



# Management Presentation

## NASDAQ: CPST

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

# Safe Harbor



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# Distributed Generation Megatrend




*Driven by 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

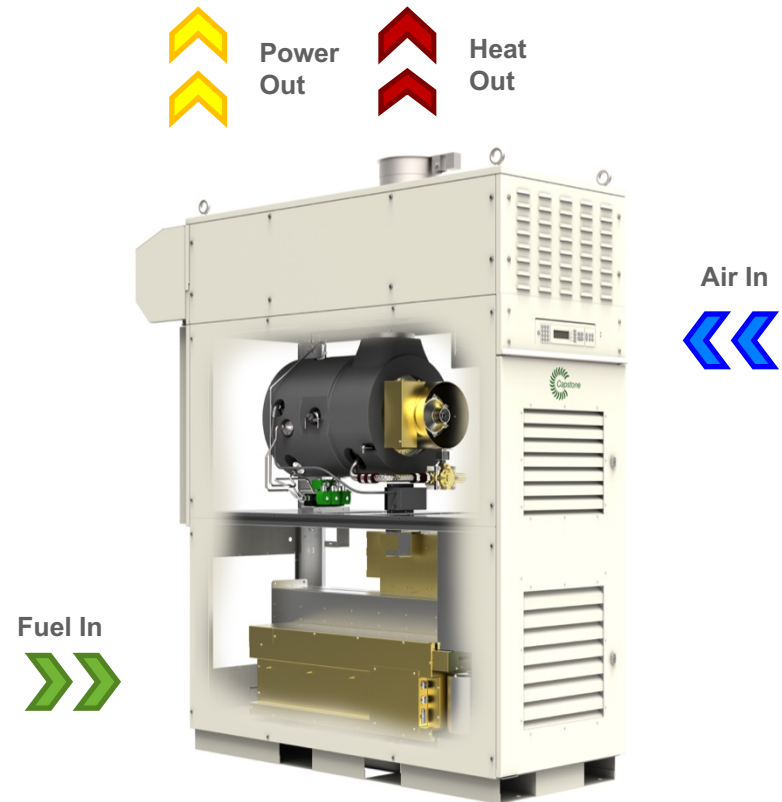
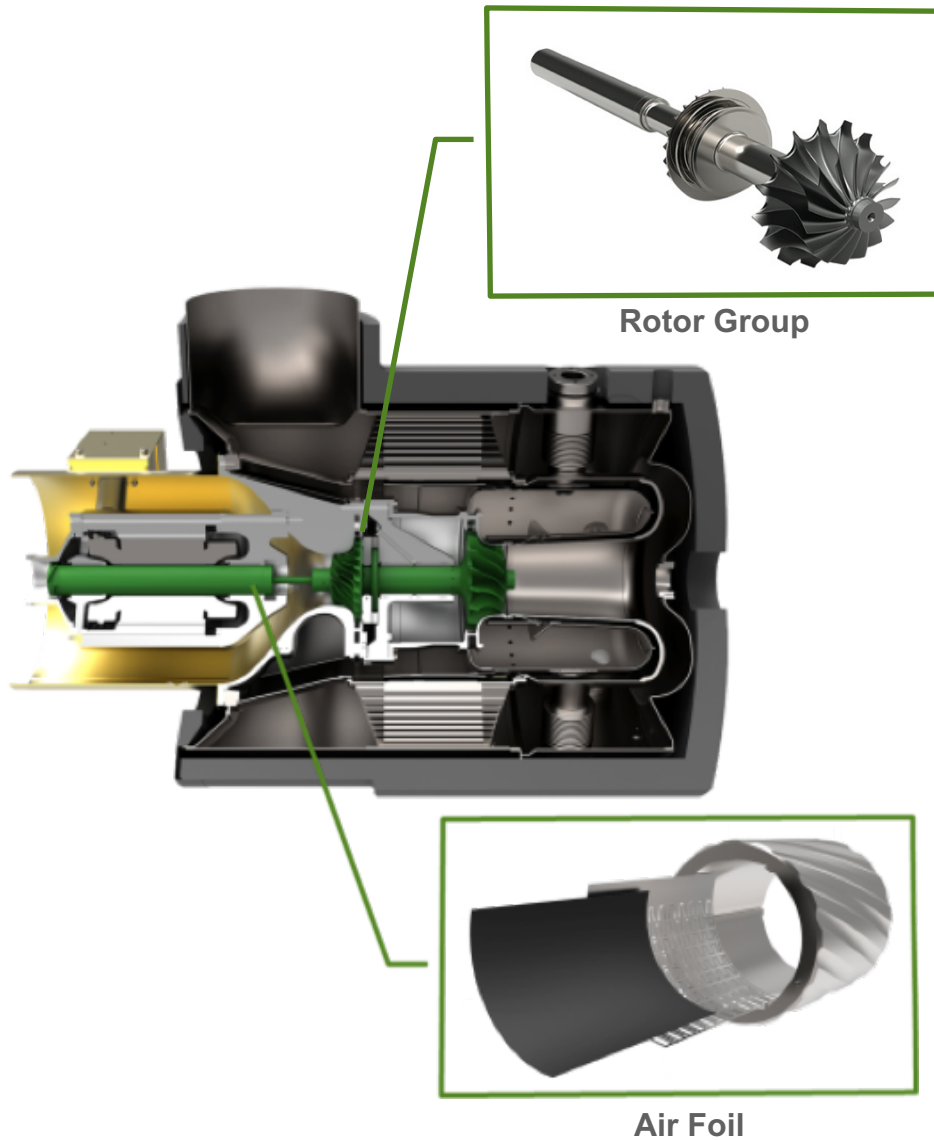
*Source: General Electric - Rise of Distributed Power - 2014*

**Capstone Has Competitive Advantage Over Incumbent Technology**

# Macro Drivers & Business Catalysts



# 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



Inverter based with one moving part

Factory guaranteed low operating costs



Patented air bearing technology

No lubricants or coolants needed - unmanned projects



Stand alone or grid connect

Supports aging utility infrastructure



Fuel availability

Operates on gaseous, renewable and liquid fuels



High power density

Compact footprint, small modular design



Low emissions

No exhaust aftertreatment



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

# Global Market Verticals



## Energy Efficiency



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

Hotels  
Industrial Applications  
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

## FY2017 Percentage of Shipments

59%

34%

7%

<1%

Product Demo

Product Demo

# Integrated Hot Water Heat Exchanger (ICHP) for CHP/CCHP



- Turbines can generate Electricity and **Hot Water**
  - Product up to 212°F (100°C) of Hot Water for Free - 400,000 to 5,000,000 million BTUs of Thermal Energy
- Turbines can generate Electricity and **Chilled Water**
  - 20 to 400+ Tons of Chilled Water for Air Conditioning - Coefficient of Performance (COP) 0.7 to 2.5
- Turbines can generate Electricity and **Steam**
  - 3 to 500 psig - Integrated Duct Burners - Total System Efficiencies of up to 90%



C65 ICHP



C200 ICHP



C1000 ICHP

# Meeting Demand in the Oil & Gas Industry



Capstone systems help ensure the flow of natural gas and oil in both on and offshore applications. Microturbines provide a perfect fit for many different types of oil and gas sites.

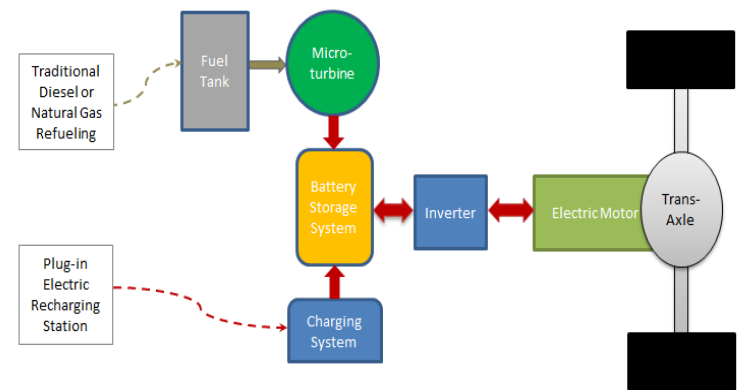
- Exploration
- Gathering (midstream)
- Transmission & Storage
- Metering & Regulation
- Water Pumping
- Processing stations



# Kenworth Hybrid Class 7 Demo



- Quantitative Emissions and Fuel Economy Measurements
  - ✓ Criteria Pollutants (NO<sub>x</sub>, CO, PM, NMHCs)
  - ✓ Greenhouse Gas (CO<sub>2</sub>)
  - ✓ Fuel Consumption (both charge sustaining & charge depleting basis)
  - ✓ Compare Results to Traditional Diesel Drivetrain
- Three Specific Drive Cycles
  - ✓ Urban and Rural Delivery
- Two Customer Demonstrations Planned



# Previous, New & Future Quarterly Business Models



<i>(In millions)</i>	Previous O & G Focused Model		Current Balanced O&G and CHP Model	Future Balanced O&G and CHP Model
Microturbine Product	\$35.0	↓	\$15.0	\$25.0
Accessories, Parts & Service	\$5.0	↑	\$10.0	\$15.0
<b>Total Revenue</b>	<b>\$40.0</b>		<b>\$25.0</b>	<b>\$40.0</b>
Cost of Good Sold	\$30.0		\$20.0	\$26.3
<b>Gross Margin</b>	<b>\$10.0</b>		<b>\$5.0</b>	<b>\$13.7</b>
Gross Margin Percent	25%	↓	20%	34%
<b>Total Operating Expenses</b>	<b>\$10.0</b>	↔	<b>\$5.0</b>	<b>\$6.0</b>
Adjusted EBITDA*	\$0		\$0	\$7.7
Adjusted EBITDA* Margin	—		—	19%

\*See Appendix, Slide 19

**Growing Service Business & Lower OpEx Drives Long-Term Sustainability 11**

# Examples of California Area Installations



## Energy Efficiency Food Processing



### Brewing Company Northern California

Brewing facility uses two C1000 microturbines to complement their existing on-site electrical generation and operate as a microgrid.

**(2) C1000 | Microgrid**  
2MW Electricity

Projected ROI: 3.4 yrs

Commissioned: 3/15



## Energy Efficiency Healthcare



### Los Angeles Hospital Southern California

A natural gas-fueled microturbine is used to offset electric base load and provides chilled water, boosting the facility's overall efficiency.

**(1) C1000**  
1MW Electricity

Projected ROI: 4 yrs

Commissioned: 10/13



## Energy Efficiency Manufacturing



### Pharmaceutical Facility Northern California

The dual mode system provides steam and hot water to the critical power facility and raises overall efficiency to almost 90%.

**(2) C1000 | DM\***  
1MW Electricity

Projected ROI: 3.6 yrs

Commissioned: 7/15



## Oil & Gas Offshore O&G



### Offshore Oil Producer California Coast

The associated gas-fueled microturbines provide power to site loads and lowers operating costs for the end user.

**(1) C1000S (1) C600S**  
1.6MW Electricity

Projected ROI: 2.8 yrs

Commissioned: 12/16



## Oil & Gas Onshore O&G



### Onshore Oil Producer California

Associated gas is piped directly to the system and provides heat to be used in the processing of free water knockout (FWKO) during drilling.

**(1) C1000**  
1MW Electricity

Projected ROI: 2.5 yrs

Commissioned: 4/13



## Critical Power Utility



### Gas Utility Southern California

Two C1000 microturbines provide prime power for the key gas compression facility that provides significant natural gas to Southern California.

**(2) C1000 | PP\***  
2MW Electricity

Projected ROI: 2 yrs

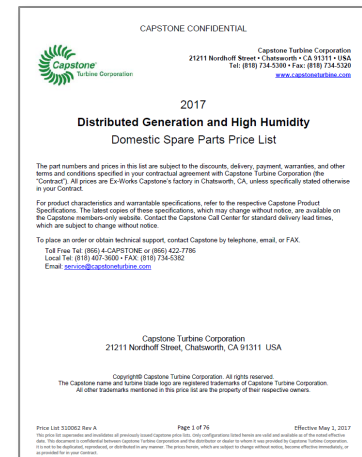
Commissioned: 8/13

\*PP– Prime Power

\*DM – Dual Mode System (Emergency backup power feature)

# Revenue Growth Initiatives

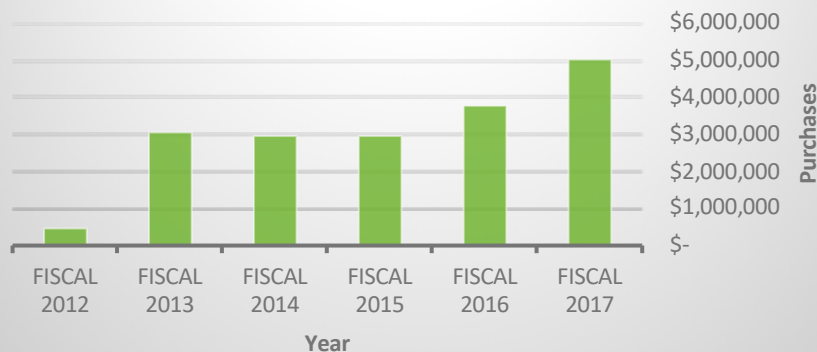
- New Signature Series product focused on CHP market
- Launched new “*Sell-to-Win*” ICHP bundled solutions
  - **C200S/C1000S Series ICHP bundle** - microturbine, heat recovery module (HRM) and pre-paid FPP service contract
  - **C65 ICHP bundle** - microturbine, HRM and pre-paid FPP service contract
  - “*Sell-to-Win*” drives CHP product, HRM and FPP service contract revenue
  - “*Sell-to-Win*” program positively impacts working capital and cash flow
- Launched special program for all future 5 & 9-year FPP service contracts that are 100% pre-paid
- Launched program to sell “Signature Series” upgrade kits for older non “Signature Series” systems
- New spare parts price increase (5% domestic, 3% international)
- New creative plan to increase the FPP service contract attachment rates
- Focus on Distributor KPI’s and recommended spare parts stocking levels



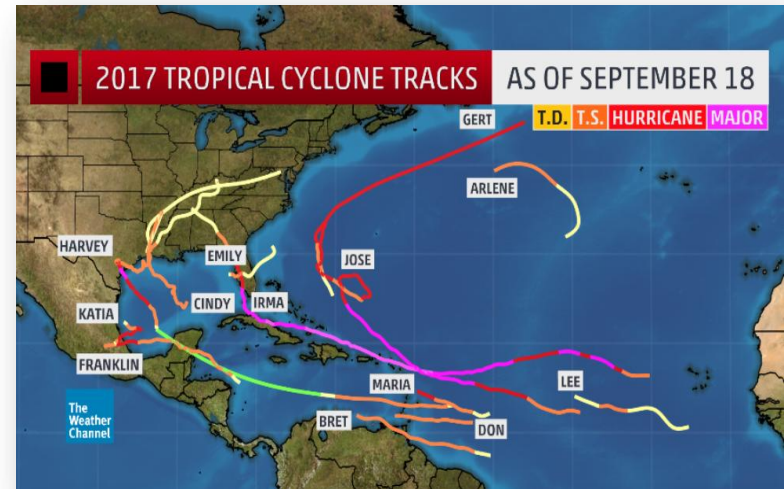
# Positive Impact of Hurricanes

- Overwhelming majority of our microturbine installations in Texas, Florida, Puerto Rico, Dominican Republic and the U.S. Virgin Islands not only survived the storms but were also fully operational, providing critical power and in some cases providing the power needed to pump water.
- Similar results in late October 2012 when Hurricane Sandy devastated the states of New York and New Jersey. An estimated 93, out of 95 microturbines, remained fully operational at that time.

## RSP Systems – New York, NY



Five years removed from Hurricane Sandy, RSP Systems, Capstone's distributor for the greater New York area, is a top five revenue producer worldwide



Fully operational Capstone Microturbines on St. Thomas surrounded by debris from Hurricane Irma

**On-site Distributed Generation Provides Money Savings, On-site Generation & Critical Emergency Backup Power**

# Q2FY18 vs. Current \*Adjusted EBITDA Breakeven Model



<i>(In millions)</i>	Q2 FY18 Results	Balanced O&G and CHP	Capstone Initiatives and Management Notes
Microturbine Product	\$12.2	\$15.0	Crude Oil Strengthening, USD Weakening, Hurricane Activity
Accessories, Parts & Service	\$7.6	\$10.0	FPP Service Revenue at Record Levels and Growing
<b>Total Revenue</b>	<b>\$19.8</b>	<b>\$25.0</b>	New Signature Series Products and New <i>Sell-to-Win</i> program
Cost of Good Sold	\$16.8	\$19.5	Signature Series Cost Reduction Program
<b>Gross Margin</b>	<b>\$3.0</b>	<b>\$5.0</b>	Growing Product Sales & FPP - Lower Warranty and FPP COGS
Gross Margin Percent	15%	20%	Service Margin Expanding to 50%
<b>Total Operating Expenses</b>	<b>\$5.9</b>	<b>\$5.0</b>	Lower Service Provider Costs & Facility Consolidation in Progress
Adjusted EBITDA*	\$(2.3)	\$0	EBITDA Loss is the Lowest in Last 16 Quarters

\*See Appendix, Slide 19

**Q3FY18 Earnings Call Scheduled for February 5, 2018**



# APPENDIX

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# Financial & Market Statistics Comparison



## Selected Public Companies

(\$ in millions, except per share data)

Company	Financial Statistics						Market Statistics		
	Revenue	Gross Margin	GM %	OPEX	EBITDA	Revenue Per Employee	Market Cap (1)	Cash (2)	Q/Q in Cash
Capstone Turbine Corporation(3)(4)	\$19.8	\$3.0	15%	\$5.9	\$(2.3)	\$0.12	\$42.1	\$15.2	\$(3.9)
Small-Cap Distribution Generation									
American Superconductor Corp.(5)	11.0	0.3	2%	8.1	(4.0)	0.03	68.8	30.5	(7.1)
Ballard Power Systems(6)	31.8	10.2	32%	11.1	0.3	0.07	831.0	60.1	(8.0)
FuelCell Energy(7)	10.4	(2.6)	-25%	11.7	(12.5)	0.02	95.9	73.8	(10.3)
Maxwell Technologies, Inc.(8)	35.8	7.4	21%	20.7	(10.6)	0.10	215.8	52.8	33.6
Plug Power, Inc.(8)	33.4	(19.4)	-58%	17.0	(35.7)	0.08	543.8	56.5	2.4
Avg. selected companies	\$24.5	\$(0.8)	-6%	\$13.7	\$(12.5)	\$0.06	\$351.1	\$54.7	\$2.1

(1) Source: Nasdaq as of November 20, 2017

(2) Cash, cash equivalents and restricted cash

(3) Source: Capstone Turbine Corporation's November 2017 Form 10-Q filing

(4) Company is reporting Adjusted EBITDA see slide 22 for reconciliation

(5) Source: American Superconductor Corporation's November 2017 Form 10-Q filing

(6) Source: Ballard Power Systems third quarter financial report issued November 2017 on company's website

(7) Source: FuelCell Energy's September 2017 Form 10-Q filing

(8) Source: Maxwell Technologies, Inc. and Plug Power, Inc. November 2017 Form 10-Q filings

**Capstone Beats Average in All Areas Except Revenue, Cash and Market Cap** 17

# 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



# Reconciliation of Non-GAAP Financial Measure



Reconciliation of Reported Net Loss to Adjusted EBITDA	Three months ended September 30,		Six months ended September 30,	
	2017	2016	2017	2016
Net loss, as reported	\$ (3,667)	\$ (5,865)	\$ (7,760)	\$ (10,382)
Interest expense	98	129	319	263
Provision for income taxes	7	—	7	3
Depreciation and amortization	279	396	583	802
Stock-based compensation	154	241	307	479
Restructuring charges	219	—	219	—
Change in warrant valuation	657	—	657	—
Adjusted EBITDA	<u>\$ (2,253)</u>	<u>\$ (5,099)</u>	<u>\$ (5,668)</u>	<u>\$ (8,835)</u>

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, the change in warrant valuation and restructuring charges. Restructuring charges includes one-time costs related to our cost reduction initiatives. 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**

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

