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Capstone Executes Multiple Long-Term Supply Agreements to Reduce Direct Material Costs an Estimated Three Million Dollars per Year

VAN NUYS, Calif., April 09, 2019 (GLOBE NEWSWIRE) -- Capstone Turbine Corporation (www.capstoneturbine.com) (Nasdaq: CPST), the world's leading clean technology manufacturer of microturbine energy systems, announced today it executed multiple long-term supply agreements (LTA) to reduce direct material costs an estimated \$3 million per year once the new pricing is phased in over the next twelve months, demonstrating continued progress against its 2019 strategic initiative to improve cash flow.

The company previously announced its focus on improving the business in areas that it has direct control of, and in areas that are not impacted by outside market forces, macroeconomic conditions, geopolitical events, or trade wars. The current management focus is on the following areas to improve the business:

- Developing a new factory long-term rental program
- Expanding Factory Protection Plan (FPP) contract attachment rates
- Developing and expanding the new Distributor Support System (DSS program)
- Increasing aftermarket spare parts margin
- Reducing direct material costs

This new business initiative started last fall when the company announced it had launched a new factory long-term rental program into the Permian Basin with 3.6 megawatts (MW) to one of the world's largest oil and gas producers. In February, the company announced it had developed an enhanced version of its industry-leading FPP service product and an updated version of its innovative DSS program, which is expected to drive product revenue, accelerate distributor training and development, and drive a higher volume of customer lead generation and global brand awareness. Lastly, the company recently implemented the most significant spare parts price increase in its history and announced that it received 19.5 MWs of new FPP contracts as part of its focus on improving FPP attachment rates.

As a result of the direct material costs reduction initiative, Capstone has executed multiple new LTAs including a new 10-year LTA with a new supplier. The LTA from the new supplier will initially reduce annual direct material costs an estimated \$2 million per year once the transition is completed and will potentially reduce direct material costs up to \$20 million over the life of the agreement. The strategy to reduce direct material costs is based on partnering with the company's supply base to drive collaborative cost improvements within its value chain which will enable the significant material cost reductions.

"Our supply chain professionals have taken a 'no stone left unturned' approach when it comes to finding DMC savings," said Darren Jamison, President and Chief Executive Officer of Capstone. "Our strategies involve direct engagement with suppliers on collaborative cost improvements and vertical integration, consolidation of suppliers performing similar operations, and direct replacement of suppliers that are not willing to engage in cost-savings ventures," added Mr. Jamison.

"We continue to leverage and optimize both our internal core competencies and our suppliers," said Kirk Petty, Capstone's Senior Vice President of Manufacturing. "Many suppliers realize that an improvement in Capstone's overall value chain, including collaborative engineering and cost reductions, helps improve Capstone's competitiveness in the market, which ultimately helps their organization as well," added Mr. Petty. "Our cost reduction strategy is highlighted with the recent completion of a 10-year LTA with a new vendor," concluded Mr. Petty.

"The cost reduction team targeted DMC reduction initiatives to help us realize gross margin improvements in our increasingly attractive aftermarket service business," said Jeff Foster, [Senior Vice President of Customer Service](#)

[and Product Development](#). “The results of the first year of the project have been significant and will greatly help offset external cost pressures and reduce the direct material costs of the FPP once realized, which will be reflected by improved FPP gross margin over the next twelve months,” concluded Mr. Foster.

About Capstone Turbine Corporation

Capstone Turbine Corporation (www.capstoneturbine.com) (Nasdaq: CPST) is the world’s leading producer of highly efficient, low-emission, resilient microturbine energy systems. Capstone microturbines serve multiple vertical markets worldwide, including natural resources, energy efficiency, renewable energy, critical power supply, transportation and microgrids. Capstone offers a comprehensive product lineup, providing scalable systems focusing on 30 kW to 10 MWs that operate on a variety of gaseous or liquid fuels and are the ideal solution for today’s distributed power generation needs. To date, Capstone has shipped over 9,000 of these systems into 73 countries logging millions of operating hours.

Capstone is committed to improving the efficiency of energy needs around the world, while simultaneously reducing global emissions of pollutants and greenhouse gases. Capstone’s systems help end users improve their impact on the environment, while still meeting power and reliability needs. During fiscal year 2019, Capstone saved end-use customers an estimated \$194 million in annual energy costs and 314,000 tons of carbon.

Not only does Capstone enable customers to reduce CO2 and emissions, Capstone applies the same principles to its own environmental footprint and focuses internally on its environmental risks, energy consumption, waste disposal and carbon footprint. Capstone also strives to foster a corporate culture emphasizing its relationship with employees, customers and suppliers in order to ensure that Capstone’s corporate values are aligned with those of its employees, customers and suppliers.

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

Forward-Looking Statements

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,” “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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