



2017 Fourth Quarter and Fiscal Year-End Earnings Call

June 13, 2017

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, achievement of Company’s three-pronged business profitability plan, including: continued cost reductions, adoption of Company’s Signature Series product and accessories offerings, and the success of Capstone Energy Finance; increasing revenues from: geographic and market diversification, Capstone Energy Finance, Aftermarket Service growth, the Sell-to-Win Program, FPP Contracts, new spare parts programs, spare parts price increases, and Signature Series upgrade kits; attainment of Company’s continuous improvement business initiatives, including: capitalizing on Capstone Energy Finance, cost reductions, increase CHP product sales, increase in FPP service revenue, increase in spare parts revenue, closing out of the C200 reliability program, continuous and ongoing product development efforts, balance sheet management and cash burn minimization efforts; and achievement of Adjusted EBITDA breakeven and 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 Company’s Form 10-K, Form 10-Q and other recent filings with the Securities and Exchange Commission that may cause Company’s actual results to be materially different from any future results expressed or implied in such statements. Because of the risks and uncertainties, Company cautions you not to place undue reliance on these statements, which speak only as of today. The Company undertakes no obligation, and specifically disclaims 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.



Financial Highlights of Fiscal 2017 Fourth Quarter



- Total Loss from Operations was the lowest in 14 quarters since the company posted a record \$37 million in quarterly revenues
- Revenue increased 13% to \$22.9 million for the fourth quarter of fiscal 2017 from \$20.2 million for the third quarter of fiscal 2017
- Cash usage, excluding net proceeds from equity issuances, decreased 101% over the prior quarter
- Cash and cash equivalents, including restricted cash, increased \$335,000 in the fourth quarter to \$19.7 million as of March 31, 2017
- Accessories & Parts revenue for the fourth quarter was approximately \$4.3 million, up 16% over prior quarter
- FPP Service revenue for the fourth quarter was approximately \$3.4 million compared with \$3.6 million over prior quarter
- Operating expenses for the quarter was \$6.2 million compared to \$6.1 million over the prior quarter and down \$1.1 million from the same period a year ago
- Booked net product orders of approximately \$20.2 million during the fourth quarter, compared with \$11.5 million booked during the prior quarter
- Book-to-bill ratio of 1.3:1 for the fourth quarter, compared to 0.9:1 book-to-bill ratio in the prior quarter
- FPP long-term service contract backlog of \$77.1 million, despite lower product sales as our energy efficiency customers are entering into service agreements at a higher rate than oil and gas end users



Previous, New and Future Quarterly Business Models



(In thousands)	Old O&G Heavy Model	New CHP Balanced Model	Future Growth Model
Microturbine Product	\$35,000	\$15,000	\$25,000
Accessories, Parts & Service	\$5,000	\$10,000	\$15,000
Total Revenue	\$40,000	\$25,000	\$40,000
Cost of Good Sold	\$30,000	\$19,500	\$26,250
Gross Margin	\$10,000	\$5,500	\$13,750
Gross Margin Percent	25%	22%	34%
Research & Development Expense	\$2,900	\$1,300	\$1,500
Selling, General & Administrative Expense	\$7,100	\$4,200	\$5,200
Total Operating Expenses	\$10,000	\$5,500	\$6,700
Adjusted EBITDA*	\$0	\$0	\$7,050
Adjusted EBITDA* Margin	—	—	18%

*See Appendix, Slide 23

Growing Service Business @ OpEx Drives Long-Term Sustainability



Strategic Plan Update



Three-Pronged Capstone Business Profitability Plan



Reduce Breakeven from \$160M at 25% GM to \$100M at 25% GM

Action: Reduce business expenses 35% from Q1 FY2016 levels.

Result: Achieved 42% reduction in operating expenses in Q3 FY2017 from the initial starting point in Q1 FY2016. Dropped operating expenses from \$10.5M to \$6.1M - which is a 14 year low.

Status: GOAL EXCEEDED

Comments: Management plans to focus on continued cost reductions.



Develop New CHP Focused Products & Accelerate Aftermarket Business

Action: Launch new product focused on CHP or Energy Efficiency Markets. Drive FPP and Extended Warranty revenue growth.

Result: Launched new Signature Series product in December 2015 and new FPP and Extended Warranty products.

Status: GOAL ACHIEVED

Comments: New Signature Series is performing well in the field. FPP Backlog business has grown 16% over the last 12 months to \$77.1M.



Finance Solutions to Capture Orders that were Lost from Lack of Capital

Action: Develop a 30% JV with a high net worth individual to provide PPAs to customers who have lack of capital.

Result: Launched Capstone Energy Finance JV in November 2015 and developed \$55M in highly qualified projects.

Status: IN PROCESS

Comments: Added Sky Solar to provide up to \$150M in capital beyond first \$10M. Initial PPAs anticipated in the coming quarters.



"War on Costs" Update



Q4 Operating Expenses (in thousands)	\$ 6,156
Non-recurring Q4 expenses	(224)
Q4 reductions in force	(37)
Adjusted Q4 Operating Expenses	\$ 5,895
Continued Cost Reductions	
Lower cost SEC legal counsel	(93)
Lower cost internal audit and tax provider	(42)
Reduced software licensing expenses	(18)
Other	(50)
	(203)
Average Quarterly Operating Expenses FY2018	\$ 5,692
Estimated Savings from Facility Consolidation	(209)
Average Quarterly Operating Expenses	\$ 5,483

Final Goal is \$5.5M in Quarterly Expense After Facility Consolidation



Financial & Market Statistics Comparison



Selected Public Companies

(\$ in millions, except per share data)

Company	Financial Statistics					Market Statistics		
	Revenue	Gross Margin	GM %	OPEX	EDITBA	Market Cap (1)	Cash (2)	Q/Q in Cash
Capstone Turbine Corporation(3)	\$22.9	\$2.1	9%	\$6.2	\$(3.6)	\$22.5	\$19.7	\$0.3
Small-Cap Distribution Generation								
American Superconductor Corp.(4)	16.2	2.8	17%	9.8	(4.8)	61.0	26.8	1.8
FuelCell Energy(5)	20.4	0.4	2%	11.8	(8.8)	63.8	84.1	(17.2)
Maxwell Technologies, Inc.(6)	26.7	6.2	23%	15.2	(7.0)	205.5	20.9	(4.5)
Plug Power Inc.(6)	15.2	(4.5)	-30%	15.1	(19.8)	420.1	26.6	(34.2)
Avg. selected companies	\$19.6	\$1.2	3%	\$13.0	\$(10.1)	\$201.3	\$39.6	\$(13.5)

(1) Source: Nasdaq as of June 9, 2017

(2) Cash, cash equivalents and restricted cash

(3) Source: Capstone Turbine Corporation's June 2017 Form 10-K filing

(4) Source: American Superconductor Corporation's May 2017 Form 10-K filing

(5) Source: FuelCell Energy's June 2017 Form 10-Q filing

(6) Source: Plug Power Inc.'s May 2017 Form 10-Q filing

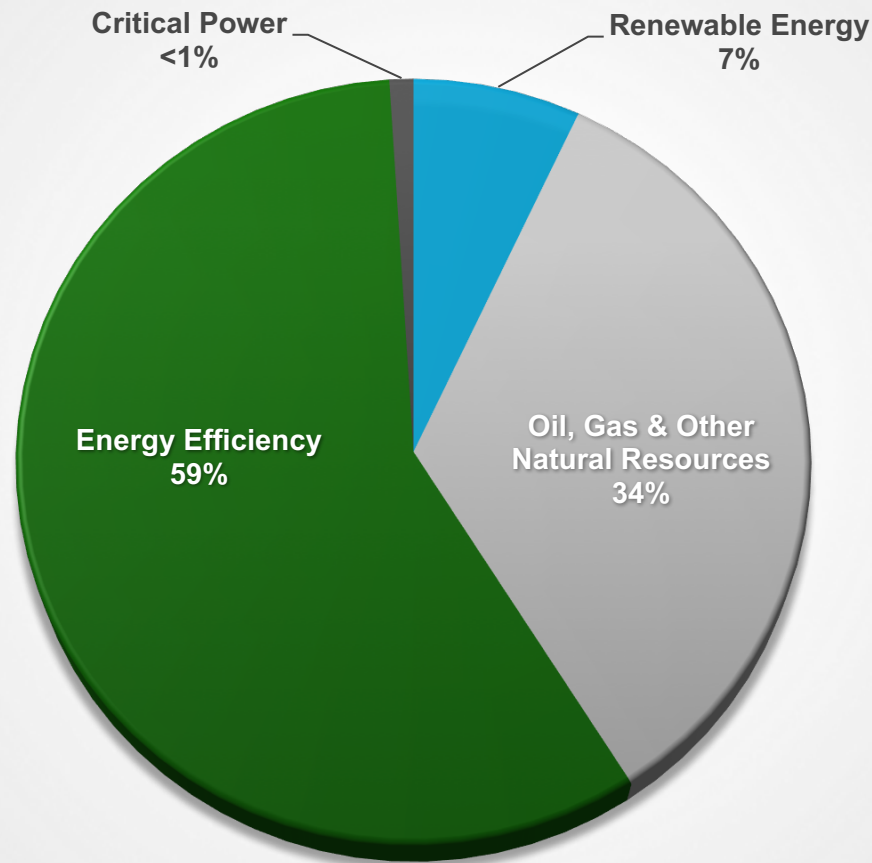
Capstone Beats Average in All Areas Except Cash and Market Cap



Market Diversification Initiative



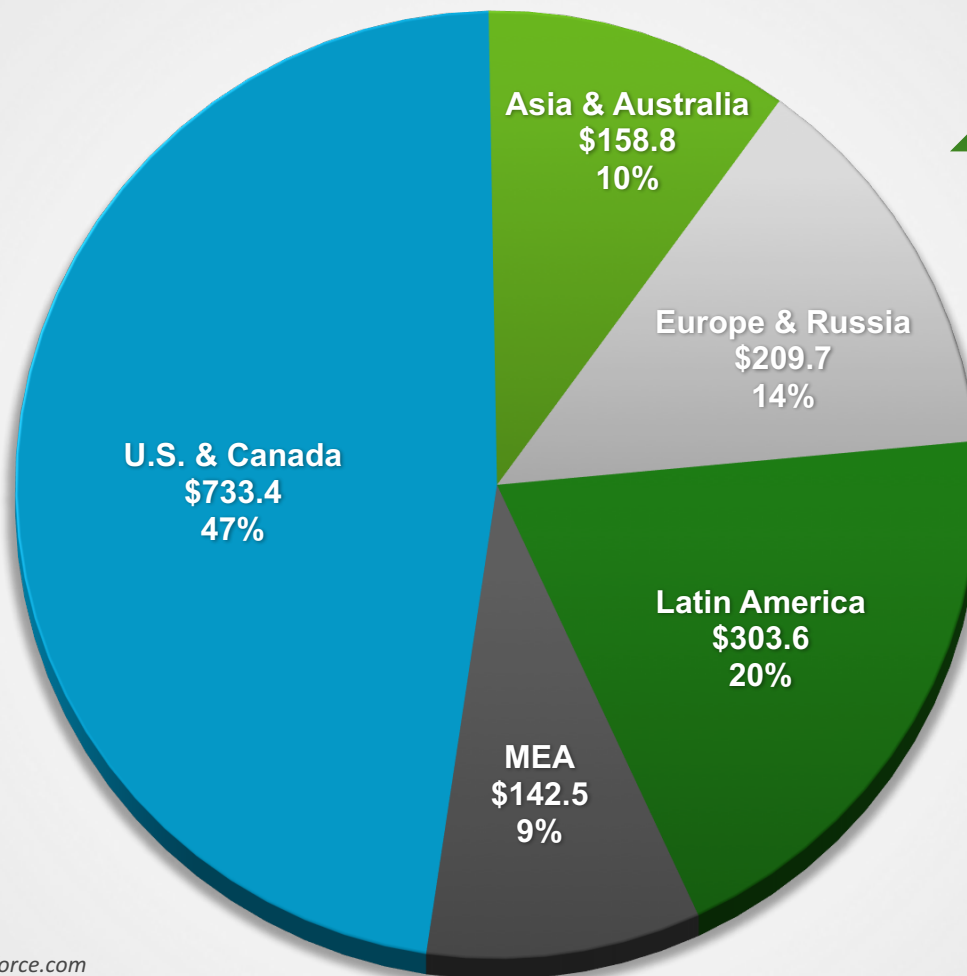
Fiscal Year 2017



Record Energy Efficiency as a Percentage of Sales
Goal is 50%-30%-20%



Geographic Diversification Strategic Initiative



Pipeline Up
\$453M
from Q3FY17

Source: Capstone distributors via Salesforce.com
Amounts in millions

Improving Geographic Diversification of \$1.5 Billion Project Pipeline



Capstone Energy Finance JV Initiative



- Several projects in contract negotiation and term sheets in legal review
- Recently Added Equipment Leasing
- Near-term goal is to add limited short-term rental
- Supporting Project Modeling for Sky Capital
- Pipeline over \$55M (Product Only)
- Signed agreement with Sky Capital (subsidiary of Sky Solar Group) to provide up to \$150M in project financing



Driving Future Revenue Growth with No Capstone Equity or Debt

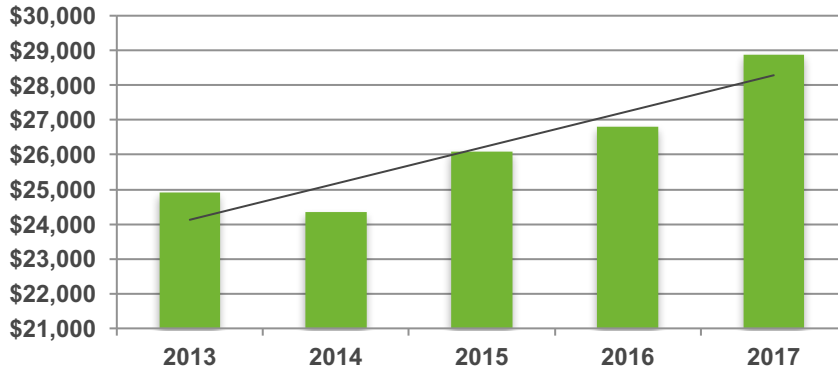


Aftermarket Service Growth



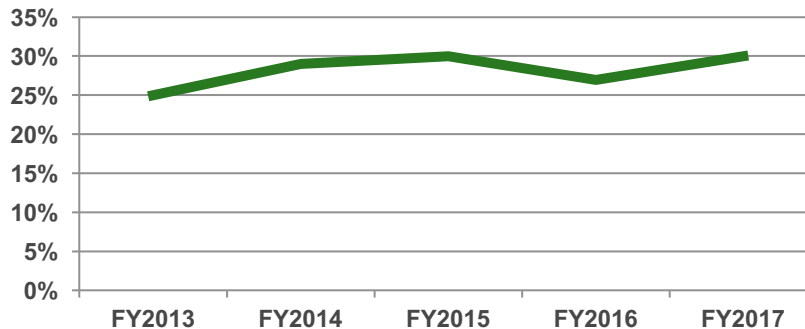
Accessories, Parts & Service Revenue

(Amounts in thousands)

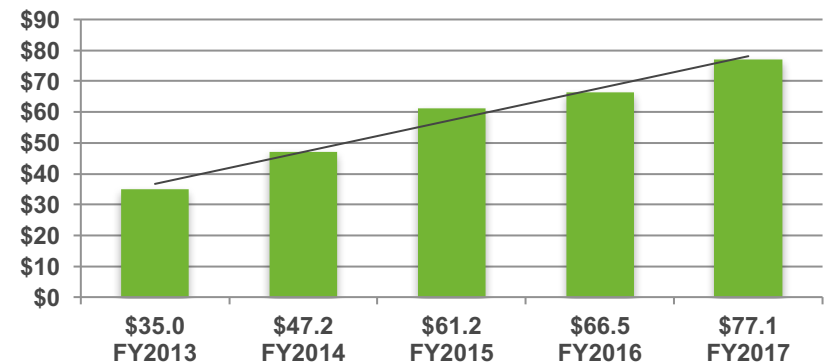


New Signature Series Product Lineup

Accessories, Parts & Service Gross Margin



FPP Contract Backlog (\$M)



50% Service Gross Margins Initially Impacted by Early Stage Product Reliability



FY17 vs.FY16 Financial Results



(In millions, except per share data)	FY2017	FY2016
Microturbine Product	\$48.3	\$58.4
Accessories, Parts & Service	\$28.9	\$26.8
Total Revenue	\$77.2	\$85.2
Gross Margin	\$1.8	\$12.8
Gross Margin Percent	2%	15%
R&D Expenses	\$5.4	\$10.2
SG&A Expenses	\$20.7	\$27.1
Total Operating Expenses	\$26.1	\$37.3
Net Loss	\$(23.9)	\$(25.2)
Adjusted EBITDA*	\$(22.3)	\$(20.2)
Basic Loss Per Share	\$(0.75)	\$(1.39)
Adjusted EBITDA* Basic Loss Per Share	\$(0.70)	\$(1.11)

Note: Gross Margin in FY2017 impacted by one-time warranty provision of approximately \$5.2 million in Q3 to retrofit proactively select non-Signature Series C200 microturbines.



FY17 vs. FY16 Financial Results



(In millions)	March 31, 2017	March 31, 2016
Cash & Cash Equivalents, Including Restricted Cash	\$19.7	\$16.7
Cash (used in) in Operating Activities	\$(18.5)	\$(22.5)
Accounts Receivable, Net of Allowances	\$17.0	\$13.6
Total Inventories	\$15.5	\$18.3
Accounts Payable & Accrued Expenses	\$14.7	\$13.2



Capstone FY2018 Goals



Continuous Improvement Business Initiatives:

- Capitalize on Capstone Energy Finance
- Continue “War on Costs” Initiative
- Increase CHP Product Sales
- Increase FPP Service Revenue
- Increase Spare Parts Revenue
- Complete C200 Reliability Program
- Continue Product Development Roadmap
- Manage Balance Sheet and Minimize Cash Burn
- ***Achieve Adjusted EBITDA* Breakeven in FY2018***



*See Appendix, Slide 23

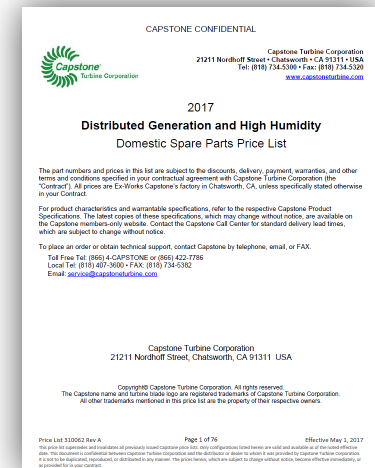
**Leadership Bonus Based on Two Consecutive
Adjusted EBITDA* Positive Quarters**



FY2018 Growth Initiatives



- Launched new “Sell-to-Win” ICHP program
 - **C200S ICHP bundle** - microturbine, heat recovery module and pre-paid FPP contract
 - **C65 ICHP bundle** - microturbine, heat recovery module and pre-paid FPP contract
 - “Sell-to-Win” Drives CHP Product, HRM and FPP Revenue
 - “Sell-to-Win” program positively impacts working capital and cash flow
- Launched special program for FY18 for all future 5 & 9-year FPP contracts that are 100% pre-paid
- Launched program to sell “Signature Series” upgrade kits for older systems
- New Spare Parts price increase (5% domestic, 3% international)
- New creative ways planned to increase the FPP contract attachment rate planned for second half of year
- New Spare Parts programs planned for second half of year





C200 Reliability Initiative



Continuous improvement of the baseline C200 Engine over the past four years:

- Improved combustion liner (2013)
- Improved air bearing coatings (2014)
- Improved bearing housings (2015)
- New high-flow impeller (2015)
- Improved recuperator manufacturing (2015)
- New stator/magnet combination (2016)
- New recuperator diffuser/nozzle sealing (2016)
- ***Extensive On-Going Product Development, Qualification and Certification testing throughout (2013-2017)***



C200 Signature Series

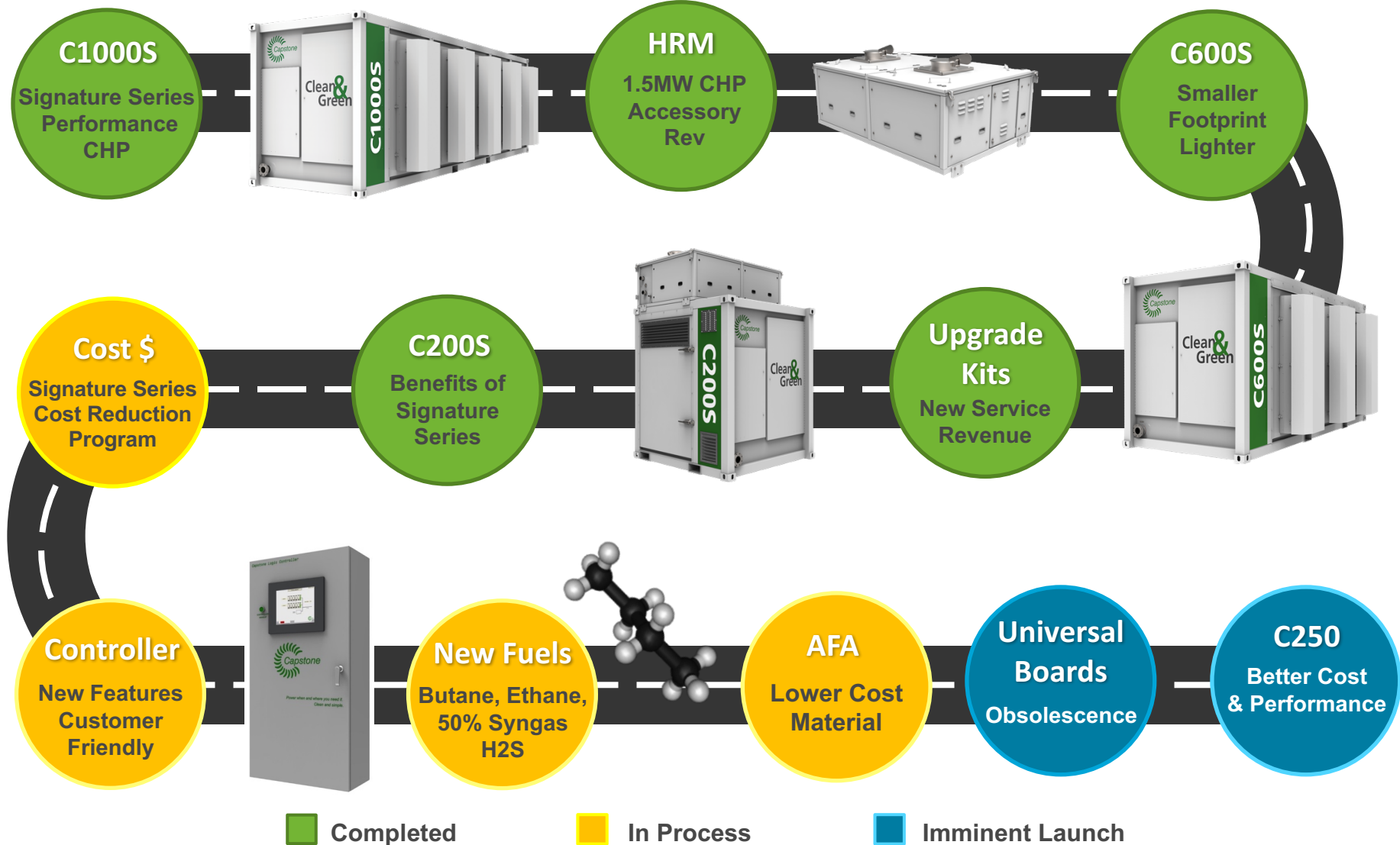
Aggressively Rolling Out Final Field Upgrades in First Half of FY2018



Research & Development



Capstone Product Development Roadmap





New Hydrogen Fuel Project

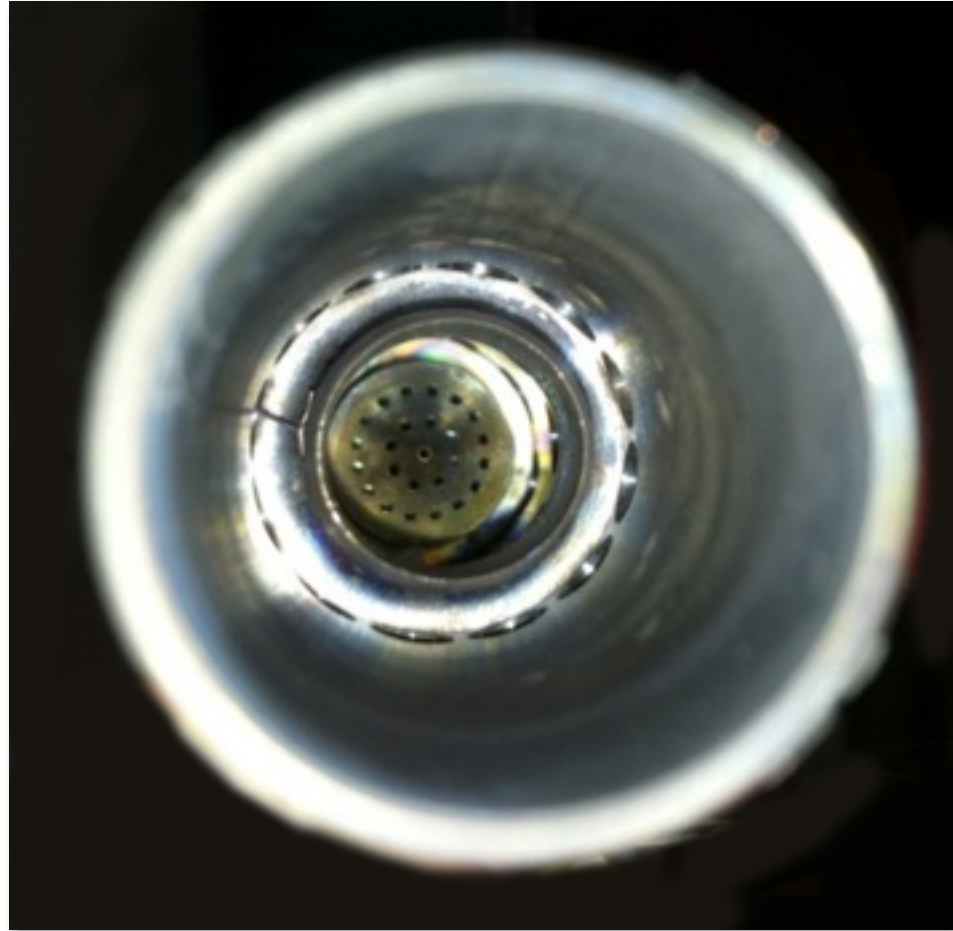


Syngas (50%
Hydrogen
Content) Fuel

C65 @
Argonne is
commissioned

Modeling work
in process

UC Irvine PhD
Intern
Onboard

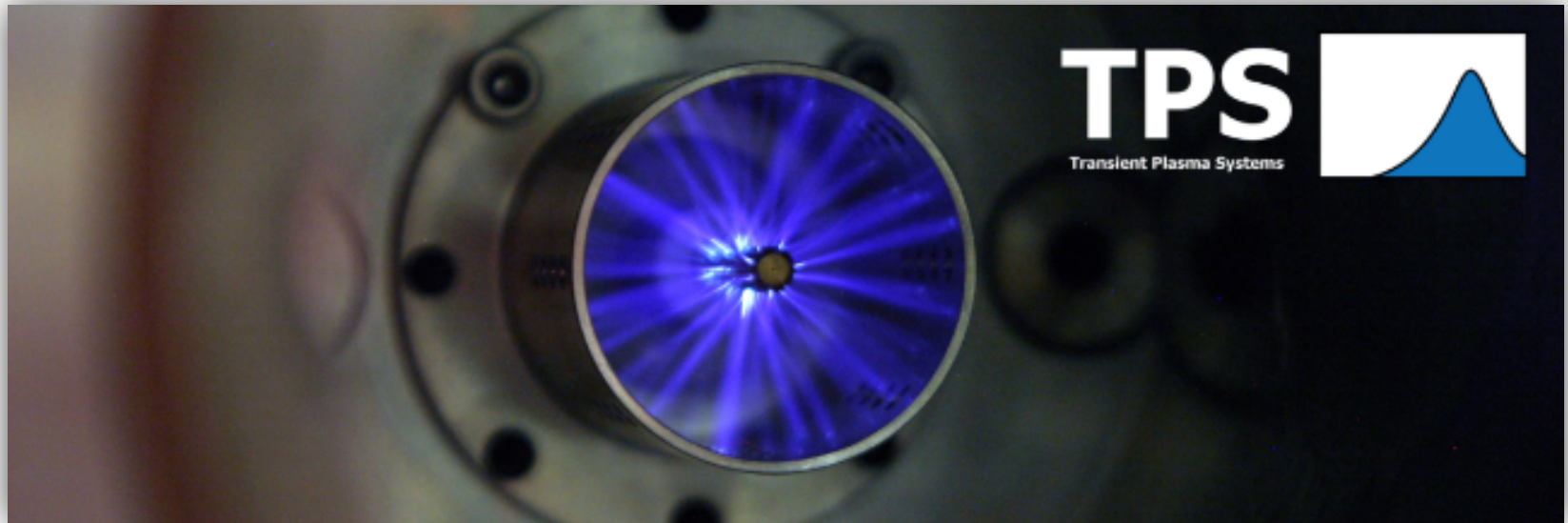


Hydrogen Capable Fuel Injector

Next Goal is 10% Hydrogen Sulfide (H₂S)



Transient Plasma Technology



- Department of Energy funded project at Argonne using Capstone's C65
- High voltage nanosecond pulses produce streamers
- Potential benefits to Capstone:
 - Easy ignition of liquid fuels
 - Lower NOx emissions (1 ppm on any fuel)
 - Lower VOC emissions (1 ppm on any fuel)
 - Uses very little power (2kW on C65)
 - Mature technology but not cost effective on a engines



APPENDIX


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



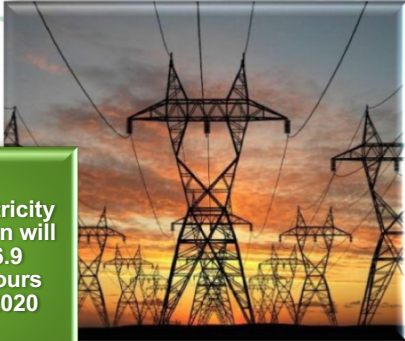
Distributed Generation Megatrend




Driven by attractive economics and resiliency, power users are increasingly searching for ways to reduce their dependence on grid power. Capstone can solve this problem by providing a highly reliable and efficient power source to solve power demand issues for users across numerous industries.



Annual distributed generation power additions will grow to 200 GW in 2020 from 150 GW currently



Global electricity consumption will rise to 26.9 terawatt-hours (Twh) by 2020



Microgrids account for 27 GW of current distributed generation



\$205 billion will be invested in global distributed power generation annually by 2020 - 42% of total power additions



65% of global electricity consumption will be located in emerging markets (Asia, Africa & Middle East) by 2020

Source: GE - Rise of Distributed Power- 2014

Capstone Has Competitive Advantage Over Incumbent Technology.



What Do These Companies Have in Common?





Reconciliation of Non-GAAP Financial Measure



Reconciliation of Reported Net Loss to Adjusted EBITDA

	Fiscal Year Ended March 31,			
	2017		2016	
Net loss, as reported	\$	(23,921)	\$	(25,191)
Interest		505		640
Provision for income taxes		19		20
Depreciation and amortization		1,577		1,746
Stock-based compensation		810		2,570
Change in fair value or warrant liability		(1,323)		—
Adjusted EBITDA	\$	(22,333)	\$	(20,215)

To supplement the Company's unaudited financial data presented on a generally accepted accounting principles (GAAP) basis, management has used Adjusted EBITDA, a non-GAAP measure. This non-GAAP measure is 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 this non-GAAP measure 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.

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 warrant liability. 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.

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 our GAAP results and by using 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.



NASDAQ: CPST

www.capstoneturbine.com