

# Fourth Quarter and Fiscal 2019 Financial Results & Strategy Update

January 22, 2020



**fuelcellenergy**

# Safe Harbor Statement

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This presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements with respect to the Company's anticipated financial results and statements regarding the Company's plans and expectations regarding the continuing development, commercialization and financing of its fuel cell technology and business plans. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Factors that could cause such a difference include, without limitation, changes to projected deliveries and order flow, changes to production rate and product costs, general risks associated with product development, manufacturing, changes in the regulatory environment, customer strategies, unanticipated manufacturing issues that impact power plant performance, changes in critical accounting policies, potential volatility of energy prices, rapid technological change, competition, and the Company's ability to achieve its sales plans and cost reduction targets, as well as other risks set forth in the Company's filings with the Securities and Exchange Commission (SEC). The forward-looking statements contained herein speak only as of the date of this presentation. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statement to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based.

The Company may refer to non-GAAP financial measures in this presentation. The Company believes that this information is useful to understanding its operating results and assessing performance and highlighting trends on an overall basis. Please refer to the Company's earnings release for further disclosure and reconciliation of non-GAAP financial measures. (As used herein, the term "GAAP" refers to generally accepted accounting principles in the U.S.)

The information set forth in this presentation is qualified by reference to, and should be read in conjunction with, our Annual Report on Form 10-K for the fiscal year ended October 31, 2019, filed with the SEC on January 22, 2020 and our earnings release for the fourth quarter ended October 31, 2019, filed as an exhibit to our Current Report on Form 8-K filed with the SEC on January 22, 2020.

**Enable the world to live  
a life empowered by clean energy**



# The Global Leader in Fuel Cell Technology since 1969

## COMPANY HIGHLIGHTS<sup>1</sup>

Danbury, CT	Headquarters
300+	Employees
3	Continents
57	Global plant installations
>255 MW	Capacity in Field
<b>\$60.8M</b>	Total FY 2019 Revenue

## REVENUE DRIVERS

### SERVICE & LICENSE



FY 2019 Revenue

**\$26.6M**

### ADVANCED TECHNOLOGIES



**\$19.6M**

### GENERATION



**\$14.0M**

### PRODUCT



**\$0.5M**

High Visibility to Recurring Revenue

## GLOBAL CUSTOMERS



**Demand for Clean, Reliable Electricity Driving Adoption of Fuel Cell Technology**





## **4Q and Fiscal 2019 Financial Performance**

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## 4Q and Fiscal 2019 Highlights

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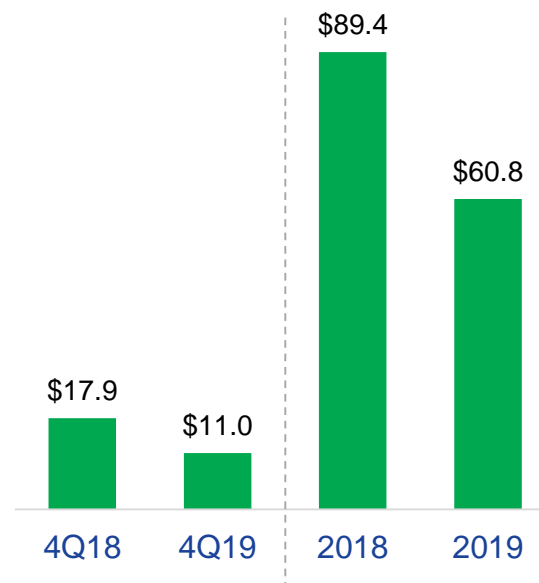
- ✓ Many strategic actions taken throughout 2019 position FuelCell Energy for long-term success
- ✓ Secured funding to provide immediate liquidity to execute inflight projects that will generate recurring cash flow upon completion
- ✓ Concluded engagement with Huron to assist with restructuring based on progress made on many fronts, including right-sizing of the business, implementation of cost control measures, and reduction of substantial corporate debt
- ✓ Expanded strategic relationships to enhance development of carbon capture technology and build FuelCell Energy's growth opportunities in the European market
- ✓ Made significant progress on execution of key projects

# 4Q and Fiscal 2019 Financial Performance

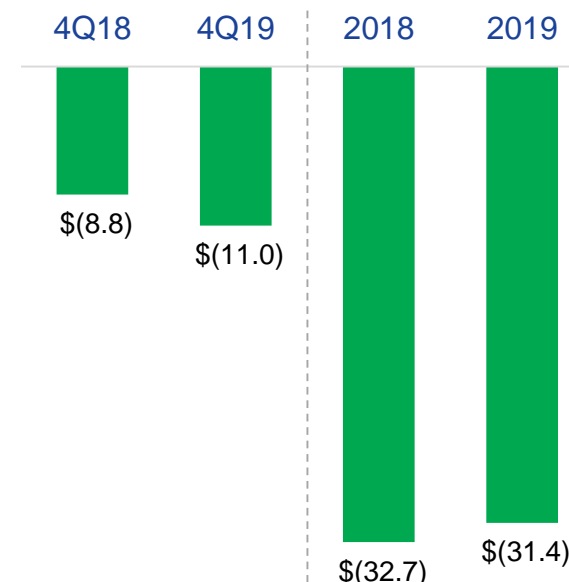
## Highlights vs prior-year periods

- 4Q revenue declined 38% to \$11.0M, primarily reflecting decreased Product sales and Service and License revenues
- Adj. EBITDA loss for 4Q 2019 of \$(11.0) M compared to \$(8.8) M
- Fiscal 2019 revenue down 32% to \$60.8M primarily due to decreased Product sales
- Adj. EBITDA loss for fiscal 2019 of \$(31.4) M compared to \$(32.7) M, reflecting decreased revenue and a higher cost of Generation and cost of Service and license revenue

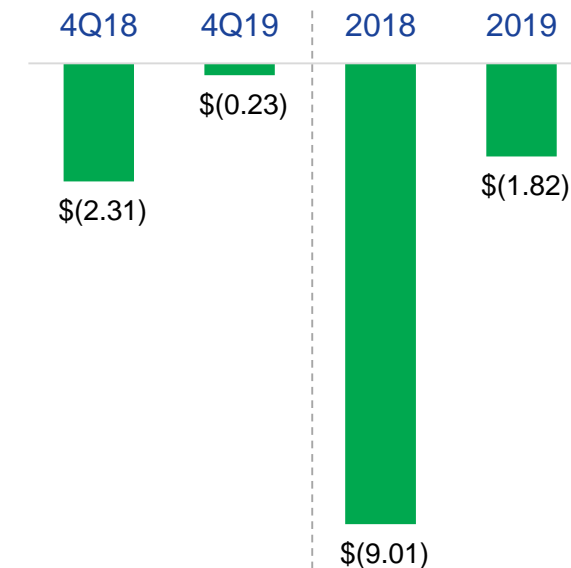
## Total Revenues (\$M)



## Adjusted EBITDA<sup>1</sup> (\$M)



## Loss per Share



Improved Financial Performance Resulting from Business Transformation Efforts

# Restructured, Laddered Debt Maturity Schedule

## Highlights as of 10/31/19

- Restructured debt maturity schedule; loan facility from Orion Energy Partners
- Recurring revenue from completed generation projects to fund term loan repayment
- \$39.8M total cash, restricted cash, and equivalents as of 10/31/19
  - \$9.4M: cash and equivalents
  - \$3.5M: restricted cash and equivalents
  - \$26.9M: long-term restricted cash and cash equivalents



Debt Maturities Aligned to Cash Flow Generated from Project Completions





# Introducing the Transformational Strategy

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# Series of Steps Taken to Right-size and Strengthen Organization

2019

## KEY ACCOMPLISHMENTS THROUGHOUT THE YEAR



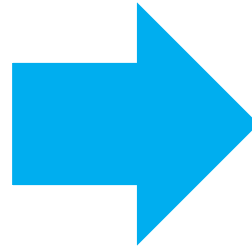
Recent Strategic Actions Position FuelCell Energy for Long-term Success

# Jason Few Assumed Role of CEO in Aug. 2019; Served as a Director Since Nov. 2018



## OBSERVATIONS

- Strong manufacturing and engineering expertise; over 250 MW of power plants operating 24/7
- Extensive Intellectual Property (IP) portfolio
- Culture of continuous technology innovation
- Unique business model resulting in long-term relationships
- Significant backlog with opportunity to increase revenue
- Strong macro trends supporting fuel cell technology



## OPPORTUNITIES

- Leverage unrivaled technology for ultra-clean baseload power
- Demonstrate commercial success
- Develop business opportunities in Hydrogen and sub-megawatt categories
- Strengthen the culture of accountability
- Scale the Sales organization
- Optimize manufacturing operations; new COO appointed in June of 2019
- Potential to develop additional global opportunities

**Leverage True Potential of FuelCell Energy to Achieve Pathway to Profitable Growth**



# Seasoned Leadership Team with Deep Industry Expertise



**Jason Few**  
President and  
Chief Executive Officer  
**Joined:** 2019



**Jennifer  
Arasimowicz**  
EVP, General Counsel  
and Corporate Secretary  
**Joined:** 2012



**Michael Bishop**  
EVP, Chief Financial  
Officer and Treasurer  
**Joined:** 2003



**Michael Lisowski**  
EVP, Chief Operating  
Officer  
**Joined:** 2001



**Anthony Leo**  
EVP, Chief Technology  
Officer  
**Joined:** 1978

New to FCEL within  
last 1 year

New appointment  
within last 1 year

**Committed to Flawless Project Execution and Achieving Pathway to Growth**

# Long-term Macro Trends Supporting Clean Energy



## Sustainable Clean Energy

Renewable energy exceeded coal for the first time by providing 23% of U.S. power generation, compared to coal's 20% share<sup>1</sup> in April 2019

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FuelCell Energy to benefit from broader shift towards consumption of clean energy/power generation

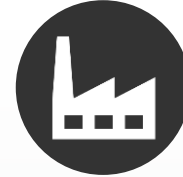


## Grid Resiliency and Reliability

Intermittency of power resources, natural disasters, and events such as the California fires have increased public awareness of grid limitations

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FuelCell Energy's on-site power generation solutions are ideal for installations requiring continuous 24/7 power such as hospitals, schools, and large businesses



## Carbon Reduction

Paris Climate Agreement: global economies committed to become carbon neutral by 2050

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FuelCell Energy has the only technology in the world that produces power while capturing carbon, the best technology today to achieve this 2050 goal



## Regulatory Support

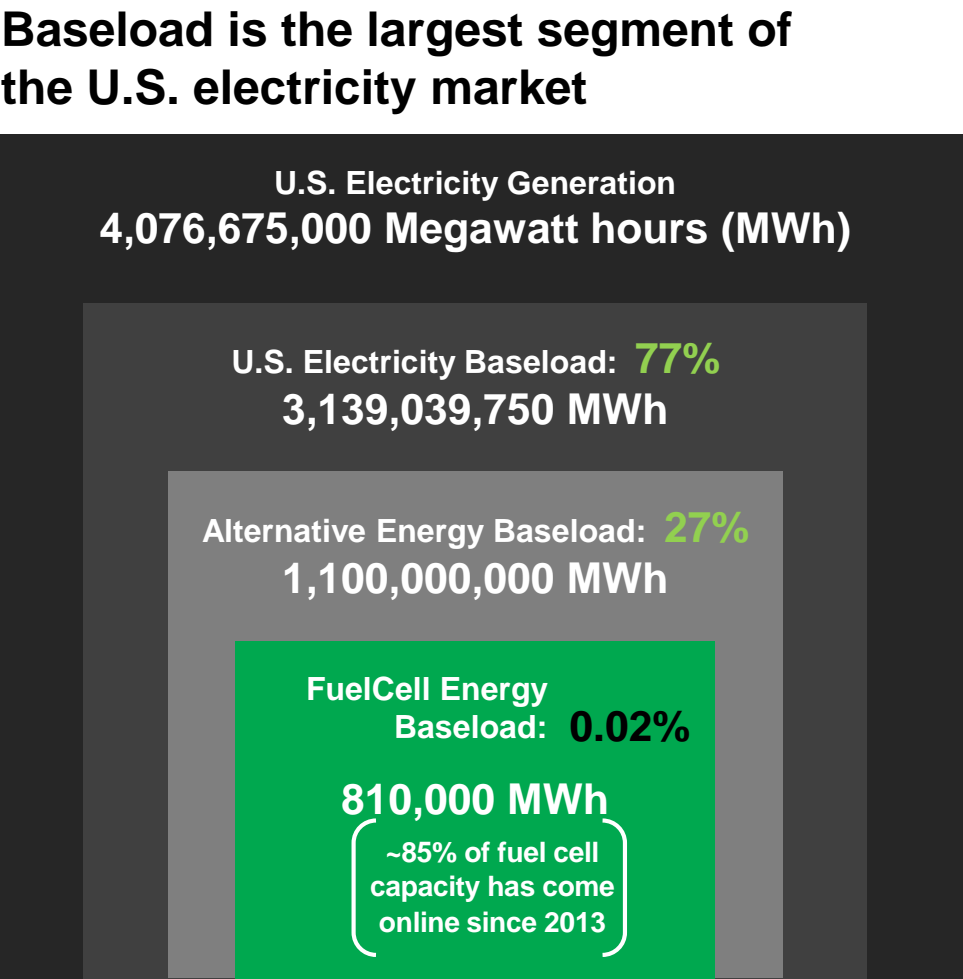
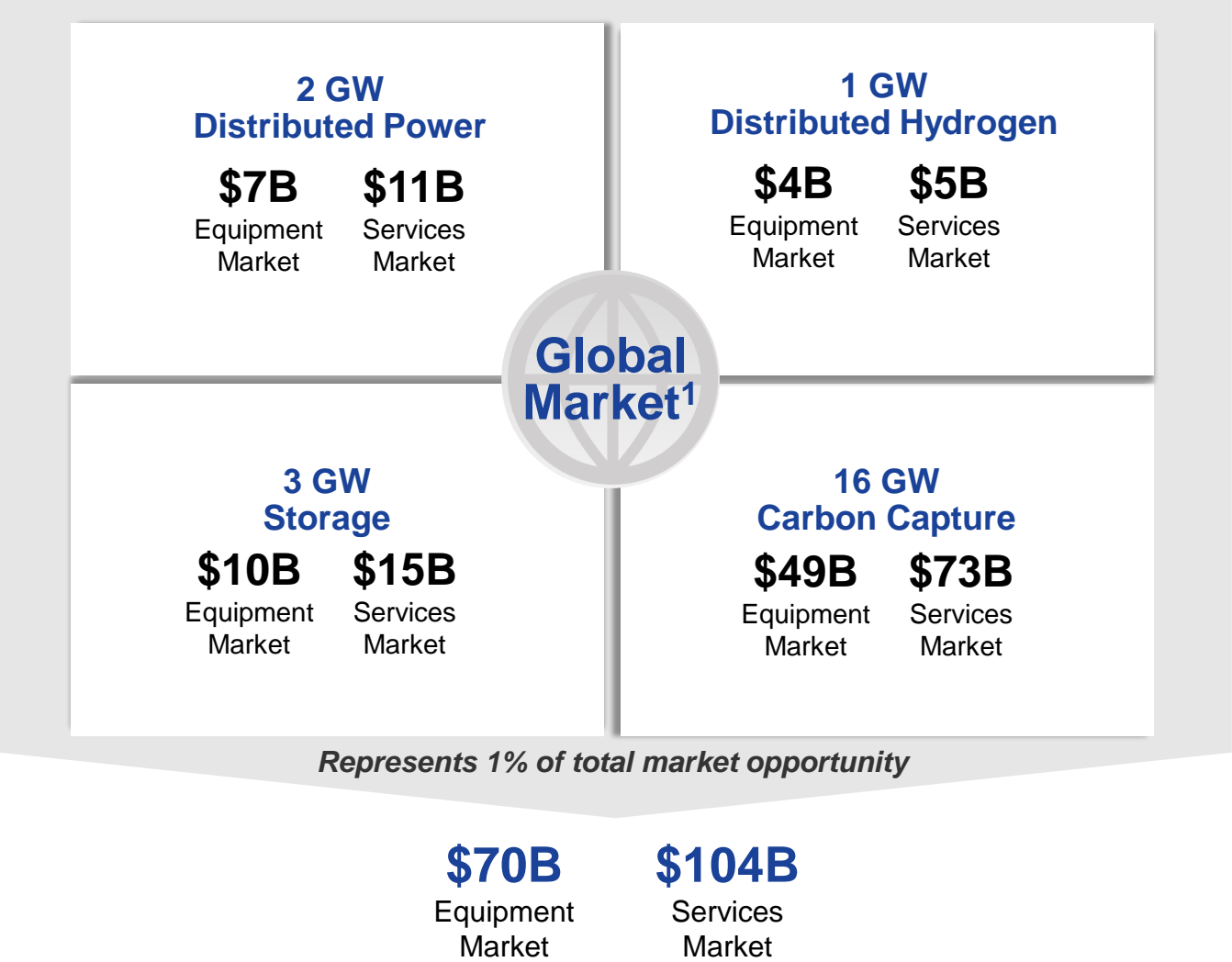
State and local governments are driving clean energy and climate policies; in 2018 more than 90 U.S. cities and towns have committed to sourcing their electricity from 100% renewables<sup>2</sup>

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FuelCell Energy supports the environmental objectives of state and local government

## Well Positioned to Meet Growing Demand

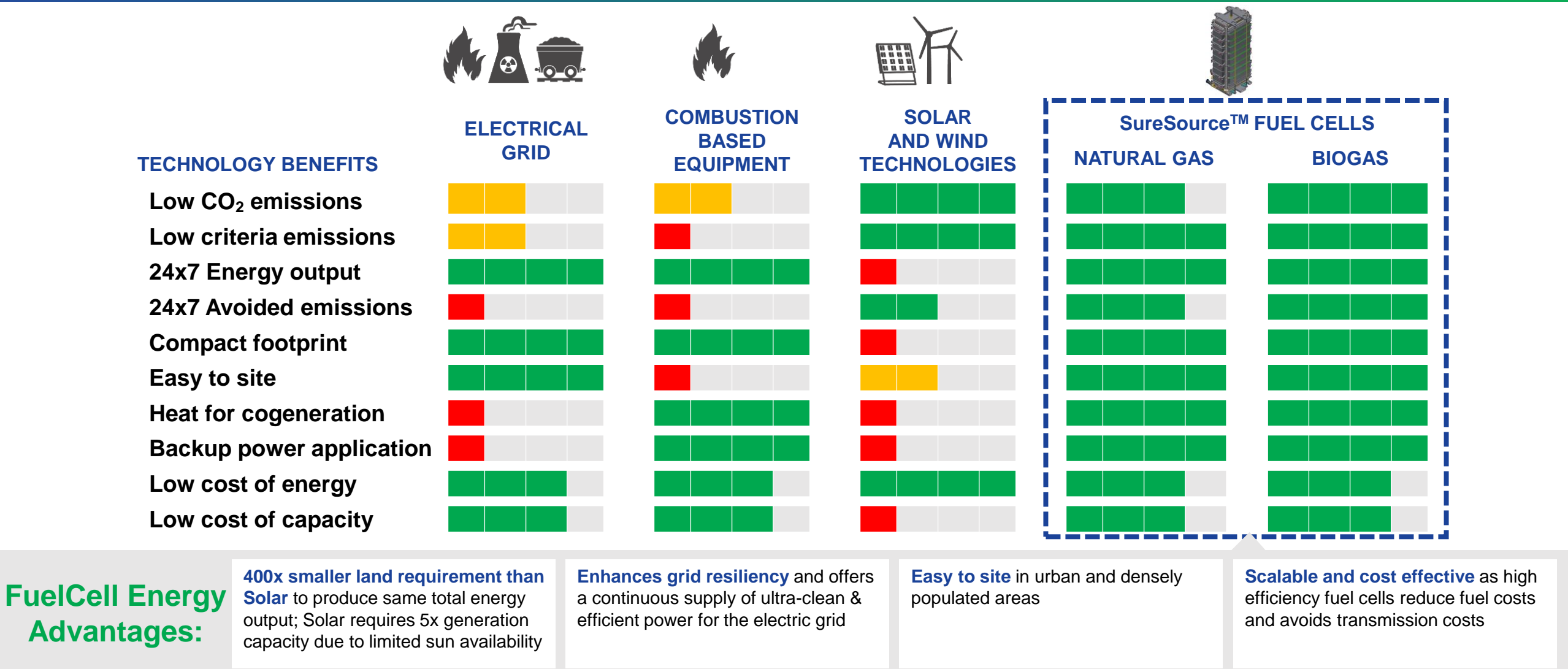
# FuelCell Energy Market Opportunity – Generation, Equipment Sales & Service



**Significant Potential to Expand Market Adoption**

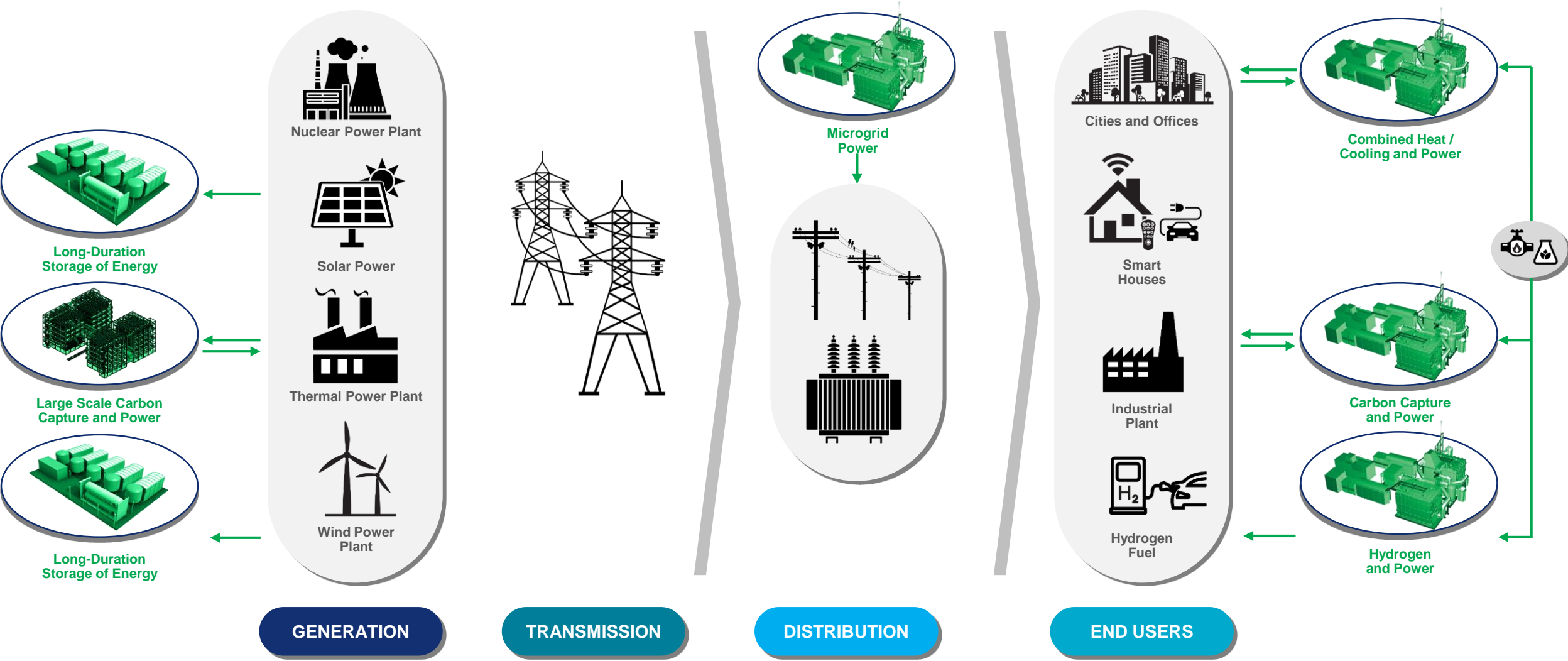


# Unrivaled Technology to Meet Future Energy Requirements



# The Evolving Energy Grid

FUEL CELL TECHNOLOGY A GROWING SOURCE OF CLEAN, RELIABLE POWER FOR MICROGRID SOLUTIONS, CARBON CAPTURE AND ENERGY STORAGE

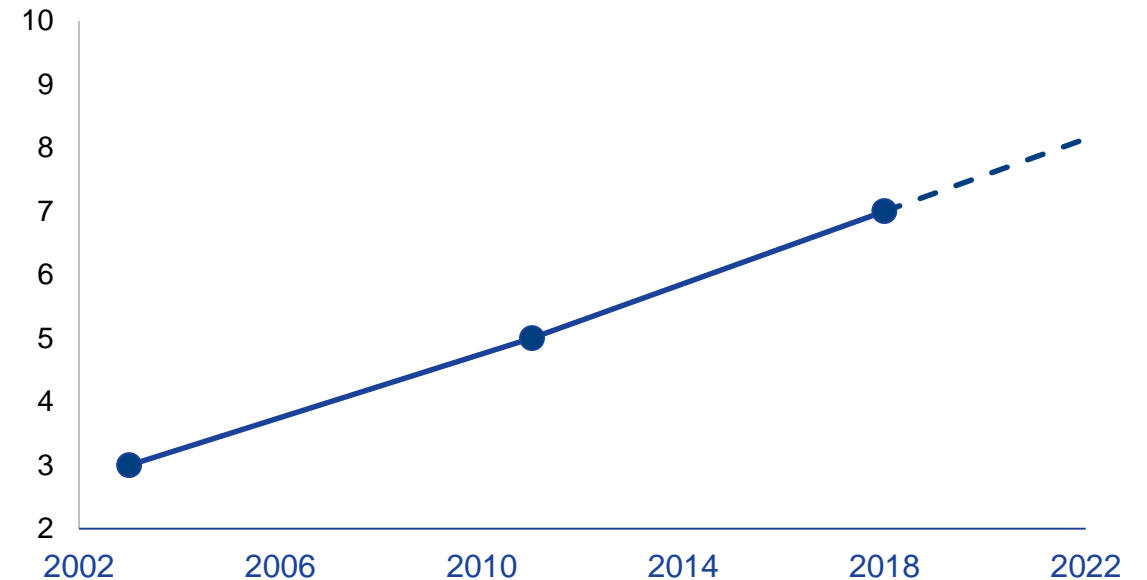


# Translating R&D Efforts to Production of Advanced Fuel Cell Stacks

## Launched 7-Year Extended-Life Stack Modules

- Leading the industry in stack life among high temperature fuel cell suppliers
- Shifted production from 5-year to 7-year life stack design in 2018
- 40% increase in kWh output expected from each stack before module refurbishment
- 40% decrease in effective cost expected per kWh output from longer-life stacks, significantly reducing operating costs and driving customer value

Expected Service Life of Carbonate Fuel Stack<sup>1</sup>  
(in years)



Ever-improving Designs Are Reducing Costs, Making Fuel Cells More Economical



# Announcing Transformation Strategy: *Powerhouse*



On a Three-year Execution Path to Transform The Company

# Powerhouse Phase I: Transform

## Phase I: Transform

- ✓ **Restructured our management:** Appointed Jason Few as CEO, Michael Lisowski to COO and Anthony Leo to CTO
- ✓ **Secured funding:** \$200M senior secured credit facility with Orion Energy Partners to support execution of current projects and provide balance sheet strength and liquidity
- ✓ **Restructured organization:** Ended engagement with Huron Consulting
- ✓ **Delivered cost savings:** Realized annualized operating savings of approximately \$15 million through the restructuring of our business
- ✓ **Refinanced debt:** Repaid substantial portion of short-term debt with funds from combination of sales of common stock and long-term credit facility with Orion Energy Partners



**Financial Flexibility to Support Long-term Strategy**



# Powerhouse Phase II: Strengthen



## Phase II: Strengthen

- **Capital deployment:** Continue to focus on disciplined capital deployment and obtaining lower-cost, long-term financing for completed generation projects
- **Commercial excellence:** Strengthen customer relationships and build a customer-centric reputation
- **Operational excellence:** Implement a rigorous approach to backlog execution and delivery on time and on budget
- **Cost reductions:** Focus on continued lean resource management and cost reduction opportunities



**Strengthen the Business and Maximize Operational Efficiencies**



# Powerhouse Phase III: Grow



## Phase III: Grow

- **Sales growth:** Increase product sales with key strategic customers; grow service revenue through pricing strategy, improving cost of ownership for customers, and enhancing service solutions
- **Innovation:** Further increase product life and reliability; and expand commercialization of new technologies such as carbon capture, hydrogen, biofuels, and solid oxide systems
- **Segment leadership:** Capitalize on expertise and competitive advantages in key markets—biofuels, microgrid development, and hydrogen economy expansion
- **Education:** Ensure Legislators, Regulators and Environmental Organizations understand benefits of FuelCell SureSource™ platforms
- **Geographic and Market expansion:** Continue to develop clean and renewable energy partnerships; pursue growth in Asia and Europe



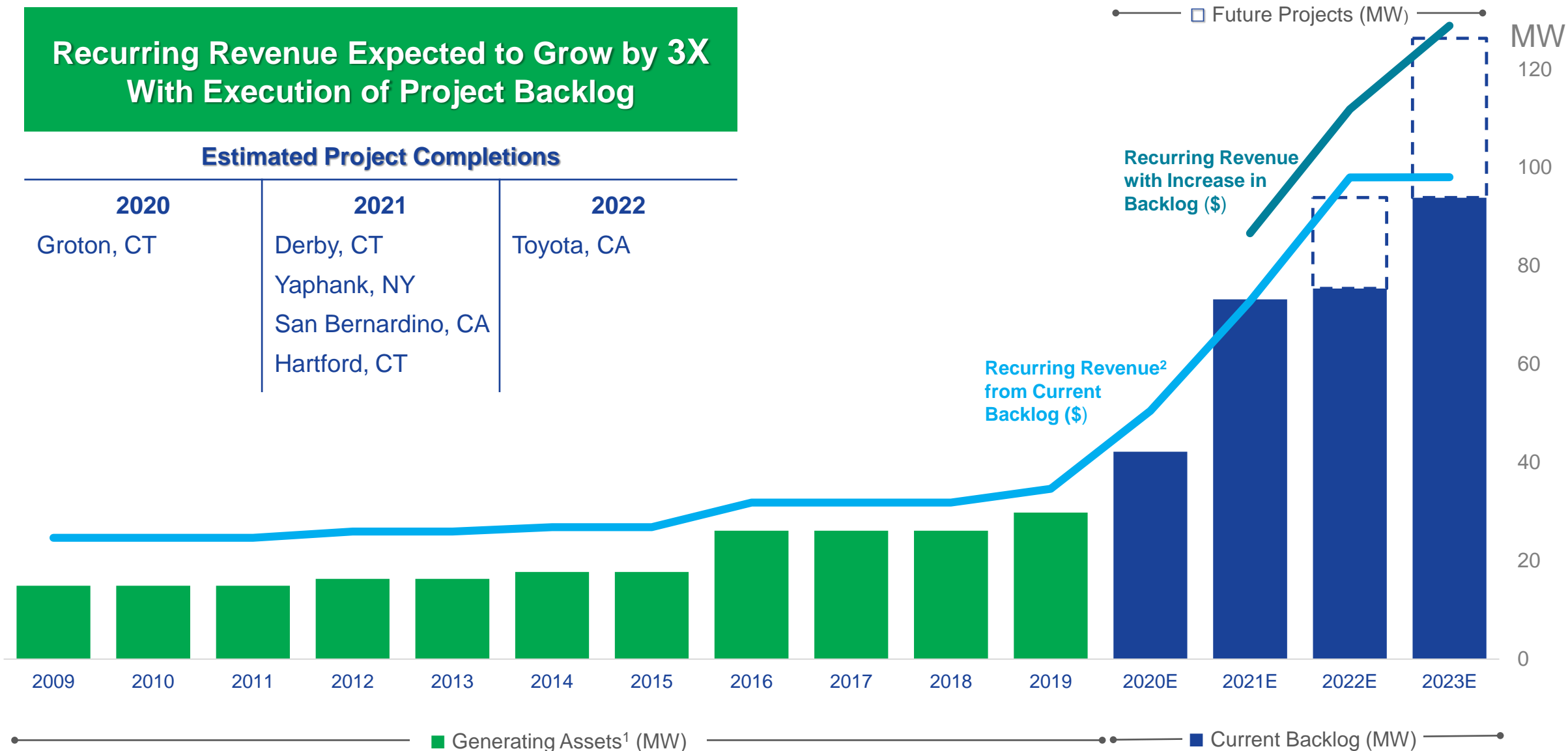
**Capture Growth Opportunities by Leveraging Core Strengths and Partnerships**

# Orion Energy Partners Funding in Place to Support Execution of Backlog

Recurring Revenue Expected to Grow by 3X  
With Execution of Project Backlog

Estimated Project Completions

2020	2021	2022
Groton, CT	Derby, CT Yaphank, NY San Bernardino, CA Hartford, CT	Toyota, CA



# Long-Term Targets and Goals

	FY 2022 Targets	Future Goals
Grow Generation Portfolio	100%	<ul style="list-style-type: none"><li>Achieve grid parity</li><li>Positive EBITDA</li><li>Positive free cash flow</li><li>Deliver return on invested capital</li></ul>
Revenue Growth	Double-digit CAGR	
Adjusted EBITDA	Deliver Positive Adjusted EBITDA	

## Keys to Business Plan Achievement:

- Execution on project backlog
- Winning new business around the world
- Continued cost control
- Achieving project milestones
- Efficient capital deployment

Strengthened Financial Position Will Enable Profitable Growth



# Key Investment Highlights



1

**Strengthened balance sheet with funding secured** to deliver long-term projects to generate recurring revenue

2

**New leadership committed to project execution,** achieving financial milestones and operational efficiencies

3

**Unrivaled technology** for ultra-clean, reliable and scalable baseload power

4

On a three-year path of execution to **Transform, Strengthen and Grow** the organization for long-term success



# Q&A



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# Appendix





# GAAP to Non-GAAP Reconciliation

(Amounts in thousands)	Three Months Ended October 31,		Year Ended October 31,	
	2019	2018	2019	2018
Net loss	\$ (35,179)	\$ (14,096)	\$ (77,568)	\$ (47,334)
Depreciation	4,034	2,123	12,353	8,648
Provision/(Benefit) for income taxes	20	5	109	(3,015)
Other income, net <sup>(1)</sup>	(649)	(200)	(93)	(3,338)
Interest expense	2,816	2,421	10,623	9,055
EBITDA	\$ (28,958)	\$ (9,747)	\$ (54,576)	\$ (35,984)
Impairment expense	17,520	-	20,360	-
Stock-based compensation expense	479	929	2,804	3,238
Adjusted EBITDA	\$ (10,959)	\$ (8,818)	\$ (31,412)	\$ (32,746)

(1) Other income, net includes gains and losses from transactions denominated in foreign currencies, changes in fair value of embedded derivatives, and other items incurred periodically, which are not the result of the Company's normal business operations.

# 2019 Accomplishments and Highlights

## FuelCell Energy Announces New Carbon Capture Project with Drax Power Station

*June. 27, 2019*

“Carbon capture using FuelCell Energy’s solution is a potential game-changer for affordability and efficiency of concentrating and capturing carbon dioxide from emitters,” said Tony Leo, Executive Vice President and Chief Technology Officer, FuelCell Energy

## FuelCell Energy & E.ON Business Solutions Announce an Agreement to Develop the European Market

*Oct. 3, 2019*

“We are excited to partner with E.ON for the continued advancement of our fuel cell multi-featured platform in Europe,” commented Jason Few, President and Chief Executive Officer of FuelCell Energy

## ExxonMobil, FuelCell Energy Expand Agreement for Carbon Capture Technology

*Nov. 6, 2019*

“This expanded agreement with FuelCell Energy will enable further progress on this unique carbon capture solution that has the potential to achieve meaningful reductions of carbon dioxide emissions from industrial operations.” said Vijay Swarup, VP of research and development for ExxonMobil Research and Engineering Company.

## FuelCell Energy Announces New \$200 Million Strategic Corporate Loan Facility with Orion Energy Partners

*Dec. 6, 2019*

We are pleased to announce this new partnership with FuelCell Energy and look forward to supporting their continued growth as a world leader for reliable, low carbon, base-load distributed power generation,” said Gerrit Nicholas, Co-Founder and Managing Partner of Orion Energy

## Progress on U.S. Naval Submarine Base Project; Green Bank Provides Additional Financing

*Dec. 20, 2019*

“FuelCell has pivoted to executing on our future, we are focused on executing our core business, exceeding customer expectations, and delivering on and adding to our significant project backlog, including this mission critical project for CMEEC and the U.S. Naval Submarine Base in Groton,” noted Jason Few, President and CEO of FuelCell Energy

## Tulare Project Begins Commercial Operation; Supports Achievement of Key Sustainability Goals

*Dec. 27, 2019*

“I am proud of our team for delivering the **Tulare Biogas Project**. Globally, our solution delivers renewable and affordable power at a scale that is meaningful to communities and the utilities that serve them,” said **Jason Few**, President and CEO, FuelCell Energy