



# Capital Senior Living

A leading Owner-Operator of Senior Living  
Communities and Services

DISCOVER *the difference*

# Forward-Looking Statements & Non-GAAP Financial Measures



## **Forward Looking Statements:**

*The forward-looking statements in this presentation are subject to certain risks and uncertainties that could cause results and financial condition to differ materially from those indicated in the forward-looking statements, including, but not limited to, the Company's ability to generate sufficient cash flow to satisfy its debt and lease obligations and to fund the Company's capital improvement projects to expand, redevelop, and/or reposition its senior living communities; the Company's ability to obtain additional capital on terms acceptable to it; the Company's ability to satisfy its short- and long-term working capital needs with available cash and cash flows from operations, supplemental debt financings, additional proceeds from debt refinancings, and proceeds from the sale of assets; the Company's ability to extend or refinance its existing debt as such debt matures; the Company's compliance with its debt and lease agreements, including certain financial covenants, and the risk of cross-default in the event such non-compliance occurs; the Company's ability to complete acquisitions and dispositions upon favorable terms or at all; the risk of oversupply and increased competition in the markets which the Company operates; the risk of increased competition for skilled workers due to wage pressure and changes in regulatory requirements; the departure of the Company's key officers and personnel; the cost and difficulty of complying with applicable licensure, legislative oversight, or regulatory changes; the risks associated with a decline in economic conditions generally; the adequacy and continued availability of the Company's insurance policies and the Company's ability to recover any losses it sustains under such policies; changes in accounting principles and interpretations; and the other risks and factors identified from time to time in the Company's reports filed with the Securities and Exchange Commission ("SEC"), to differ materially, including, but not without limitation to, the Company's ability to complete the refinancing of certain of our wholly owned communities, realize the anticipated savings related to such financing, find suitable acquisition properties at favorable terms, financing, licensing, business conditions, risks of downturns in economic conditions generally, satisfaction of closing conditions such as those pertaining to licensures, availability of insurance at commercially reasonable rates and changes in accounting principles and interpretations among others, and other risks and factors identified from time to time in our reports filed with the Securities and Exchange Commission.*

*The Company assumes no obligation to update or supplement forward-looking statements in this presentation that become untrue because of new information, subsequent events or otherwise.*

## **Non-GAAP Financial Measures:**

*Adjusted EBITDAR is a financial valuation measure and Adjusted Net Income/(Loss) and Adjusted CFFO are financial performance measures that are not calculated in accordance with U.S. generally accepted accounting principles ("GAAP"). Non-GAAP financial measures may have material limitations in that they do not reflect all of the costs associated with our results of operations as determined in accordance with GAAP. As a result, these non-GAAP financial measures should not be considered a substitute for, nor superior to, financial results and measures determined or calculated in accordance with GAAP. Adjusted EBITDAR is a valuation measure commonly used by our management, research analysts and investors to value companies in the senior living industry. Because Adjusted EBITDAR excludes interest expense and rent expense, it allows our management, research analysts and investors to compare the enterprise values of different companies without regard to differences in capital structures and leasing arrangements. The Company believes that Adjusted Net Income/(Loss) and Adjusted CFFO are useful as performance measures in identifying trends in day-to-day operations because they exclude the costs associated with acquisitions and conversions and other items that do not ordinarily reflect the ongoing operating results of our primary business. Adjusted Net Income/(Loss) and Adjusted CFFO provide indicators to management of progress in achieving both consolidated and individual business unit operating performance and are used by research analysts and investors to evaluate the performance of companies in the senior living industry. The Company strongly urges you to review the reconciliation of net loss to Adjusted EBITDAR and the reconciliation of net (loss) income to Adjusted Net Income/(Loss) and Adjusted CFFO, on the last page of the Company's second quarter 2018 earnings release dated July 31, 2018, along with the Company's consolidated balance sheets, statements of operations, and statements of cash flows, which can be found on the Company's website at [www.capitalsenior.com/investor-relations/press-releases/](http://www.capitalsenior.com/investor-relations/press-releases/)*

# Operational & Financial Highlights



- Q4 2019
  - Revenue stabilized in Q4 2019 at \$108.7M, consistent with Q3 2019 for like communities
  - Rate growth of 0.4% in Q4 compared to prior year.
  - In-place rents increased ~3% year over year.
  - Retention of Executive Directors in 94% of communities since October 2019.
  - Reputation score increased to 556 in Q4, compared to 490 in Q3 – far surpassing the industry standard score of 475.
  - On October 1, the Company sold two non-core independent living communities for approximately \$64.8 million, generating \$14.8 million in net cash proceeds and eliminating \$44.4 million of mortgage debt.
- Q1 2020
  - The Company reached agreements with all three of its landlords for early terminations of its Master Leases. When the transitions are complete, the agreements are expected to improve the Company's cash flow by approximately \$22.0 million and all related lease liabilities, which were approximately \$253.0 million at December 31, 2019, will be eliminated.
  - On March 31, 2020 the Company expects to close the sale of a non-core community in Indiana, resulting in approximately \$6.8 million in net cash proceeds.

# Capital Senior Living at a Glance



124  
Communities  
63% Owned



12,000+  
Residents  
Served



30+  
Year  
History



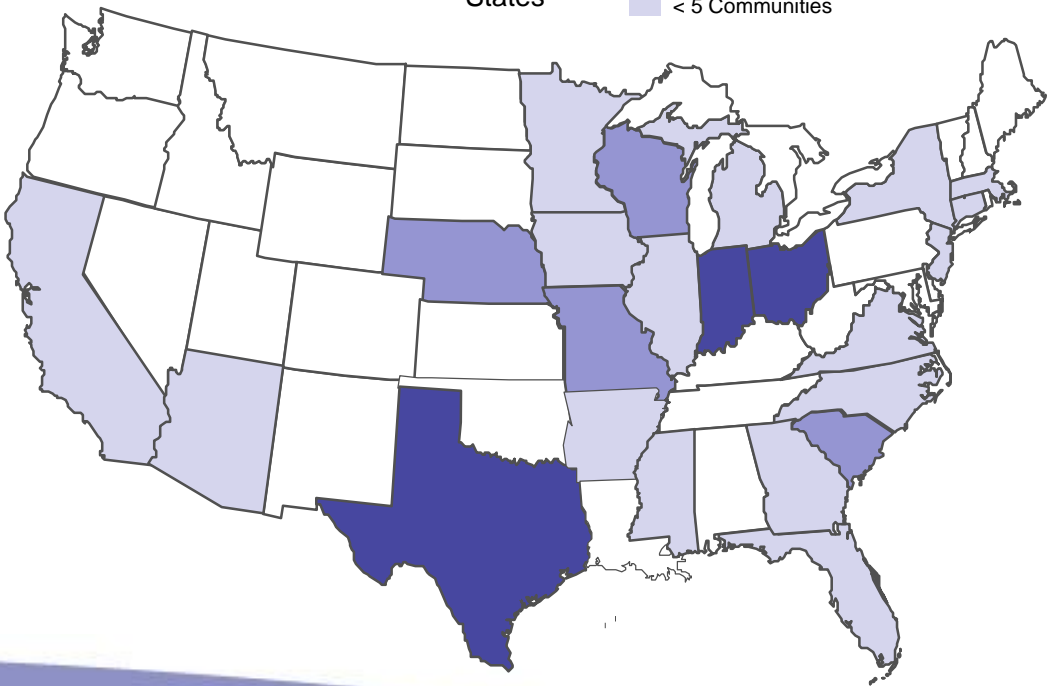
\$442MM  
2019 Revenue



6,600+  
Employees

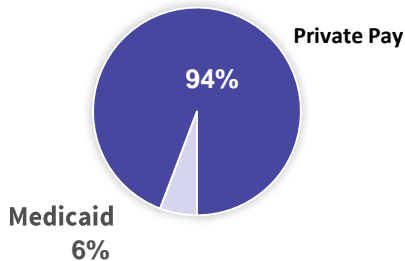
23  
States

- 15+ Communities
- 5 - 14 Communities
- < 5 Communities

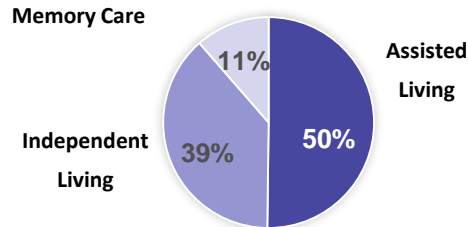


- Dallas-based **Capital Senior Living** is one of the nation's largest operators of independent living, assisted living and memory care communities for senior adults.
- Capital Senior Living** provides seniors the freedom and opportunity to successfully, comfortably and happily age in place.

Attractive Private Pay Focus  
% of Revenue



Balanced Unit Mix\*



Notes: Portfolio information as of September 30, 2019; excludes two communities sold on October 1, 2019.

\*Unit mix as of December 31, 2018.

DISCOVER *the difference*

## 2019-2021 Strategy



### STABILIZE

#### *Execution Excellence*

- Quality
- Systems & Analytics
- Operational Leadership
- Talent and Retention
- Scale
- Operating Standards

### INVEST

#### *Resident-Centric Experience*

- Community upgrades and conversions to AL & MC
- Innovative and Differentiated Resident Programming
- Population Health and Wellness
- Technology

### NURTURE

#### *Commercial Excellence*

- Local brand preference
- Lead generation and sales
- Digital Transformation and customer engagement
- Performance-based media strategies

### GROW

#### *Market Opportunities*

- Same store organic growth
- Accretive acquisitions in attractive geographically concentrated markets



# 2019: Strengthened Operational Foundation



## Quality

- All assets "Rent ready"
- Rates stabilized, minimal discounting
- Care assessments & fees standardized
- Resident acuity guidelines confirmed
- Staffing models established
- Peer Review program implemented



## Operational Leadership

- Fresh, experienced talent in key operating roles
- Span of control optimized to effectuate turnaround
- New sales structure, roles, processes & compensation
- Completely refreshed and revitalized marketing team, strategies and tools
- Assets categorized for resource deployment and performance expectations



## Systems & Analytics

- Transition to portfolio-wide operating systems, including Yardi, UltiPro, and TELS for improved transparency, reporting packages, and tools
- Daily reporting and ranking of KPIs by community
- Community-centered CapEx planning, evaluation & funding process



## Talent & Retention

- Implemented several contemporary employee benefit programs
- Market wage adjustments where needed
- New hiring and onboarding processes for community leadership teams
- Established baseline labor utilization targets



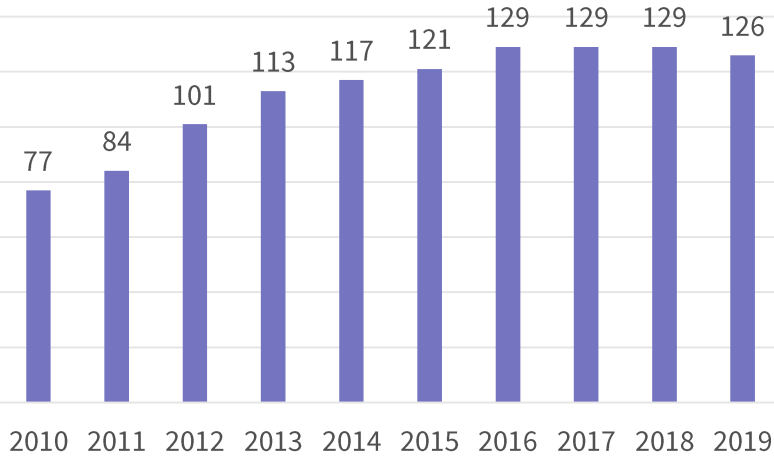
## Operating Standards & Scale

- Operating standards revisited: aesthetics, housekeeping, food service, staffing, clinical P&Ps, management site visit tools, peer review process & tool, sales excellence managers, sales training and expectations
- Capex standards for furniture, flooring, paint, cabinets, appliances
- Key vendor partnerships to drive consistency and leverage scale: DSSI / US Foods / Direct Supply / TELS / Enterprise fleet management

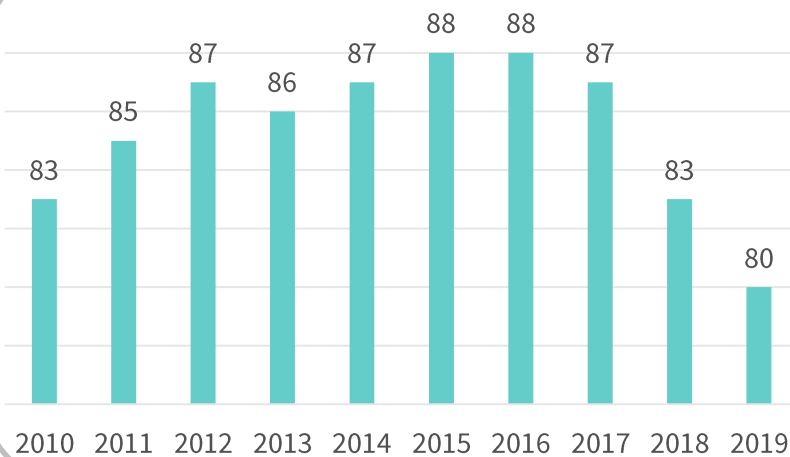
# Strong Operator of Trusted Senior Living Communities



**Total # of Communities Operated**

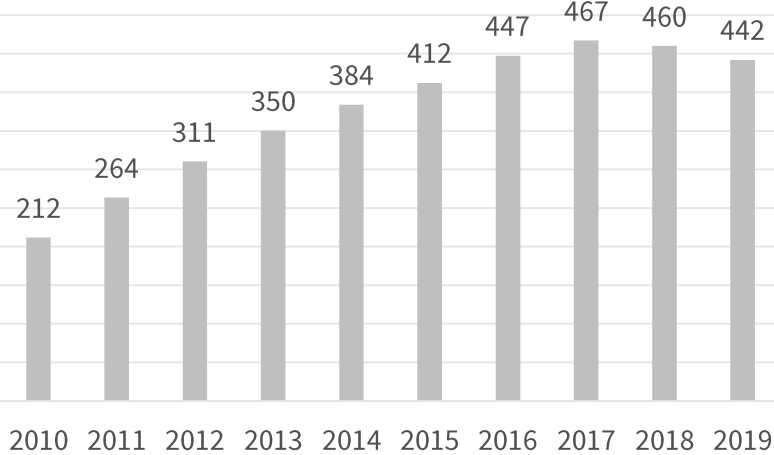


**Occupancy %**



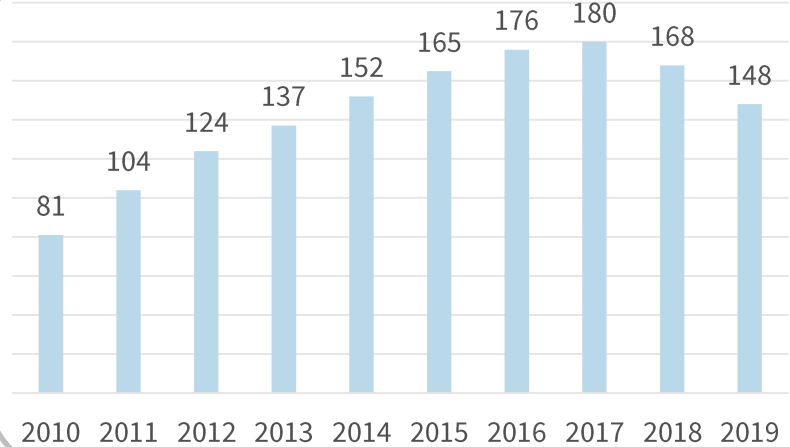
**Revenue**

*Dollars In Millions*



**NOI**

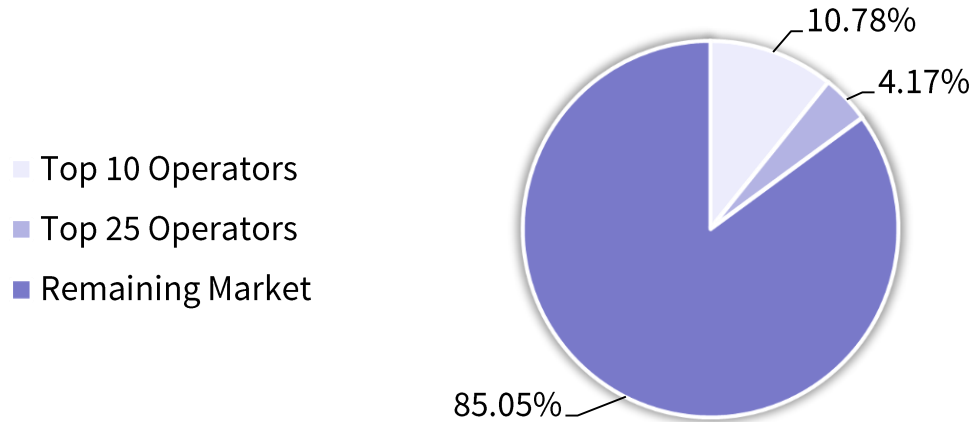
*Dollars In Millions*



- Historical Revenue and NOI growth largely through acquisition.
- In 2014, the company began converting assets from independent living to assisted living / memory care in anticipation of market demand.
- New market construction led to over-supply and significant rate competition in 2015 and continued through 2019.
- In early 2019, the company put in place new leadership, strategy, structure, and focus.
- Significant opportunity for improved performance.

# Economies of Scale in a Highly-Fragmented Market

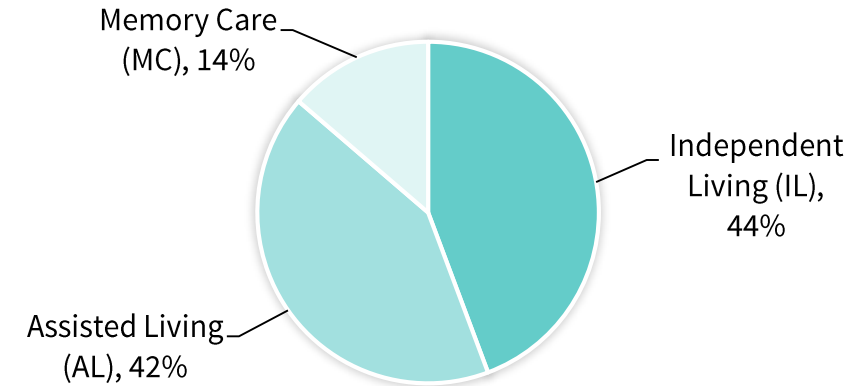
## Senior Housing Operators (by Units)



Approximately 1.6 million units are available in the US senior housing market.  
Source: ASHA 2018 Top 50, company filings and investor presentations.

- Capital Senior Living is one of the few operators able to
  - Institute broad best practices
  - Implement portfolio-wide differentiated programming
  - Utilize scale to achieve cost saving efficiencies
  - Leverage marketing efforts particularly in competitive digital landscape

## Industry Mix by Level of Care (by Units)



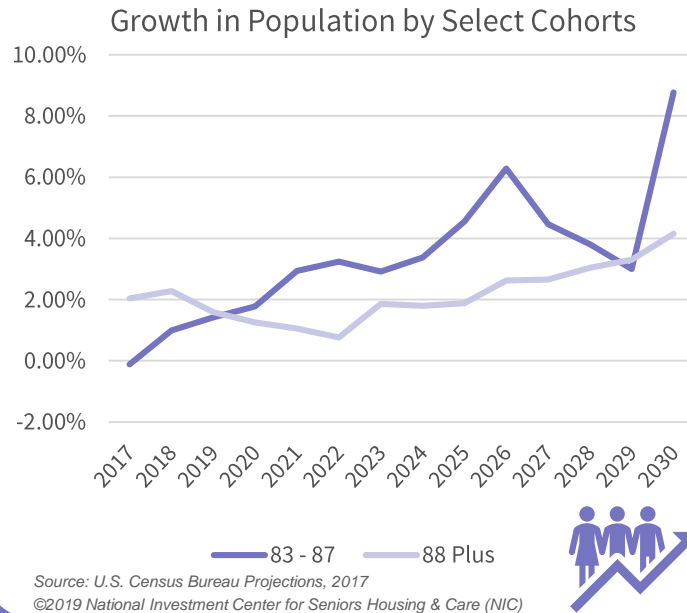
- Heavier mix of assisted living units at Capital Senior Living communities (49.6%) is aligned with growing market need.

Source: NIC Investment Guide, Fifth Edition  
©2019 National Investment Center for Seniors Housing & Care (NIC)



# Market Forces: Aligning Strategy with Key Needs

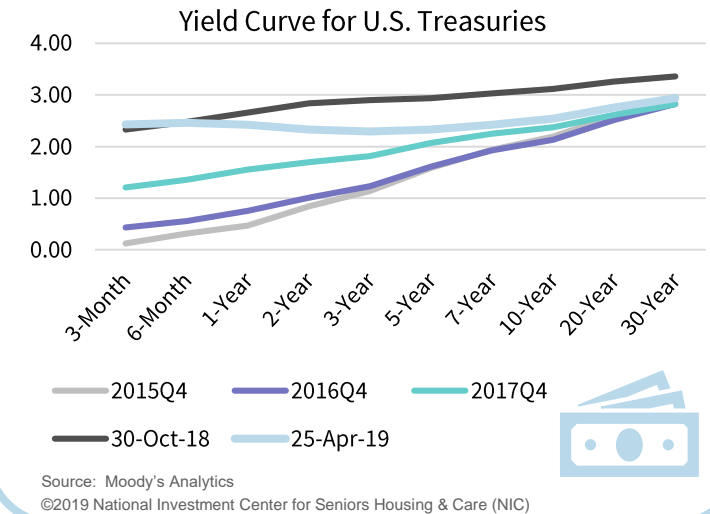
## Growth in target demographics



Rise in dementia and other conditions requiring constant care & monitoring



Macroeconomic conditions and target demographic access to individual wealth

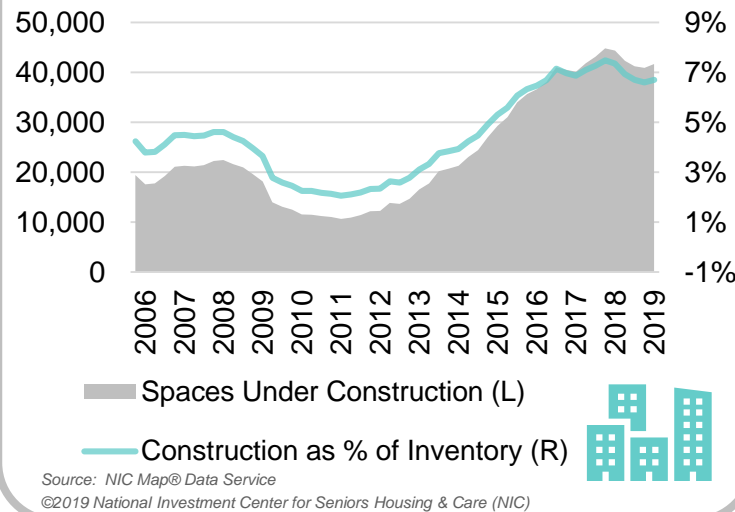


Changing Availability and proximity of family caregivers



## Local market senior housing demand and supply

Seniors Housing Construction | Primary Markets

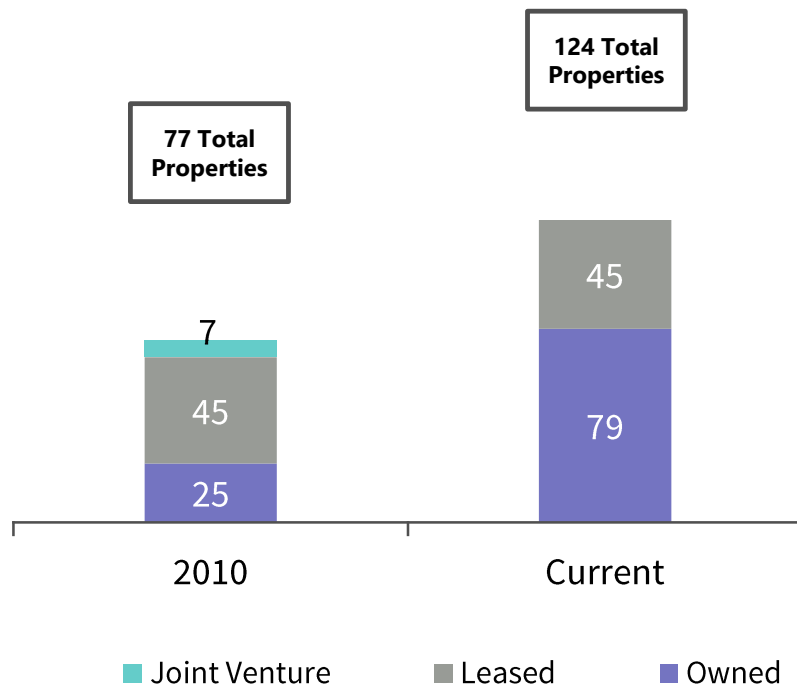


Regulatory and legislative climate with increased focus on senior well-being



# Real Estate Ownership a Key Differentiator

## Ownership Evolution



Current properties reflect ownership after March 31st, 2020 divestiture of Towne Centre.

## Real Estate Ownership Provides Flexibility and Opportunities

- ✓ Value derived from owned real estate while capturing full benefit from operations
  - Stronger margin profile
  - Financed with attractive non-recourse, fixed-rate mortgages with strong coverage ratios
  - Eliminates lease escalators, driving sustainable cash flows
- ✓ Optimizes asset management and financial flexibility
- ✓ Provides the ability to reposition communities
- ✓ Allows CSL to increase loans based on the appreciated value to re-deploy the capital into growth initiatives

# Balance Sheet as of December 31, 2019



Assets (\$ in millions)	
Cash and Securities	\$ 31.7
Other Current Assets	31.5
Total Current Assets	63.2
Fixed Assets	969.2
Other Assets	235.3
<b>Total Assets</b>	<b>\$ 1,267.7</b>

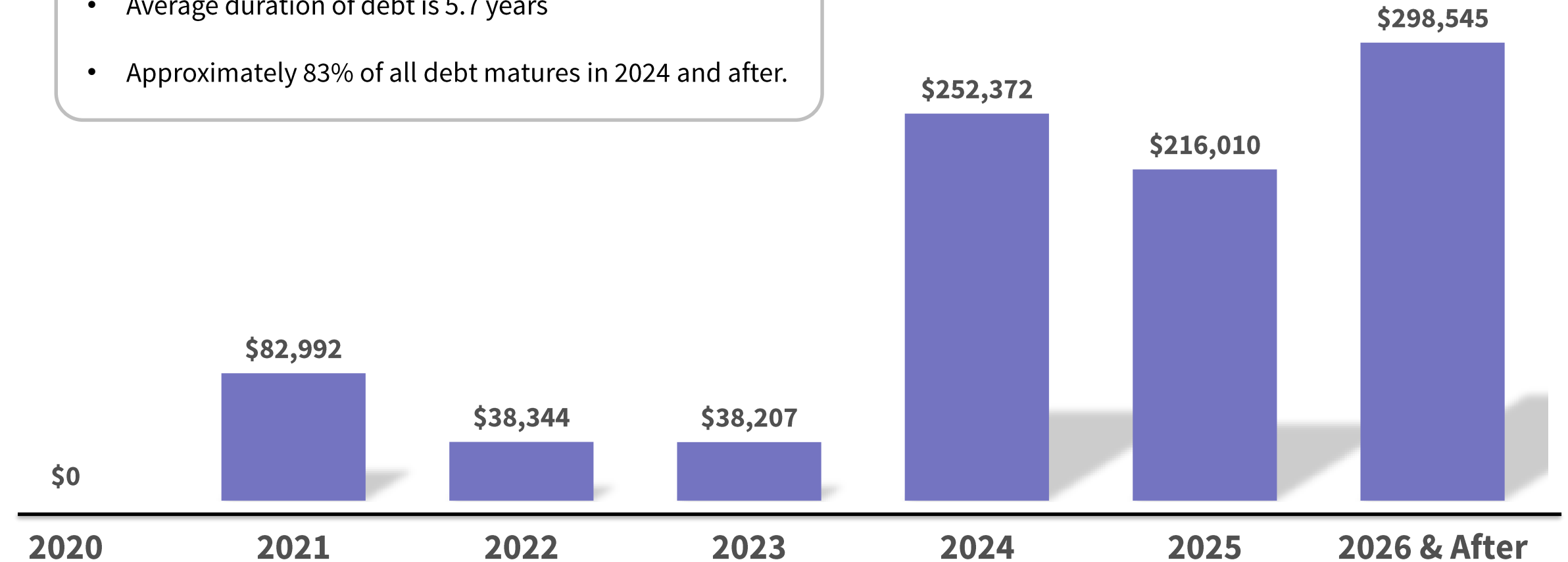
Liabilities & Equity (\$ in millions)	
Current Liabilities	\$ 129.0
Long-Term Debt	905.6
Other Liabilities	218.7
Total Liabilities	1,253.3
Stockholders' Equity	14.4
<b>Total Liabilities &amp; Equity</b>	<b>\$ 1,267.7</b>

Consistent with normal business practices, the Company is engaged in various activities to strengthen our financial foundation and optimize our asset portfolio, including the following:

- Marketing a limited number of additional assets for potential divestiture
- Refinancing existing owned assets

# Debt Maturities

- Average duration of debt is 5.7 years
- Approximately 83% of all debt matures in 2024 and after.



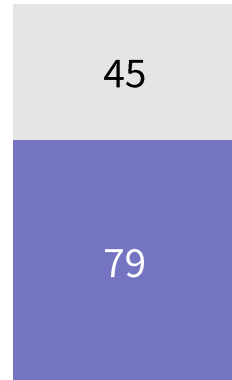
\$ in thousands

# All NNN Leases Terminate On or Before 12/31/2020



## CSU Portfolio

■ Owned ■ Leased



**124 Total Properties**

Current properties reflect ownership after March 31st, 2020 divestiture of Towne Centre.



- Master lease with 10/31/20 maturity date terminates on or before such date (one community transitioned on 1/15/20, others being marketed for sale by HP)
- Master lease with 4/30/26 maturity terminated and communities converted to interim management agreements effective 2/1/20 (communities being marketed for sale by HP)
- Company paid transition fee of \$250k and releases security deposits held by Healthpeak



- Master lease terminates on 12/31/20
- Rent reduced to 75% of contractual rate effective 2/1/20
- Ventas to reimburse Company for up to \$1000/unit of capex until communities transition
- Communities will convert to management agreements if not transitioned by 12/31/20
- Company releases security deposits held by Ventas



- Master leases terminate on 12/31/20
- Rent reduced to 75% of contractual rate, net of reimbursed expenses, effective 2/1/20
- Welltower to reimburse Company for up to \$1000/unit of capex until communities transition
- Communities will convert to management agreements if not transitioned by 12/31/20
- Company releases security deposits held by Welltower

**When all transitions are complete, the Company's cash flow will improve ~ \$22.0M annually, and all related lease liabilities, which were ~ \$253M at 12/31/19, will be eliminated.**



# Strong and Experienced Leadership



**Kim Lody**

Chief Executive Officer, President and Director

Joined CSL Jan 2019

25+ years of experience in healthcare products and service delivery

Held various senior leadership roles in public and private health care companies, including insurance, medical devices, and clinical services. Expertise in leading operational excellence and achieving above-market performance in complex, dynamic markets.

MBA, Wake Forest  
BA, Hiram College



**Carey Hendrickson**

Executive VP  
Chief Financial Officer

Joined CSL May 2014

25+ years of experience in financial leadership

Held various senior leadership roles in FP&A, accounting, treasury, investor relations, corporate communications, business systems, and M&A within large, diversified publicly-held companies; began career in big four public accounting.

MBA, Univ. of Texas, Arlington  
BA, Baylor University



**Brandon Ribar**

Executive VP  
Chief Operating Officer

Joined CSL Sep 2019

15+ years of experience in senior living industry

Held various leadership roles in assisted living companies and roles focusing on healthcare investing where he was responsible for sourcing, underwriting, negotiating, and closing all healthcare investments under management.

BS, Santa Clara University



**Mike Fryar**

Senior VP  
Chief Revenue Officer

Joined CSL Feb 2019

15+ years of experience in healthcare industries; 12+ in senior healthcare industries

Held various leadership roles focusing on brands in complex, multi-channel environments including in medical device and marketing agency settings, with the majority of his career focused in senior healthcare.

BA, Gustavus Adolphus College



**David Brickman**

Senior VP  
General Counsel

Joined CSL Jul 1992

25+ years of experience as General Counsel in senior healthcare industry

Responsible for wide range of legal matters including oversight of regulatory compliance and reporting, contracts, corporate governance, M&A, and claims litigation.

JD MBA, Univ. of South Carolina  
MHA, Duke Univ.



**Jeremy Falke**

Senior VP  
Human Resources

Joined CSL Feb 2018

20+ years of experience in healthcare industry

Held various HR leadership roles in hospitals and large health systems, with overall direction for all components of the people management function and a focus on talent and building great company culture.

MBA, Univ. of Nebraska, Omaha  
BS, Univ. of Phoenix, Scottsdale



**30-years of experience caring for seniors**



**Solid strategy, structure, standards and focus**



**Sizeable, fragmented markets with unmet needs**



**Significant opportunity for near-term operational improvement and long-term growth**



**Owner-operator model provides financial and operational advantages**



**Top talent and emerging culture of learning, collaborating, and winning**

**Current valuation provides a compelling investment opportunity**