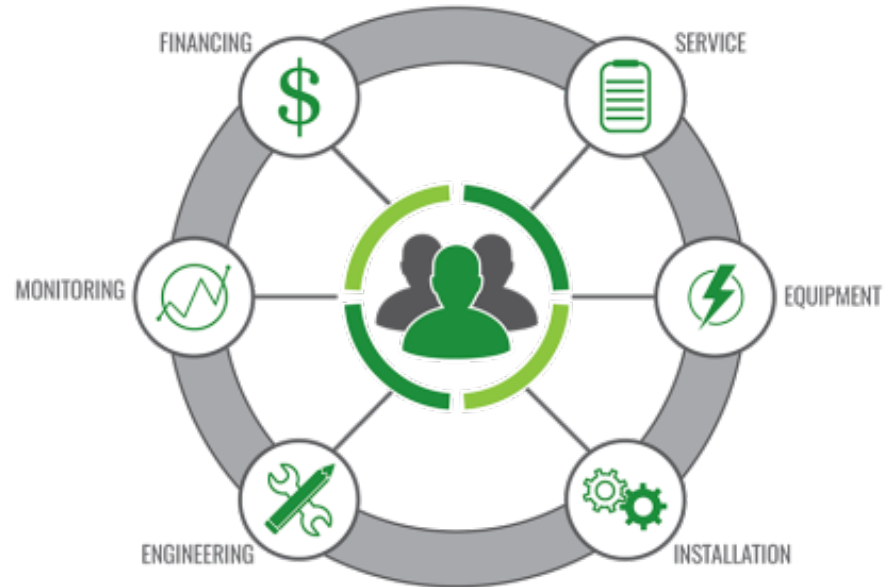




# Capstone Energy Finance



- CEF offers PPA agreements exclusively for projects that utilize Capstone's proven microturbine technology to deliver low-cost, clean and reliable energy to a customer's site or facility.
- Near-term goal is to leverage up to \$10M in third party equity with reasonably priced debt with "blue chip" U.S. customers.



- Signed agreement with Sky Capital (subsidiary of Sky Solar Group) to provide up to \$150M in project financing.
- Distributors lost approximately \$42M in FY16 and over \$50M in FY15 due to lack of financing options.

**Clean Reliable Power Today with No Upfront Cost**



# Energy Finance Joint Venture Growth



- Two PPA contracts currently in negotiations.
- U.S. Distributor Training ongoing to identify better qualified leads.
- Added Dedicated Sales Resources.
- Significant progress on clearing legal and regulatory hurdles.
- Several International opportunities identified and under evaluation.



**Growing Pipeline of Well-Qualified Opportunities \$40M**



# Appendix

## Additional Information

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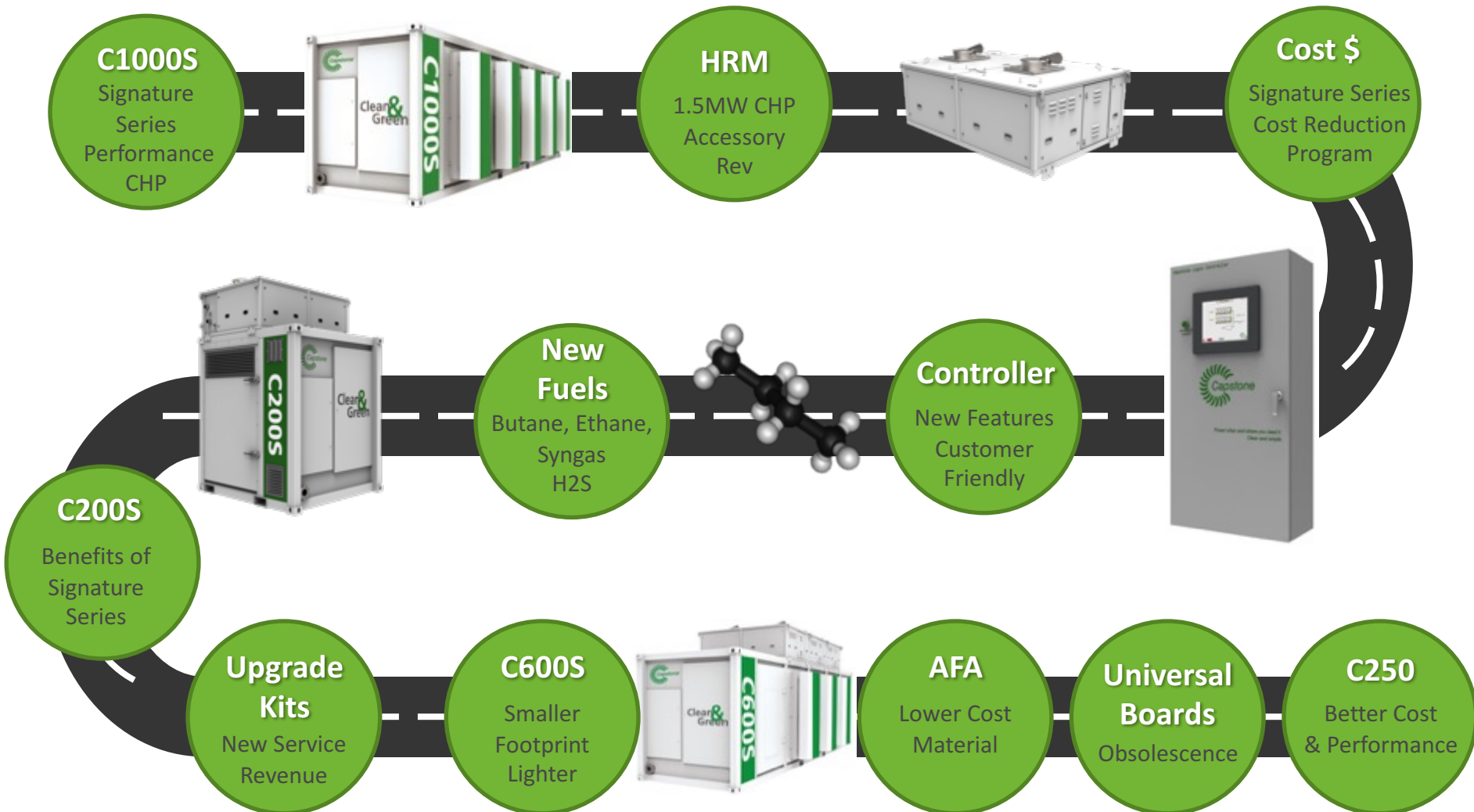
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# Research & Development

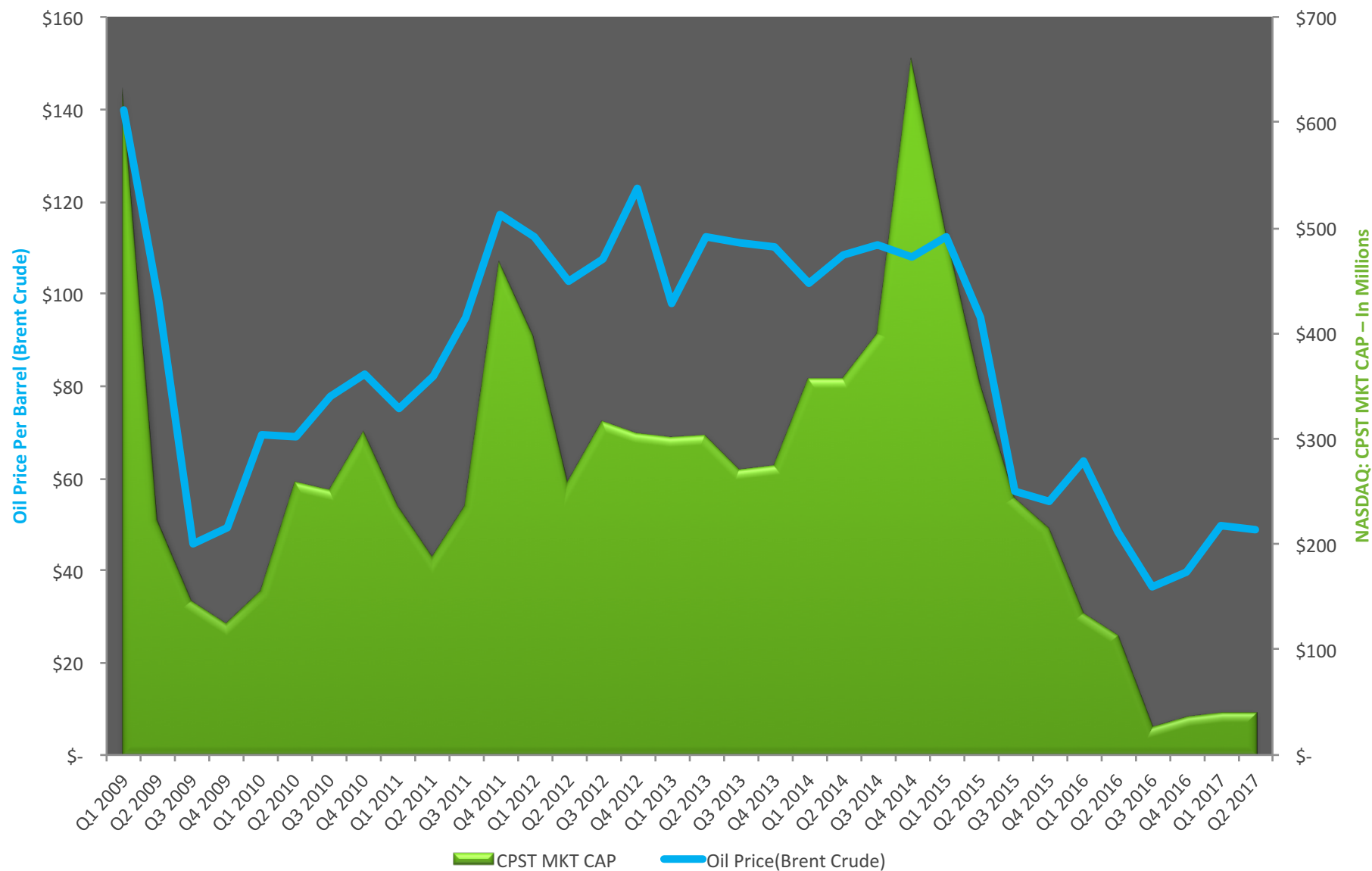


## Capstone Product Development Roadmap





# Market Cap of CPST vs. Oil Price (Brent Crude)





# Capstone Analyst Coverage



**Outperform –**  
Price Target \$1.75

**CHP Shift Drives Less Predictable Revenue Timing; Reiterates Profitability Plan**

While the shift from oil & gas to CHP has caused lumpiness in revenue timing, management reiterated its plan for profitability with revenue growth and diversification as well as continued cost cutting. The company's additional financing solutions enable a greater value proposition for its distribution network. A rebound in oil & gas markets could provide a quicker path to profitability.

**Jeffrey Osborne**  
November 10, 2016



**Hold –**  
Price Target \$1.25

**2Q In-Line With Negative Pre-Announcement. Trimming Estimates, Maintaining HOLD Rating and \$1.25 Price Target**

2Q17 results were largely as expected with revenues in-line with its pre-announcement and an adj. EPS miss as gross margin weakness was only partially offset by lower operating expenses and a \$0.5M bad debt recovery out of Russia. It has been a tough road over the last couple years given low and volatile oil prices, market conditions in Russia, and USD strength, and this was again illustrated in 2Q with orders of \$8.9M, its second lowest order quarter since 2009.

**Eric Stine**  
November 10, 2016



**Perform –**  
Price Target N/A

**CPST: F2Q17 Earnings Recap**

CPST posted results in line with its pre-announcement and detailed numerous opportunities for growth on its call. Of note is the increasing importance of its finance offerings, which appear to be set to impact results materially by mid-2017. We believe project delays may alleviate somewhat post-election as certain oil and gas projects begin to move forward. We would be particularly encouraged by increased Combined Heat and Power (CHP) project sales, which would signal movement in a complex end market that requires significant customer education.

**Colin Rusch**  
November 10, 2016



**Buy –**  
Price Target \$2.00

**FY2Q17 Results; Financing Facilities for Customers; Maintain Buy**

On November 9, 2016, CPST reported its FY2Q17 results with revenues of \$15.0M compared to \$17.9M in the year-ago period and \$19.1M in FY1Q17. FY2Q17 gross margins were 4.5% compared to 16.0% in FY2Q16 and 16.1% in FY1Q17. Operating expenses for FY2Q17 were \$6.4M compared to \$9.6M in FY2Q16 and \$7.4M in FY1Q17. Net loss for the quarter was \$5.9M or (\$0.19) per share, compared with a net loss of \$7.9M or (\$0.48) per share in the year-ago period.

**Amit Dayal**  
November 10, 2016



**Neutral –**  
Price Target \$1.15

**CPST: F2Q17 Review; Tight Expense Controls Position Capstone Well for a Rebound**

Capstone reported F2Q17 revenue inline with the recent preannouncement, with EPS and adj-EBITDA slightly ahead on lower opex (which was down 33% Y/Y). After a transitional year for the company, we believe management has positioned Capstone for improving performance diversifying the pipeline by both geography and customer industry verticals, which should result in improving order capture rates. The company's tight expense controls positions Capstone well for profitability on a revenue rebound, in our view.

**Craig Irwin**  
November 10, 2016





**NASDAQ: CPST**

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**[www.capstoneturbine.com](http://www.capstoneturbine.com)**