



Turbine Corporation



2018 Fourth Quarter & Fiscal Year-End Earnings Call

June 7, 2018

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

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.

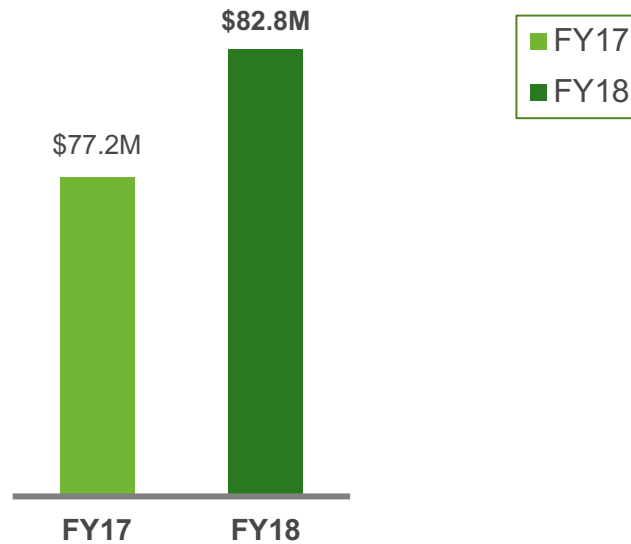
Forward-looking statements may be identified by words such as “believe,” “expect,” “objective,” “intend,” “targeted,” “plan” and similar phrases.

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.

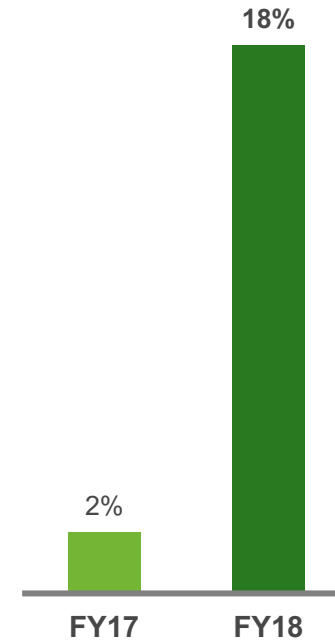
FY2018 Revenue & Gross Margin



Revenue



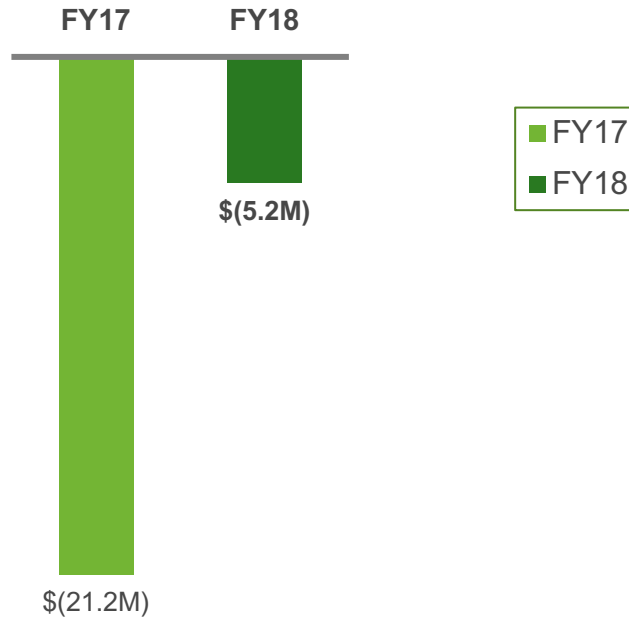
Gross Margin



FY2018 Adjusted EBITDA & Net Loss



Adjusted EBITDA



Net Loss



Q4 FY2018 Business Highlights



- Improved Gross Margin to a Record 23% -
Highest Quarterly Gross Margin in Company History
- 1.4:1 Product Order Book-to-Bill Ratio, **Strongest** Since Q2 FY2014
- Second Consecutive **Positive** Adjusted EBITDA Quarter
- **Positive** Cash from Operating Activity \$0.5M
- **Record** Accessories, Parts and Service Revenue at \$9.6M
- **Record** 45% Accessories, Parts and Service Gross Margin
- Accessories, Parts and Service Gross Margin **Covered 77%** of Company Operating Expenses, Excluding Leadership Incentive Program Compensation

FY2018 Business Highlights



- Company Returned to Annual Revenue Growth
- Revenue up 7% and Gross Margin Improved 16 Basis Points
- Accessories, Parts and Service Revenue Increased 11% to a Record \$32.0M, or 39% of Revenue
- Adjusted EBITDA Improved 76% Year-over-Year and Net Loss Dropped from \$25.2M to \$10.0M
- R&D Expense Decreased 26% Year-over-Year as Products Mature
- Cash used in Operations Dropped 54% Year-over-Year
- New Distributor Support Payments to Fund an Additional \$1.3M in Annual Marketing Spend and Customer Acquisition
- Annual Revenue Growth in All Global Regions Except Europe
- Bundled Solutions Driving Increased FPP and Positive Working Capital
- Renewed and Expanded our Bridge Bank Facility from \$12M to \$15M with Improved Terms

FY2018 Strategic Business Goals



1. Reduce Company Operating Expenses by a minimum of 40% to support a new \$25M Quarterly Adjusted EBITDA Breakeven Plan
 - Consolidation from two manufacturing facilities into one plant
 - Restructuring of research & development department
 - Continued “War on Costs” and increased distributor marketing effort
2. Drive new Revenue Growth through expanding the Aftermarket Accessories, Parts and Service Business
 - Special Factory Protection Plan (FPP) long-term service contracts and warranty programs
 - Special spare parts programs and distributor minimum stocking guidelines
 - New C200S and C1000S Series Heat Recovery Module (HRM)
 - New lineup of state-of-the-art microturbine control panels
3. Diversify into new market verticals and new geographies
 - Grow CHP, Critical Power and Microgrid market verticals
 - Focus on new markets in Africa, Latin America, and the Middle East
 - Rebuild Russian business
4. Reduce quarterly cash burn by improving the Accessories, Parts and Service Gross Margin/OpEx Absorption percentage, driving towards targeted 100% absorption
 - Increased remanufacturing of spare parts in UK and USA

Q4FY2018 vs. Q4FY2017 Financial Results



<i>(In millions, except per share data)</i>	Q4FY18	Q4FY17
Microturbine Product	\$11.5	\$15.2
Accessories, Parts & Service	\$9.6	\$7.7
Total Revenue	\$21.1	\$22.9
Gross Margin	\$4.8	\$2.1
Gross Margin Percent	23%	9%
R&D Expenses	\$0.8	\$1.1
SG&A Expenses	\$5.8	\$5.1
Total Operating Expenses	\$6.6	\$6.2
Net Loss	\$(1.9)	\$(4.2)
Adjusted EBITDA*	\$0.1	\$(3.5)
Basic Net Loss Per Share	\$(0.04)	\$(0.12)
Adjusted EBITDA* Basic Net Earnings (Loss) Per Share	\$0.00	\$(0.10)

*See Appendix, Slide 25

Management Initiatives Deliver Significant Y/Y Improvements

Q4/Q3 FY2018 Balance Sheet



<i>(In millions)</i>	March 31, 2018	December 31, 2017
Cash & Cash Equivalents, Including Restricted Cash	\$19.4	\$16.5
Cash Provided by (used in) in Operating Activities	\$0.5	\$(3.3)
Accounts Receivable, Net of Allowances	\$16.0	\$16.1
Total Inventories	\$16.7	\$15.3
Accounts Payable & Accrued Expenses	\$13.5	\$12.8

FY2018 vs. FY2017



<i>(In millions, except per share data)</i>	FY2018	FY2017
Microturbine Product	\$50.8	\$48.3
Accessories, Parts & Service	\$32.0	\$28.9
Total Revenue	\$82.8	\$77.2
Gross Margin	\$15.0	\$1.8
Gross Margin Percent	18%	2%
R&D Expenses	\$4.0	\$5.4
SG&A Expenses	\$19.6	\$20.7
Total Operating Expenses	\$23.6	\$26.0
Net Loss	\$(10.0)	\$(25.2)
Adjusted EBITDA*	\$(5.2)	\$(21.9)
Basic Net Loss Per Share	\$(0.20)	\$(0.79)
Adjusted EBITDA* Basic Net Loss Per Share	\$(0.10)	\$(0.68)

*See Appendix, Slide 25

FY2018 Adjusted EBITDA Improved \$16.7M or 76% over FY2017

FY2019 Strategic Business Goals



1. Improve quarterly working capital, cash flow and balance sheet
 - New “*Bundled Solutions*” program
 - Continued “*War on Costs*” and increased distributor marketing effort
 - Increased margins in aftermarket accessories, parts and service business
 - Continue to collect the fully reserved BPC receivable
2. Double digit revenue growth through accelerating global product sales
 - Increased marketing and customer acquisition with new Distributor Support System initiative.
3. Diversify the company into new market verticals and new geographies
 - Product modification for Microgrid and Marine markets
 - Continue focus on Africa, Latin America and Middle East
 - Continue to rebuild Russia and CIS Region distributor business
4. Increased Service/OpEx absorption percentage driving towards targeted 100% absorption (*See Appendix, Slide 22)
 - Increased remanufacturing of spare parts in UK and USA
 - Higher FPP attachment rates in oil and gas vertical
 - Sell air bearings into adjacent products and technologies (*See Appendix, Slide 23)

FY2019 Business Catalysts



Market Vertical Update



ENERGY EFFICIENCY

- Energy efficiency is utilization of both electrical and thermal energy.
- Capstone microturbines can be integrated to capture thermal energy to provide a significant economic advantage.
- Broad Suite of Applications:
 - Large Retailers
 - Hospitality
 - Office Buildings
 - Recreation
- Recent REIT LEED Buildings:
 - Related Properties
 - Tishman Speyer
 - Brandywine
 - Capreit



In FY2018 Energy Efficiency was 47% of our Product Revenue

Market Vertical Update



OIL & GAS

- Capstone microturbines are currently used in all phases of oil production including upstream, midstream, and downstream operations in both onshore and offshore applications.
- Broad Suite of Applications:
 - Oil & Gas (onshore/offshore)
 - Land Rigs
 - Water Conversion
 - Gas Compression
- Recent Oil & Gas Customers:
 - EQT Corporation
 - California Resource Corp
 - Williams Companies
 - Anadarko Petroleum
 - Gazprom
 - Occidental Petroleum
 - Pioneer Natural Resources
 - Pacific Coast Resources
 - Shell



In FY2018 Oil & Gas was 38% of our Product Revenue

Market Vertical Update



RENEWABLE ENERGY

- Capstone microturbines are able to cleanly and effectively run on methane gas from landfills, wastewater treatment facilities and food processing facilities, as well as agriculture waste.
- Broad Suite of Applications:
 - Wastewater Treatment Plants
 - Farm Digesters
 - Landfills
 - Food Processing Plants
- Recent Renewable Installations:
 - City of Durango WWTP
 - Oneida County WWTP
 - Dallas WWTP
 - Tuscany WWTP
 - Carmel WWTP
 - Taiwan Swine Farms
 - Malaysian Palm Oil Farms



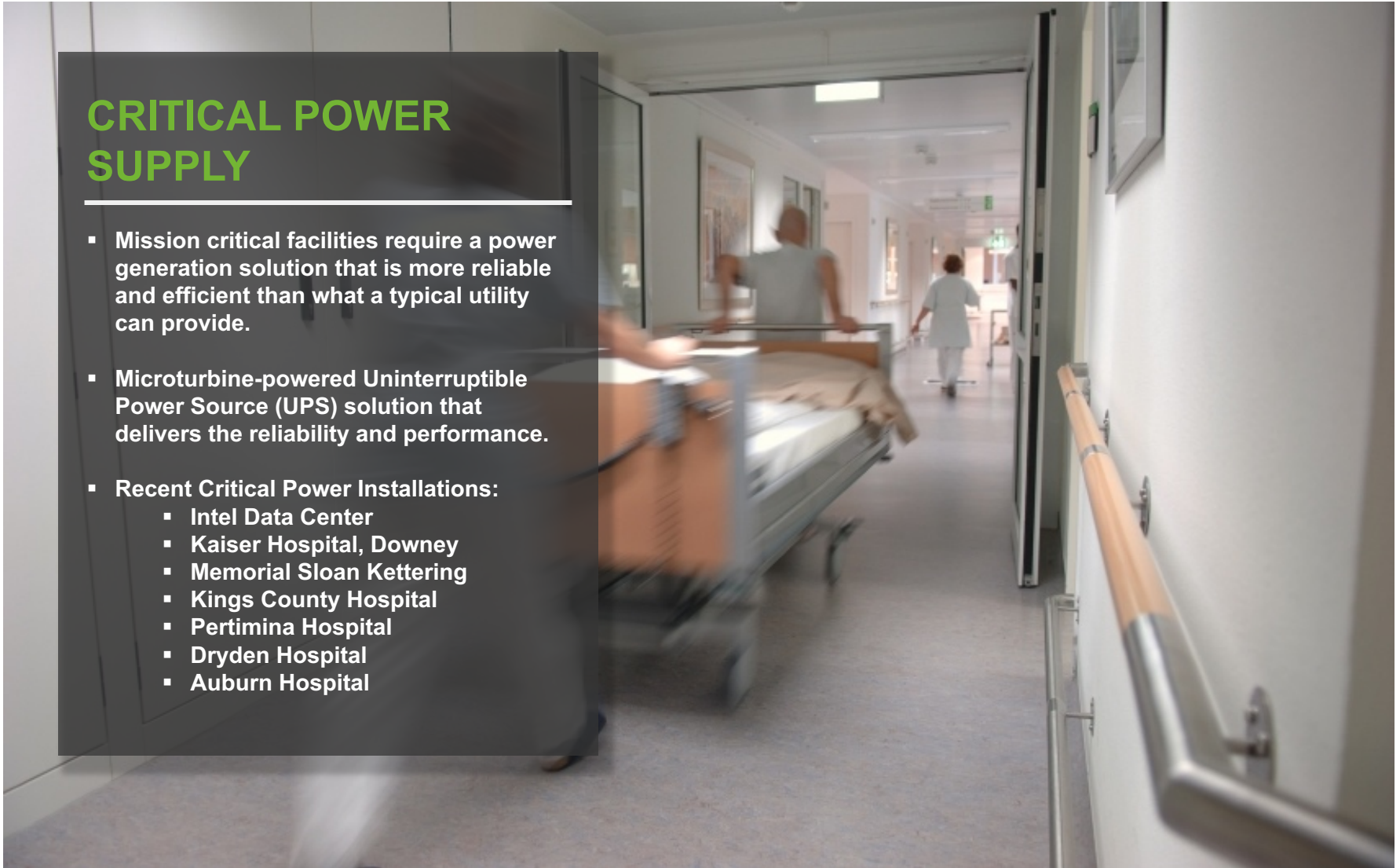
In FY2018 Renewable Energy was 9% of our Product Revenue

Market Vertical Update



CRITICAL POWER SUPPLY

- Mission critical facilities require a power generation solution that is more reliable and efficient than what a typical utility can provide.
- Microturbine-powered Uninterruptible Power Source (UPS) solution that delivers the reliability and performance.
- Recent Critical Power Installations:
 - Intel Data Center
 - Kaiser Hospital, Downey
 - Memorial Sloan Kettering
 - Kings County Hospital
 - Pertimina Hospital
 - Dryden Hospital
 - Auburn Hospital



In FY2018 Critical Power was 4% of our Product Revenue

Market Vertical Update



MICROGRIDS

- A microgrid is a distribution network that incorporates a variety of distributed energy resources that can be optimized and aggregated into a single system that can balance loads and generation with or without energy storage and is capable of islanding whether connected or not connected to a traditional utility power grid.
- Microgrid Features:
 - Multiple generation resources and loads
 - Clearly defined electrical boundaries to a utility grid
 - Able to operate in island mode
 - Controllable as a single entity
- Recent Microgrid Installations:
 - Goldwind, China
 - Sierra Nevada Brewery
 - Open Access Technology Int.
 - Plaza Extra Supermarket
 - Philadelphia Navy Yard
 - Gordon Bubolz Nature Center
 - Mali, Africa



In FY2018 Microgrids were 2% of our Product Revenue

Market Vertical Update



TRANSPORTATION

- Electric vehicles are clean and efficient, but limited in the distance they can travel between battery charges.
- Capstone microturbines can be used in marine applications to provide onboard auxiliary power or as a range extender for commercial vessels.
- Current List of Active Discussions:
 - Transit Buses
 - Heavy-duty Trucks
 - Hybrid Electric Vehicles
 - HEV Charging Stations
 - Work Boats
 - Cargo Ships

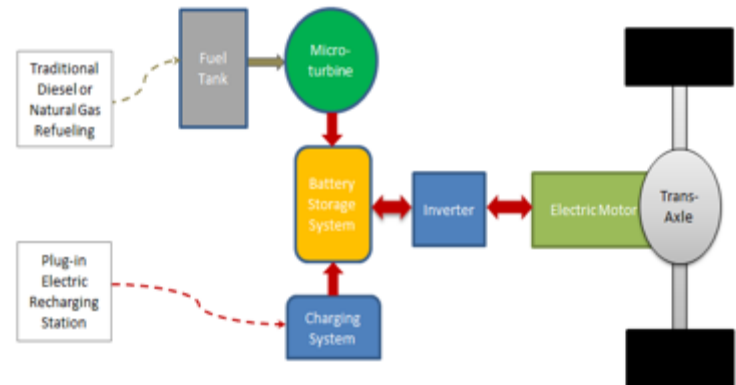


In FY2018 Mobile Products were Customer Demonstrations Only

Kenworth Hybrid Class 7 Demo



- Quantitative Emissions and Fuel Economy Measurements
 - ✓ Criteria Pollutants (NO_x, CO, PM, NMHCs)
 - ✓ Greenhouse Gas (CO₂)
 - ✓ 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



A **PACCAR** COMPANY

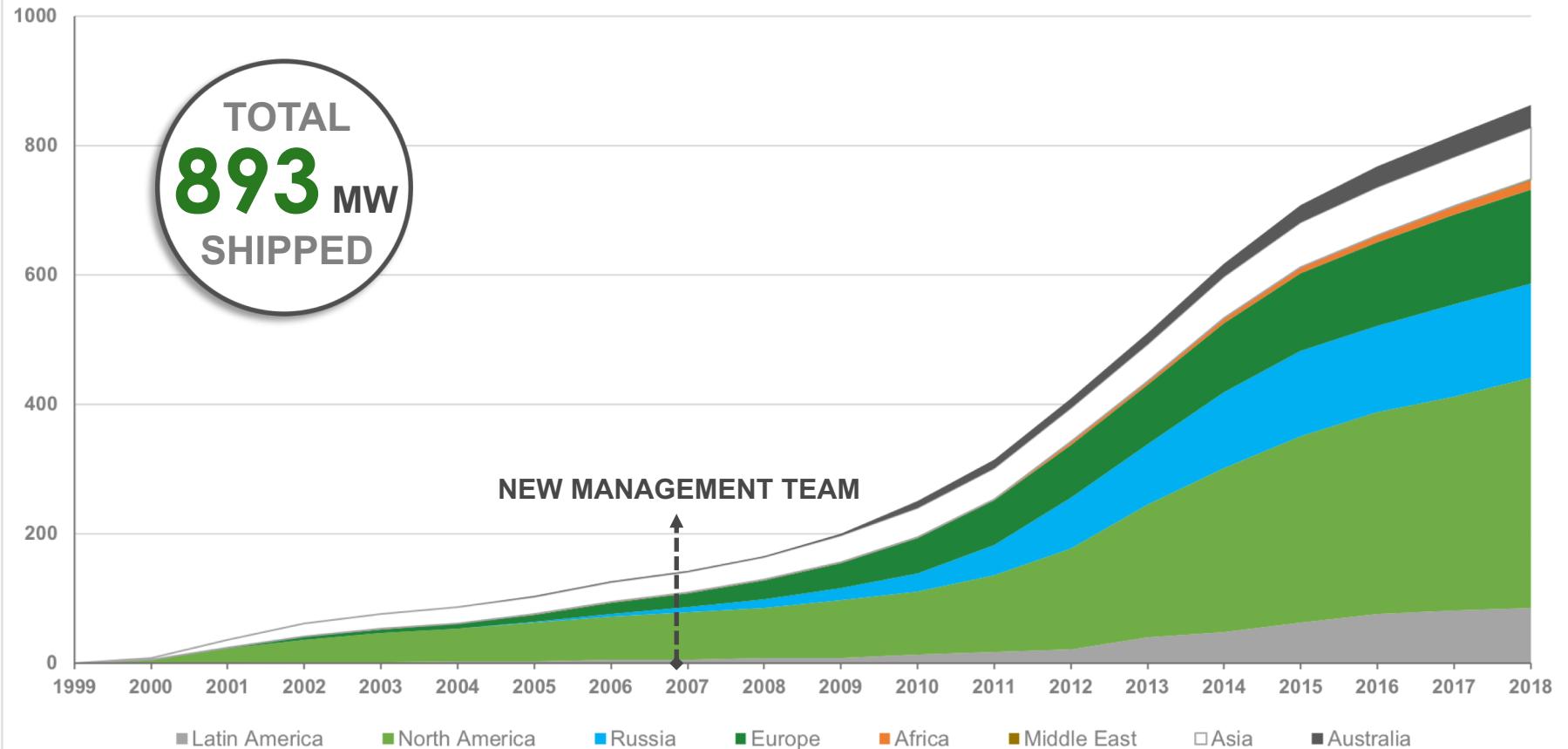


APPENDIX

Cumulative Megawatts Shipped



Cumulative MW Shipped by Global Region, by Fiscal Year

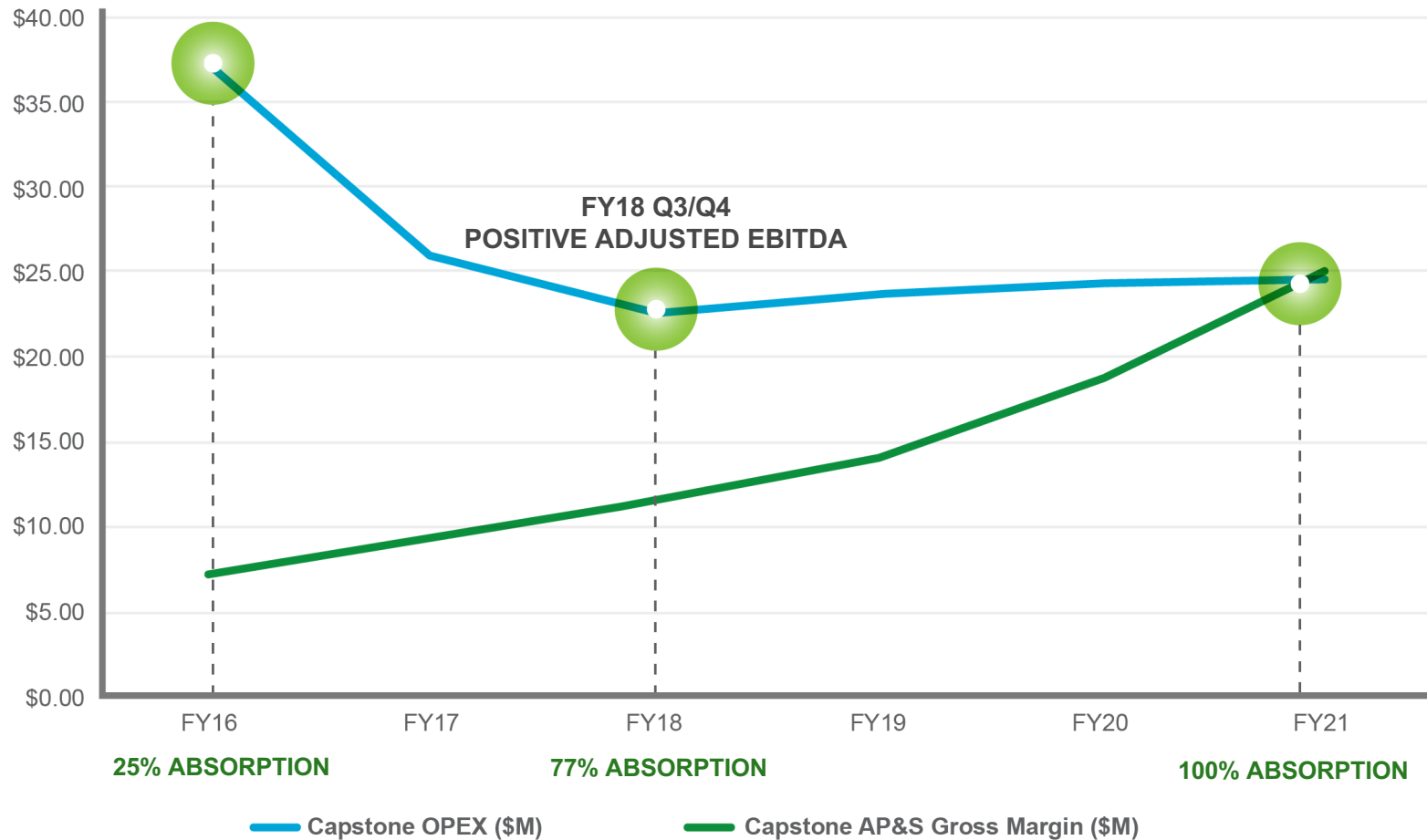


Capstone has transformed from a small single product, single market, U.S. only business to a global multi-product, multi-market comprehensive product & services enterprise.

Capstone Absorption Strategy



Aftermarket Accessories, Parts and Service (AP&S)/OPEX Absorption Timeline vs. Net Loss Timeline

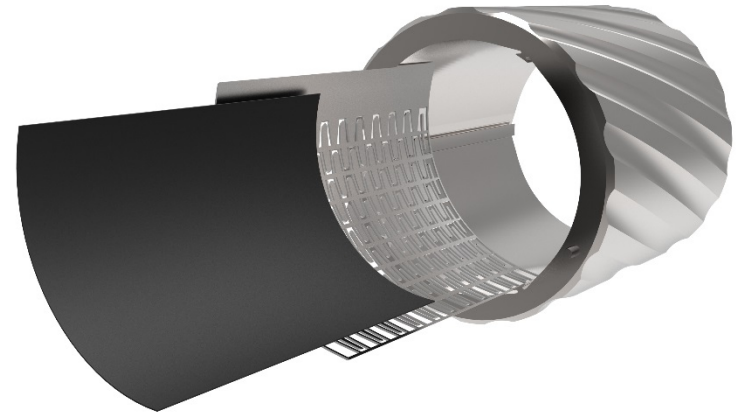


Aftermarket AP&S Today Has Grown to Cover 77% OpEx vs. the Plan of 100%

New Air Bearing Business



- **Approach** – Offer existing Capstone air bearings plus engineering support to qualified non-competitive companies for integration into their products
- **Application** – Using existing Capstone air bearings requires customer product redesign and qualification
- Interested Companies Include:
 - ✓ solar energy turbine company
 - ✓ motor company, turbocharger manufacturer
 - ✓ ORC vapor compression company
 - ✓ auxiliary power unit manufacturer
 - ✓ fuel cell air compressor company
 - ✓ air compressor
 - ✓ turbine expander
 - ✓ food processing blower
 - ✓ downhole pump
- First Commercial Success Timeline:
 - ✓ Feasibility discussions started 2009
 - ✓ First development parts order 2013
 - ✓ Second development parts order 2015
 - ✓ Production order for bearing sets 2018



 **PRAXAIR**
Making our planet more productive



Bundled Solution Initiative

- ✓ Microturbine, heat recovery module (HRM) and **Pre-Paid FPP 5-year or 9-Year Long-Term Service Contract**
- ✓ “*Bundled Solution*” drives CHP product, HRM and FPP service contract growth
- ✓ “*Bundled Solution*” program positively impacts working capital and cash flows

Distributor Support System Initiative

- ✓ The goal is to provide improved worldwide distributor training, sales efficiency, website development, company branding and provide funding for increased strategic marketing activities.
- ✓ Fund additional support for distributor business development activities, customer lead generation, brand awareness and precisely tailored marketing services for each major geography and market vertical.

Reconciliation of Non-GAAP Financial Measure



Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA	Three months ended March 31,		Fiscal year ended March 31,	
	2018	2017	2018	2017
Net loss, as reported	\$ (1,942)	\$ (4,177)	\$ (10,026)	\$ (25,245)
Interest expense	116	145	606	536
Provision for income taxes	11	16	18	19
Depreciation and amortization	315	392	1,170	1,578
EBITDA	(1,500)	(3,624)	(8,232)	(23,112)
Stock-based compensation	177	155	586	808
Restructuring charges	487	—	764	—
Leadership incentive program	981	—	981	—
Change in warrant valuation	—	—	741	—
Warrant issuance expenses	—	—	—	421
Adjusted EBITDA	\$ 145	\$ (3,469)	\$ (5,160)	\$ (21,883)

To supplement the Company's unaudited financial data presented on a generally accepted accounting principles (GAAP) basis, management has used EBITDA and Adjusted EBITDA, non-GAAP measures. These non-GAAP measures are 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 these non-GAAP measures 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.

EBITDA is defined as net income before interest, provision for income taxes, depreciation and amortization expense. Adjusted EBITDA is defined as EBITDA before stock-based compensation expense, restructuring charges, leadership incentive program, the change in warrant valuation and warrant issuance expenses. Restructuring charges includes facility consolidation costs and one-time costs related to the company's cost reduction initiatives. Leadership incentive program is the payout to the company's executive leadership team upon successfully achieving positive Adjusted EBITDA for two consecutive quarters. This program was put into place only for fiscal 2018 and as such it is included in the Adjusted EBITDA items for this one-time program. EBITDA and Adjusted EBITDA are not measures of the company's 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 its 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 the company's GAAP results and by using EBITDA and 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.



For more information on Capstone Turbine Corporation please visit www.capstoneturbine.com

Follow Capstone



twitter.com/CapstoneTurbine

Follow Capstone



linkedin.com/company/34302/

Follow Darren Jamison, CEO



twitter.com/darren_jamison

Follow Capstone



youtube.com/CapstoneTurbine