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Capstone Turbine Reports Select Preliminary Q1 Fiscal 2019 Financial Results

Product Revenue Year-over-Year Increased 8%

New Product Orders Valued at Approximately \$16 Million were Received from 13 Different Distributors in 11 Countries During the Quarter

Q1 Fiscal 2019 Financial Results Webcast to be Held August 7, 2018, at 1:45 PM PT, 4:45 PM ET

VAN NUYS, Calif., July 26, 2018 (GLOBE NEWSWIRE) -- Capstone Turbine Corporation (www.capstoneturbine.com) (Nasdaq:CPST), the world's leading clean technology manufacturer of microturbine energy systems, continues to provide increased transparency by announcing select preliminary financial results for its fiscal first quarter ended June 30, 2018.

Select Preliminary Financial Highlights of Fiscal 2019 First Quarter:

- Product revenue year-over-year increase of 8%
- Total revenue for the quarter increased in a range of 8% to 11% year-over-year
- 1.2:1 book to bill ratio representing new product orders from 11 different countries
- Gross product orders for the six-month period ended June 30, 2018 were \$32.5 million, compared to \$16.4 million in the preceding six-month period ended December 31, 2017, an increase of 98% period-over-period
- Total cash position remained flat despite pay down of accrued expenses and unplanned supplier prepayments during the first quarter
- Subsequent to the end of the first quarter, Capstone successfully negotiated with Carrier Corporation ("Carrier") a one-time lump sum royalty settlement payment and removed non-compete provisions from the development agreement with Carrier

Darren Jamison, President and Chief Executive Officer said, "Capstone results in the first fiscal quarter were highlighted by year-over-year revenue growth, a stable balance sheet and new product orders from a diversified mix of distributors and countries. Capstone's strategy is to continue to strengthen our core market verticals, while diversifying into additional market verticals and geographies. With our product shipments growing and improving conditions in the U.S. as well as globally, current industry fundamentals remain favorable across most sectors," added Mr. Jamison.

Total revenue for the first quarter of fiscal 2019 increased 8% to 11%. Revenue is expected to range from \$20.7 million to \$21.3 million, compared to \$19.2 million in the same period last year. Capstone is providing a quarterly revenue range pending the resolution of certain long-term factory protection plan contracts that are in the process of being reassigned from the company's legacy California distributor to Cal Microturbine, Capstone's new exclusive distribution partner in California. Resolution is required to determine the final accessories, parts, and service revenue and gross margin for the quarter. Capstone's product revenue increased 8% during the first quarter of fiscal 2019 to approximately \$13.6 million.

Capstone's preliminary results show new gross product orders of approximately \$16 million during the fiscal first quarter generating a 1.2:1 book-to-bill ratio. Capstone booked \$32.5 million in gross product orders for the six-month period ended June 30, 2018, compared to \$16.4 million in the preceding six-month period ended December 31, 2017, an increase of 98% period-over-period. During the first quarter of fiscal 2019, Capstone received new product orders from 13 different distributors in 11 countries including the United States, Mexico, China, Kuwait, Russia, Spain, Austria, Italy, Ireland, Netherlands, and the United Kingdom.

During the first quarter of fiscal 2019, Capstone effectively leveraged both its expanded asset-based credit facility with Bridge Bank and its new at-the-market equity offering program to help cover its expected loss from operations, including cash payments of approximately \$3.2 million for an unexpected supplier prepayment obligation and its one-time leadership incentive program compensation. As a result of these payments, cash usage, excluding net proceeds from equity transactions, during the first quarter of fiscal 2019 was approximately \$1.7 million higher compared to the same period last year.

Cash, cash equivalents, and restricted cash increased \$0.2 million during the first quarter of fiscal 2019 to \$19.6 million as of June 30, 2018. This compared to cash, cash equivalents, and restricted cash of \$19.4 million and \$19.1 million as of March 31, 2018, and June 30, 2017, respectively.

As of June 30, 2018, \$10.0 million in borrowings were outstanding under the new asset-based credit facility with Bridge Bank.

During the first quarter of fiscal 2019, Capstone experienced lower than anticipated revenue from its accessories, parts, and service aftermarket business that was further hampered by increases in higher than normal scheduled maintenance activities resulting in an elevated cost of goods and a lower gross margin than reported in the prior quarters. In addition, the company will likely incur increased expenses, and a short-term interruption in its California area Factory Protection Plan ("FPP") service contract revenue related its transition between its California distribution partners.

Operating expenses for the first quarter of fiscal 2019 increased compared to the fourth quarter of fiscal 2018, excluding the company's one-time leadership incentive program that was recorded in the fourth quarter of fiscal 2018. The net increase in operating expenses was comprised of increases in professional services expense, including accounting expense primarily related to the annual audit of our financial statements and legal expense related to our recently filed registration statement on Form S-3, and no bad debt recovery in the first quarter of fiscal 2019. The increase in operating expenses along with the decrease in gross margin from the accessories, parts, and service gross margin is expected to negatively

impact our net loss and EBITDA results for the quarter.

“We are encouraged by the \$16 million in product orders we received in the first quarter. Order activity continued to be broad-based and diversified and had been helped specifically by an improving North American market. Looking forward, we expect to see continued order strength in the United States and internationally, but do not expect order activity to be linear. The lower than anticipated gross margin from our aftermarket service business during the first quarter of fiscal 2019 serves as a reminder of the impact our aftermarket business has on our EBITDA and overall profitability levels. During the quarter, we continued to make progress on our strategic focus to increase the remanufacturing of spare parts in the United States and the United Kingdom, increase FPP attachment rates in the oil and gas market and selling our patented air bearings kits into adjacent products and technologies. We believe the factors that negatively impacted our aftermarket business are short-term in nature and will strengthen and normalize over the second half of fiscal 2019,” added Mr. Jamison.

Effective July 25, 2018, Capstone and Carrier entered into a Second Amendment to the Development Agreement (“Second Amendment”) whereby Capstone agreed to pay Carrier approximately \$3.0 million to conclude the company’s current royalty obligation under the Development and License Agreement, effective September 4, 2007 (“Development Agreement”) and release the company from any future royalty payment obligations. The Second Amendment also removed non-compete provisions from the Development Agreement, which allows Capstone to design, market or sell its C200 System in conjunction with any energy system and compete with Carrier products in the combined cooling, heating and power market (“CCHP”).

“By strategically negotiating this settlement we will improve our quarterly product margins approximately 2% at today’s revenue levels and improve our cash flows and path to profitability. Also, by removing the non-compete language, we are now able to enter into strategic relationships with other global chiller manufacturers to improve our competitiveness in the CCHP markets,” concluded Mr. Jamison.

Conference Call and Webcast

Capstone will host a live webcast August 7, 2018, at 1:45 PM Pacific Time (4:45 PM Eastern Time) to provide the results of the first quarter fiscal 2019 ended June 30, 2018. Capstone will discuss its financial results and will provide an update on its business activities. At the end of the conference call, Capstone will host a question-and-answer session to provide an opportunity for financial analysts to ask questions. Investors and interested individuals are invited to listen to the webcast by logging on to Capstone’s investor relation’s webpage at www.capstoneturbine.com. A replay of the webcast will be available on the website for 30 days.

About Capstone Turbine Corporation

Capstone Turbine Corporation (www.capstoneturbine.com) (Nasdaq:CPST) is the world's leading producer of low-emission microturbine systems and was the first to market commercially viable microturbine energy products. Capstone has shipped over 9,000 Capstone Microturbine systems to customers worldwide. These award-winning systems have logged millions of documented runtime operating hours. Capstone is a member of the U.S. Environmental Protection Agency's Combined Heat and Power Partnership, which

is committed to improving the efficiency of the nation's energy infrastructure and reducing emissions of pollutants and greenhouse gases. A DQS-Certified ISO 9001:2015 and ISO 14001:2015 certified company, Capstone is headquartered in the Los Angeles area with sales and/or service centers in the United States, Latin America, Europe, Middle East and Asia.

For more information about the company, please visit www.capstoneturbine.com. Follow Capstone Turbine on [Twitter](#), [LinkedIn](#) and [YouTube](#).

Safe Harbor Statement

This press release contains “forward-looking statements,” as that term is used in the federal securities laws. Forward-looking statements may be identified by words such as “expects,” “believes,” “anticipates,” “objective,” “intend,” “targeted,” “plan” and similar phrases. These forward-looking statements are subject to numerous assumptions, risks and uncertainties described in Capstone’s 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. Capstone cautions readers not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. Capstone undertakes no obligation, and specifically disclaims any obligation, to release any revisions to any forward-looking statements to reflect events or circumstances after the date of this release or to reflect the occurrence of unanticipated events.

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