



FOURTH QUARTER FISCAL 2020

Earnings Call | July 9, 2020



Safe Harbor



This presentation contains “forward-looking statements” within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to, statements regarding the financial outlook, business strategy and plans and market trends, opportunities and positioning of Capstone Turbine Corporation (the “Company,” “Capstone,” “we,” “our” or “us”). These forward-looking statements are based on current expectations, estimates, forecasts and projections. Words such as “expect,” “anticipate,” “should,” “believe,” “hope,” “target,” “project,” “goals,” “estimate,” “potential,” “predict,” “may,” “will,” “might,” “could,” “intend,” “shall” and variations of these terms and similar expressions are intended to identify these forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond our control. Factors that could cause actual results to differ from those projected include, but are not limited to: the impact of the COVID-19 pandemic on our business, results of operations and financial condition; failure to sustain or grow profitability or generate positive cash flows; failure to effectively introduce and market new products; delays in product introductions; significant competition; inability to further penetrate our current customer base, expand our user base and increase the frequency of use of our products by our customers; inability to achieve or maintain satisfactory pricing and margins; manufacturing difficulties; product defects or failures; potential adverse regulatory actions, and general market, political, economic and business conditions.

Further information on these and other factors that could affect the Company's financial results is included in the reports on Form 10-K, Quarterly Reports on Form 10-Q and other periodic filings with the Securities and Exchange Commission from time to time. 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. There may be additional risks of which we are not presently aware or that we currently believe are immaterial which could have an adverse impact on our business. 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.

Q1 FY2021 Preliminary Results



“Our preliminary financial results show us on track to achieving our goal of positive adjusted EBITDA for the June quarter. While we will not have final results until our books are closed and our financial review completed, the preliminary results indicate a significant improvement when compared to the fourth quarter that ended on March 31, 2020 and the first quarter of fiscal 2020 that ended on June 30, 2019. The improvements are being driven by the work we have put into lowering our operating expenses, in combination with improving aftermarket service margins and a small rebound in product shipments versus the fiscal 2020 fourth quarter.”

Darren Jamison – Capstone CEO

Positive Adjusted EBITDA Initiative

- Substantially lower operating expenses
- Reduce direct material costs \$3M annually
- Cut annual R&D spend by approximately 25%, delaying all non-essential product development
- Expand long-term microturbine rental fleet from current up to 10 MW
- Increase aftermarket spare parts margins with newly upgraded United Kingdom Integrated Remanufacturing Facility (IRF)
- Help key distributors achieve higher Factory Protection Plan (FPP) service contract attachment rates from 38% to 45%
- Continue to focus on improving product reliability and drive warranty expenses from approximately 3% down to below 1%
- Increase distributor management and push performance to produce near-term product backlog and revenue growth
- Hire additional salespeople for National Account development to drive incremental business for Capstone



Q1 FY2021 Business Highlights



- Total preliminary revenue for Q1 FY2021 was approximately \$14.1 million, up 22%, compared to \$11.6 million in Q4 FY2020.
- Preliminary accessories, parts, aftermarket service, FPP long-term contracts, rentals, and Distributor Support System (DSS) revenue was approximately \$8.0 million, up 3% from \$7.8 million in Q4 of FY2020.
- Inventory receipts decreased by \$2.9 million, or 36%, to \$5.2 million in Q1 FY2021 compared to \$8.0 million in Q4 FY2020 and decreased \$9.0 million, or 63%, compared to \$14.1 million in Q1 FY2020, supporting improved liquidity and positioning the company for positive working capital in the upcoming quarter.
- Total cash and cash equivalents as of June 30, 2020, are estimated to be \$16.2 million, an increase of \$1.1 million, compared to \$15.1 million as of March 31, 2020, despite ongoing impacts from the COVID-19 pandemic.
- New gross product orders were approximately \$5.5 million and the book-to-bill ratio was 0.9:1 for Q1 FY2021.
- Company received \$3.3 million from financing activities during the quarter as the Company focused on liquidity as part of its COVID-19 Business Continuity Plan.

Strong Progress Against Strategic Business Initiatives

Top 4 Critical Short-Term Goals

**Employee
Health & Safety**



**Increase Liquidity
& Improve Working
Capital**



**Business
Continuity for
Essential End
Use Customers**



**Preliminary Adjusted
EBITDA Positive in
June Quarter**



Capstone Achieved its Top 4 Critical Short-Term Goals

COVID Business Continuity Plan



Goal is to Provide the Generally Recommended Safety Environment for Employees, Maintain Business Continuity & Achieve Positive Adjusted EBITDA in the Quarter Ended June 30, 2020

- ✓ Provide the Generally Recommended Safety Environment with Social Distancing, Telecommuting, Hand Washing Stations, Face Coverings etc.
- ✓ Executive and Employee Pay Cuts to Support the Public Goal of Q1FY21 Positive Adjusted EBITDA Despite Global Pandemic and Oil Price Drop
- ✓ Maintain all Employees' Health Insurance During the Period of Business Interruption
- ✓ Continue to Support the Critical Aftermarket Business and 60+ Worldwide Distributors
- ✓ Wide Scale Employee Furlough that Complies with WARN Act both Federal and State (California)
- ✓ Plan to Provide the Flexibility to Bring Back Employees Sooner or Later up to 180 Days
- ✓ Provide Highest Cost Reduction with Lowest Risk of Unwanted Employee Turnover
- ✓ Immediately Reduce Payroll, Travel and Other Expenses to Provide Additional Liquidity
- ✓ Immediately Slow Incoming Inventory and Improve Inventory Turns & Working Capital
- ✓ Provide "Hard Reset" on COVID-19 Impacted Product Backlog and New Sales Forecast

Capstone Developed Business Continuity Plan in 48 Hours

COVID-19 & The Changing Global Energy Markets

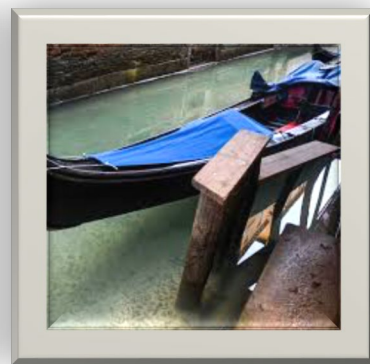


COVID-19 and the Imminent Change In Global Energy



“Change is the law of life.
And those who look only to
the past or the present are
certain to miss the future.”

John F. Kennedy



Capstone Growth Catalysts



CATALYSTS FOR GROWTH

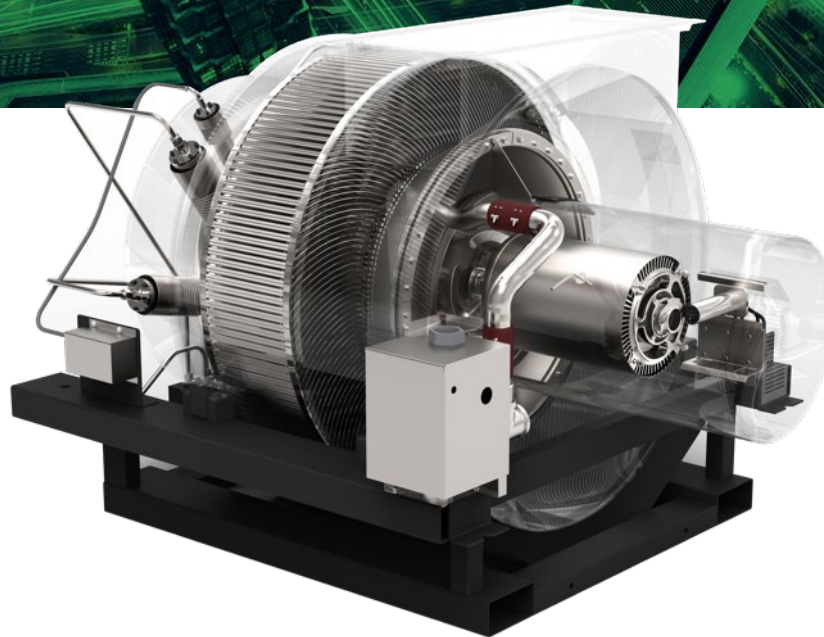
Focus On Reducing Cost ●

Low Cost Natural Gas ●

Microgrid Adoption ●

Gas Flaring Regulations ●

New Engine Emissions ●



● Green Building (LEED)

● Severe Weather

● Crude Oil Prices

● Federal & State Subsidies

● Electrification

● Positive

● Neutral

● Negative

Distribution \$2.4B Project Pipeline



Jen Derstine

U.S., Canada
& Caribbean



**Dorian
Alloatti**

Europe
& Africa



Sohra Yatani

Russia, APAC
& CIS



**Edgardo
Vescovo**

Latin America



**Hesham
Ghanmeh**

Middle East &
South Asia

U.S., Canada, Caribbean Pipeline (\$)

\$677,846,070

Latin America Pipeline (\$)

\$177,108,558

Europe & Africa Pipeline (\$)

\$420,690,920

Russia, APAC & CIS (\$)

\$284,678,422

Middle East & South Asia Pipeline (\$)

\$882,656,380

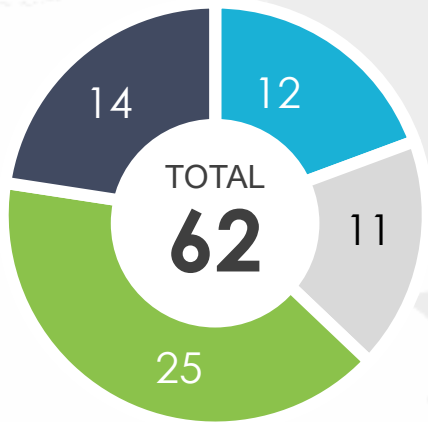
Direct Sales Pipeline (\$)

\$35,027,280

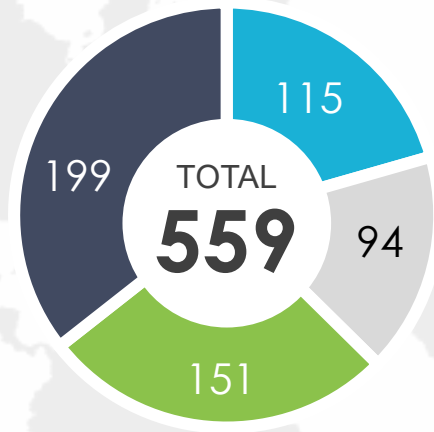
Global Distribution Network



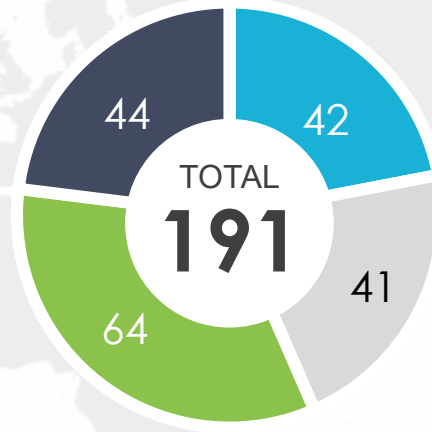
DISTRIBUTORS



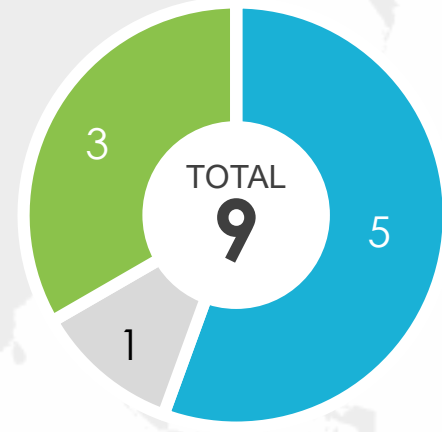
DISTRIBUTOR EMPLOYEES



DISTRIBUTOR LOCATIONS



NA/OEMS



● U.S./CANADA
CARIBBEAN

● LATIN AMERICA

● EMEA

● APAC/
RUSSIA

New Direct Sales Team



RENTAL SYSTEMS

- Oil & Gas
- C&I
- Reoccurring Revenue



PROJECT DEVELOPMENT

- Major Projects
- Energy Auditing
- High Margin



KEY ACCOUNTS

- National Accounts
- OEMs
- IndyCar B2B



PARTNERSHIPS /JV's

- BOP Products
- New Technologies
- Services



New Renewable Fuels



HYDROGEN



Capstone will soon offer renewable power with the use of hydrogen in our product line of microturbines as a fuel source. Today we have operated on a blend of natural gas and hydrogen, and we have a plan to release a commercial 100% hydrogen fuel capable microturbine over the next couple of years.

METHANOL



Capstone has worked with a Swiss company for years, operating a C30 on methanol. We just completed a multi-year test program, and together we are exploring the use of our full line of turbines as they move from the product development into the commercial deployment phase.



Q4 FY2020 vs. Q3 FY2020 Financial Results



<i>(In millions)</i>	Q4 FY20	Q3 FY20
Microturbine Product	\$3.8	\$7.9
Accessories, Parts & Service	\$7.8	\$9.5
Total Revenue	\$11.6	\$17.4
Gross Margin	\$0.5	\$2.6
Gross Margin Percent	4%	15%
R&D Expenses	\$0.8	\$1.0
SG&A Expenses	\$5.2	\$5.3
Total Operating Expenses	\$6.0	\$6.3
Net Loss	\$(6.9)	\$(4.9)
Adjusted EBITDA*	\$(5.0)	\$(2.7)

*See Appendix, Slide 28

Q4 FY2020 vs. Q4 FY2019 Financial Results



<i>(In millions)</i>	Q4 FY20	Q4 FY19
Microturbine Product	\$3.8	\$12.8
Accessories, Parts & Service	\$7.8	\$9.2
Total Revenue	\$11.6	\$22.0
Gross Margin	\$0.5	\$3.4
Gross Margin Percent	4%	15%
R&D Expenses	\$0.8	\$0.9
SG&A Expenses	\$5.2	\$5.4
Total Operating Expenses	\$6.0	\$6.3
Net Loss	\$(6.9)	\$(4.0)
Adjusted EBITDA*	\$(5.0)	\$(2.2)

*See Appendix, Slide 28

Q4 FY2020/Q3 FY2020 Balance Sheet



<i>(In millions)</i>	March 31, 2020	December 31, 2019
Cash & Cash Equivalents	\$15.1	\$16.7
Cash Used in Operating Activities	\$4.0	\$4.3
Accounts Receivable, Net of Allowances	\$16.2	\$19.8
Total Inventories	\$22.7	\$22.1
Accounts Payable & Accrued Expenses	\$15.0	\$19.4

\$30M Goldman Sachs 3-Year Term Note Increases Financial Flexibility

New FY2021 EBITDA Guidance



“Because of the ongoing impact of the COVID-19 pandemic Capstone cannot guide to a positive adjusted EBITDA outcome for each quarter in the current fiscal year. However, Management has set a goal of substantially improving adjusted EBITDA by approximately \$10M year-over-year.”

Darren Jamison – Capstone CEO



New FY2021 Business Goals

\$10M+ GOAL

Of Y/Y Adj. EBITDA Improvement

“The pandemic has undeniably been challenging, but it did afford us a unique opportunity to thoroughly reevaluate every aspect of our strategic business plan and make the tough, but necessary, adaptations so that we were able to support our long-term goals, and most importantly we have an opportunity to emerge from this global crisis as a stronger and more resilient business than before.”

- Darren Jamison



6x
INVENTORY
TURNS

10 MW
RENTALS



22%
GROSS
MARGIN

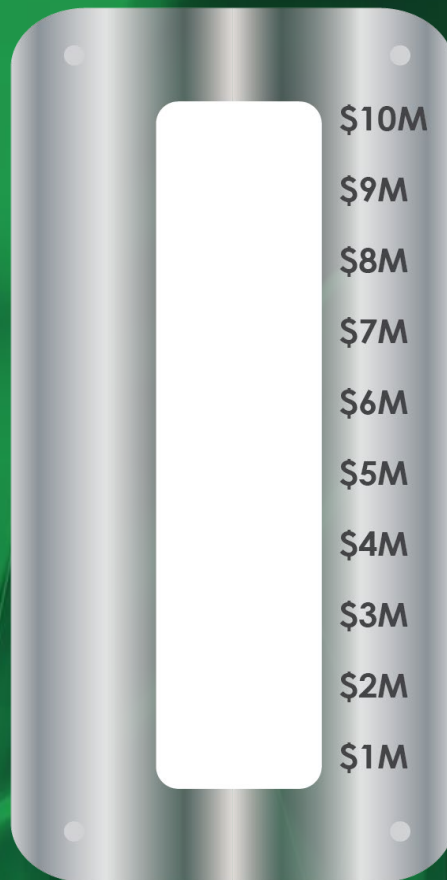
15%
DIRECT
SALES

Guidance Subject to Change Based on Future COVID-19 Developments

\$10M Adjusted EBITDA Y/Y Improvement Goal



FY2021 Y/Y Adjusted EBITDA Improvement Tracker(\$)



Initial Results to be Updated at August 6th First Quarter Earnings Call

New Revenue Growth Strategy



*OEM, Direct Sales, National Accounts,
Expanded Product Portfolio,
New Product Partnerships,
Rentals, 247 Solar, B+K*

*Implementation of Target
Pricing Programs for key
National Accounts, OEMs*

**New Non-Distributor
Business**

**Target Pricing
Program**

*Expanded Distribution
in new geographies like
Eastern Europe, Africa
and the Middle East*

**Distribution
Improvement**

*Product + Service
Product + Accessories
+ Service Installation +
Product + Accessories
Service*

**Sales
Bundling**

*Customized products by
market with matched
marketing campaigns.
Improved targeted marketing
and branding strategy.
Maximize marketing IRR*

**Marketing
& Strategy**

**Customer
Satisfaction**

*Improving C200/C1000
product performance by
June with new parts
suppliers replacing
legacy supplier with poor
manufacturing quality.
Improving reliability, lower
Warranty and FPP costs.*



New Marketing Focus



Content Development

- Case Studies
- Market Specific Literature
- Corporate Video



Branding

- Templates
- Branding Guidance



Website Development

- Corporate Website
- Distributor Microsites



Social Media

- Scheduled Content
- Distributor / Capstone Event Promotion



Tradeshows & Events

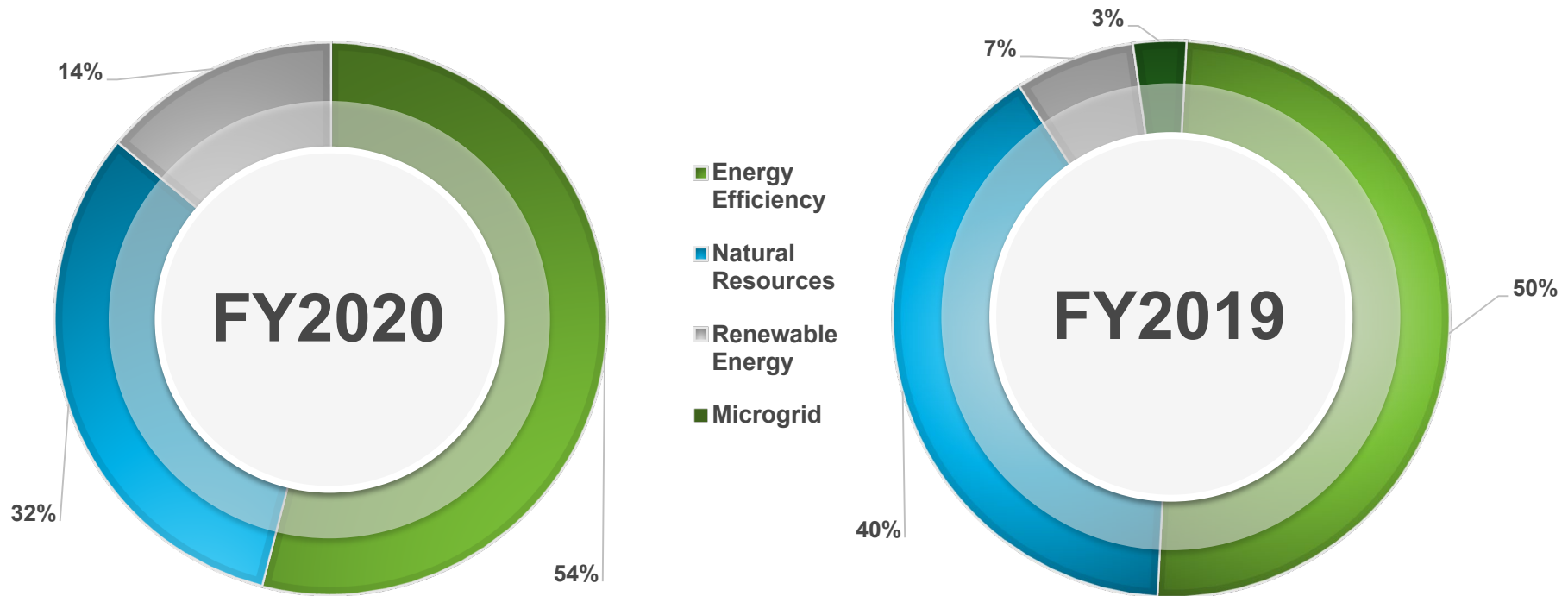
- Corp Event Management & Coordination
- Distributor Event Support



Lead Management

- Post show/event lead management
- Campaigns

Energy Efficiency & Renewables Continue to Expand Globally



Energy Efficiency Expands to 54% - Renewable Energy Expands to 14%

New 100% Renewable Products



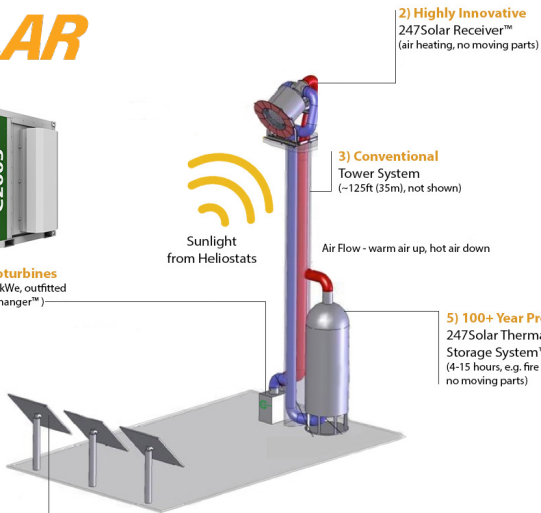
247SOLAR



4) Capstone Microturbines
(Off-the-Shelf, 300-400 kW, outfitted with 247Solar Heat Exchanger™)



1) Off-the-Shelf
Sun-tracking Heliostats
(~4 acres per 400 kW)

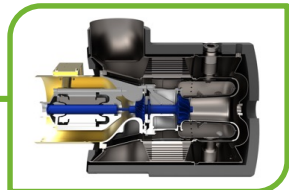


An illustration of the pre-engineered 247Solar Plant, outfitted with Capstone microturbines.

Another 100% renewable project is with a German company, B+K, that is using wood waste to generate superheated air and also expanding it across the Capstone microturbine. B+K has been operating a Capstone powered pilot project for more than a year and is moving into commercial sales, with several projects planned in 2020.

100% renewable project with new customer, 247Solar, together we are installing a solar-powered microturbine at a test site in Morocco using concentrated solar energy to expand superheated air across the Capstone microturbine to generate 100% renewable power with our microturbines. Once completed, 247Solar has a host of additional opportunities.

B+K



An illustration of the pre-engineered ClinX CHP solution, outfitted with Capstone microturbine

Capstone's Focus on ESG



Increasing focus on Environmental, Social and Governance (ESG), principals, regulations and government policies is creating a strong tailwinds for the renewable energy sector globally. There's growing investor interest with ESG investing estimated to be over \$20 trillion in AUM as investors demand corporate responsibility.

ENVIRONMENTAL

- Capstone (CPST) manufactures reliable and energy dense power systems that allow customers to lower both NOx and CO2 emissions without the use of exhaust after treatment that use precious metals and urea.
- In FY2020, CPST customers benefited from 368,000 tons in carbon savings while also saving \$219 million in energy costs.
- CPST is developing new 100% renewable products together with new renewable fuels (hydrogen and methanol), allowing customers to generate power with a net-zero carbon footprint.
- CPST strives to improve the oil & gas industry by offering cleaner and “greener” power solutions that reduce methane emissions while utilizing associated gas that would otherwise be flared into the atmosphere.
- CPST supports energy efficiency initiatives through CHP and the U.S. DOE CHP Technical Assistance Partnership.

SOCIAL

- Capstone, through its **Capstone Cares** program, sponsors paid employees to volunteer work in the local community and routinely conducts annual toy, book, and blood donation drives.
- The **Capstone Culture Club** puts on company sponsored employee events, ranging from health & fitness activities, team building events, social events and celebrations.
- **Capstone U** is a company sponsored employee led internal education program that is free and open to all employees.
- The **Capstone EH&S Team** works continuously to achieve a zero waste facility, eliminate all lost time injuries, and reduce near miss accidents.

GOVERNANCE

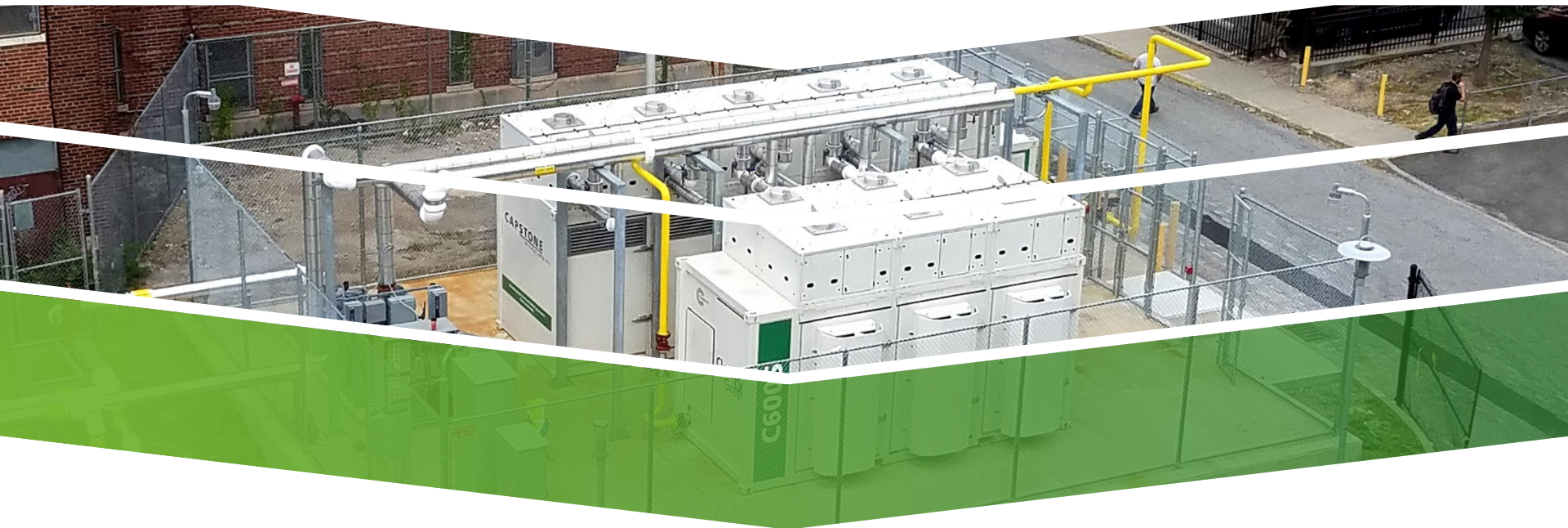
- Capstone has a highly diverse set of outside Board of Directors comprised of 3 women and 4 men, with a female Chairperson and Audit Committee lead.
- 7 of the 8 CPST Board of Directors are outside independent directors who are free of any conflicts of interest and had no prior relationship with the President & CEO.
- The company subscribes to the highest levels of oversight, director education and management transparency.
- Capstone has worked diligently over the last several years on board “refresh” and each director is up for election annually.





ANALYST Q&A SESSION

Nasdaq: **CPST**



APPENDIX

Estimated Value of Distribution



**NORTH
AMERICA**

**LATIN
AMERICA**

**EUROPE
MEA**

**APAC
RUSSIA**

TOTAL

Distributor
Employees

115@\$81k

94@\$42k

151@\$90k

199@\$36k

\$33.9M

Distribution
Locations

42@\$55k

41@\$31k

64@\$39k

44@\$12k

\$6.6M

Total Annual Value of Distribution Channel is ~ \$40M

Reconciliation of Non-GAAP Financial Measure



Reconciliation of Reported Net Loss to EBITDA and Adjusted EBITDA (in thousands)	Three months ended		Three months ended	
	December 31,		March 31,	
	2019	2020	2019	
Net loss, as reported	\$ (4,907)	\$ (6,950)	\$ (3,954)	
Interest expense	1,289	1,345	966	
Provision for income taxes	—	4	3	
Depreciation and amortization	408	392	304	
EBITDA	(3,210)	(5,209)	(2,681)	
Stock-based compensation	303	244	164	
Restructuring charges	257	—	303	
Adjusted EBITDA	\$ (2,650)	\$ (4,965)	\$ (2,214)	

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. 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.

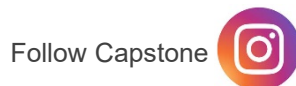
Non-GAAP financial measures are not in accordance with, or an alternative for, generally accepted accounting principles in the United States. The Company's non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP.



twitter.com/CapstoneTurbine



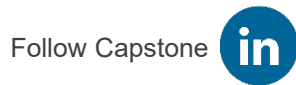
twitter.com/darren_jamison



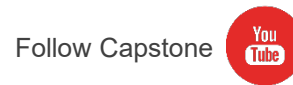
[@capstoneturbine](https://www.instagram.com/capstoneturbine)



[@darrenjamison_cpst](https://www.instagram.com/darrenjamison_cpst)



[linkedin.com/company/34302/](https://www.linkedin.com/company/34302/)



[youtube.com/CapstoneTurbine](https://www.youtube.com/CapstoneTurbine)



<https://www.facebook.com/capstoneturbine/>