

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a Greek letter alpha (α) in orange, all on a dark red background.

## Capstone Turbine Corporation Q3 2009 Earnings Call Transcript

### Question-and-Answer Session

---

#### Operator

(Operator Instructions) Our first question will come from Sanjay Shrestha – Lazard Capital Markets.

#### Sanjay Shrestha – Lazard Capital Markets

Couple of quick questions, talking about that bond rate number looking at it from the inventory and the receivables standpoint, am I reading you guys right that you guys should be cash flow positive in the next quarter?

#### Edward I. Reich

Not necessarily in the next quarter but in the coming quarters and definitely in fiscal 2010 we plan to be cash flow positive.

#### Sanjay Shrestha – Lazard Capital Markets

But the burn will go down pretty dramatically quarter-over-quarter from Q3 to Q4?

#### Edward I. Reich

Yes, you should see inventories coming down. You should see better collection times on receivables helping that out as well.

#### Sanjay Shrestha – Lazard Capital Markets

So when you guys talk about the working capital management and you have a bit of a difficult task at hand, you've got to build a working capital to support the long term growth and you can't build it too much because you've got to manage your cash and the balance sheet items.

What exactly, I know Darren you talked on it a little bit, but can you go into some more detail as to exactly what you're doing so that you can have a better working capital balance while making sure that you're not sacrificing the growth on a long term basis?

#### Darren R. Jamison

A couple key issues here, we're moving from what was more of an aerospace build to the customer demand, manufacturing process or batch building I like to call it. But because of our backlog today we can now lay in production slots and build to those production slots. So we get much more level, sustainable, efficient manufacturing process.

Second we've got a lot of suppliers who are now moving to tier one so instead of us buying materials a year ahead of time moving it through three or four vendors we're now having the vendor buy the material a year ahead of time and move it through their process. That means less inventory on our balance sheet, better use of our cash.

Obviously with the lower commodities cost today and the fact that our business is growing while many other businesses are not growing we're in a great position to leverage our vendors and to take get more favorable terms as well as pricing. The real key for us is getting the ERP system we run full blown enterprise ASAP with all the inputs correct, to get the turns up. We'd like to see those turns at four or higher here very quickly.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.