



# A Leading Owner-Operator of Senior Living Communities and Services

---

Investor Presentation

May 12th, 2021

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 the Company's actual results and financial condition to differ materially, including, but not limited to, the continued spread of COVID-19, including the speed, depth, geographic reach and duration of such spread, new information that may emerge concerning the severity of COVID-19, the actions taken to prevent or contain the spread of COVID-19 or treat its impact, the legal, regulatory and administrative developments that occur at the federal, state and local levels in response to the COVID-19 pandemic, and the frequency and magnitude of legal actions and liability claims that may arise due to COVID-19 or the Company's response efforts; the impact of COVID-19 and the Company's near-term debt maturities on the Company's ability to continue as a going concern, the Company's ability to generate sufficient cash flows from operations, additional proceeds from debt refinancings, and proceeds from the sale of assets to satisfy its short and long-term debt 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 extend or refinance its existing debt as such debt matures; the Company's compliance with its debt 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, including the transfer of certain communities managed by the Company on behalf of Fannie Mae, Healthpeak, Ventas, and Welltower; the Company's ability to improve and maintain adequate controls over financial reporting and remediate the identified material weakness; 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. For information about Capital Senior Living, visit [www.capitalsenior.com](http://www.capitalsenior.com). 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:**

*In this presentation, the Company utilizes certain financial valuation and performance measures of operating performance, such as Net Operating Income ("NOI"), that are not calculated in accordance with GAAP. Non-GAAP financial measures may have material limitations in that they do not reflect all of the costs associated with the Company's 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. NOI is calculated as revenue less operating expenses exclusive of COVID-19 relief and expenses of (\$7.7M), net. The Company believes NOI is a useful performance measure in identifying trends in day-to-day operations because it excludes the costs associated with acquisitions and conversions and other items that do not ordinarily reflect the ongoing operating results of the Company's primary business. NOI is an important points of analysis when evaluating performance as it provides an indication of the effectiveness of management producing growth in operations from existing assets. NOI provides indicators to management of progress in achieving both consolidated and individual business unit operating performance and is used by research analysts and investors to evaluate the performance of companies in the senior living industry.*

# Leading Operator of Seniors Housing and Services



**68**  
Communities  
**60 Owned**  
**8 Managed**



**6,000+**  
Residents  
Served



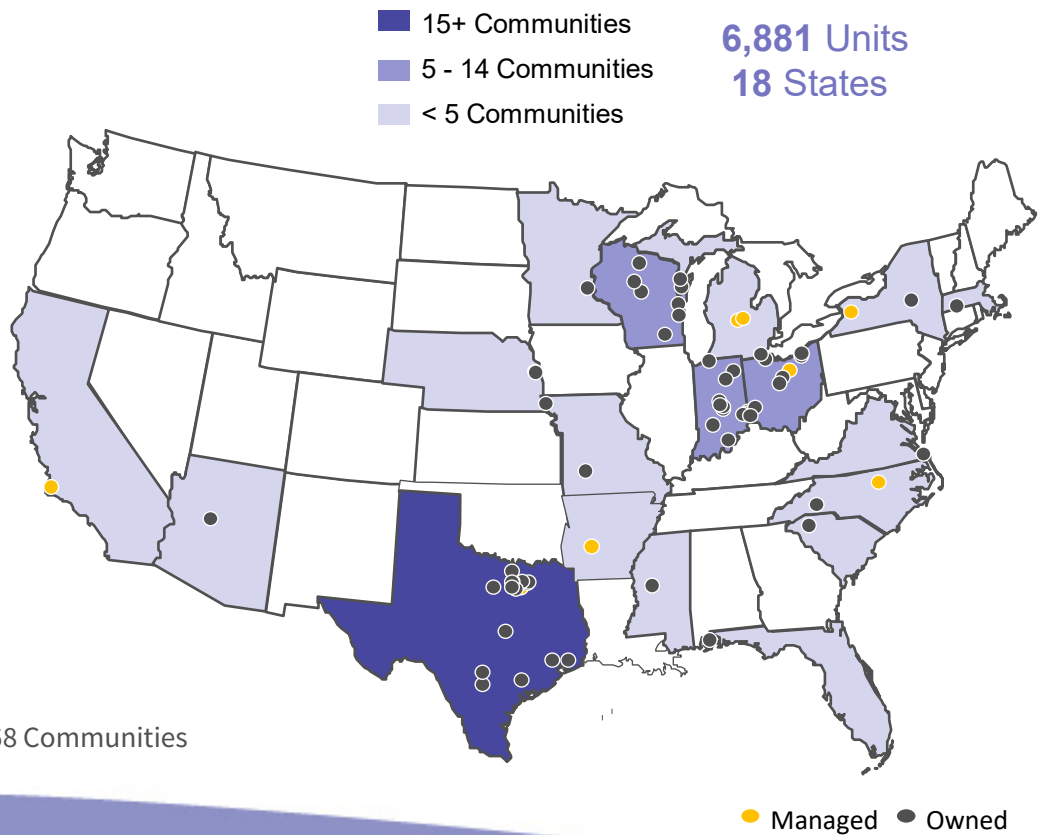
**30+**  
Year  
History



**80.5%**  
2020 Occupancy  
60 owned communities

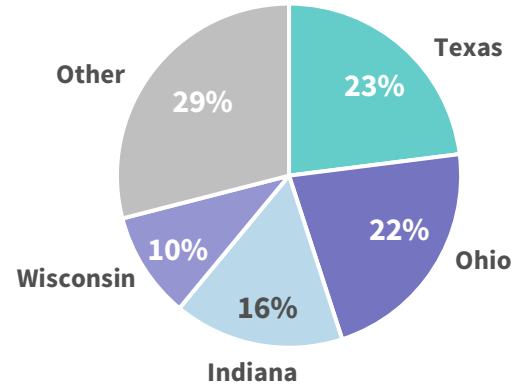


**3,200+**  
Employees

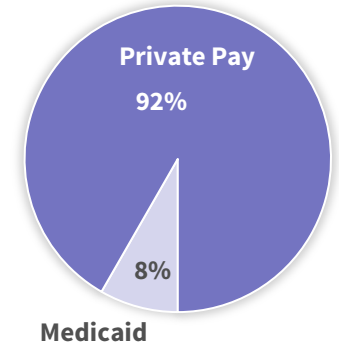


68 Communities

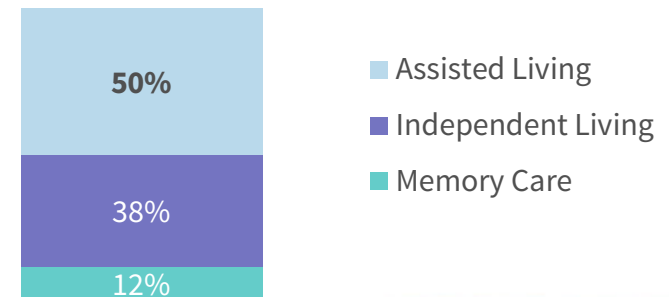
## Attractive Markets and Resident Demographic<sup>1,2</sup>



## Attractive Private Pay Focus<sup>1</sup>



## Balanced Unit Mix Supports Target Market Profile<sup>1</sup>



DISCOVER *the difference*

<sup>1</sup>Data for 60 Owned Communities  
<sup>2</sup>Full Year 2020 Revenue

## Vaccine Distribution



**93%** of residents are **vaccinated** and COVID cases have declined nearly 100%

## Consumer Demand



Progressive **improvements in occupancy— 75.5% for the first quarter 2021 and 76.9% for the month of April** – indicating that the post-COVID recovery has begun

## Normalized Operations



**100% of communities are open** to new residents and are safely conducting group activities and social events

## Redefined Portfolio



Closed the quarter with our **redefined core portfolio of 60 owned communities** marking the completion of our community transition strategy

## Debt Extinguishment



Completed the transition of legal ownership of three communities back to Fannie Mae, recording **a gain on extinguishment of debt of \$47.0 million**

## Differentiated Programming

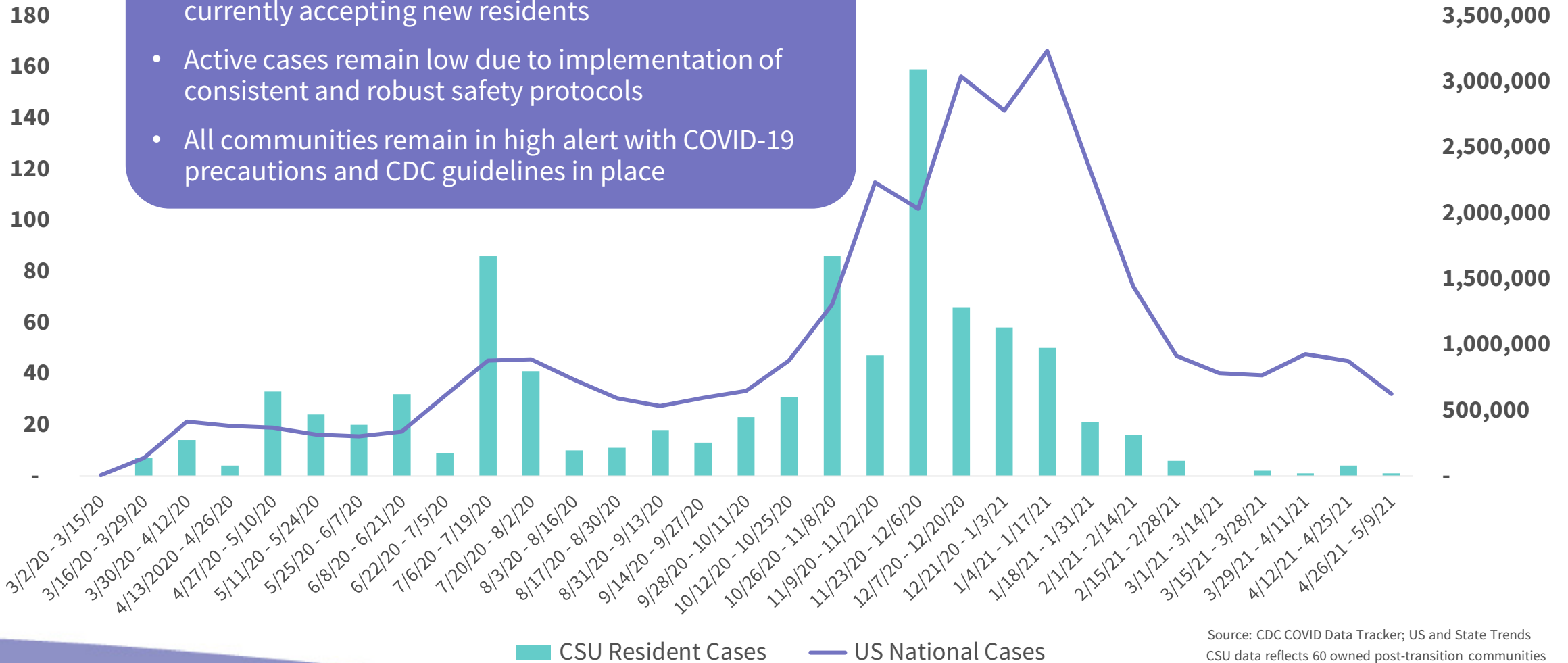


Continued **implementation of differentiated programming** across the portfolio, including Magnolia Trails (dementia care) and evidence-based wellness and educational programs

# COVID-19 Cases Down ~100% and Community Operations Normalizing



- 100% of Capital Senior Living communities are currently accepting new residents
- Active cases remain low due to implementation of consistent and robust safety protocols
- All communities remain in high alert with COVID-19 precautions and CDC guidelines in place



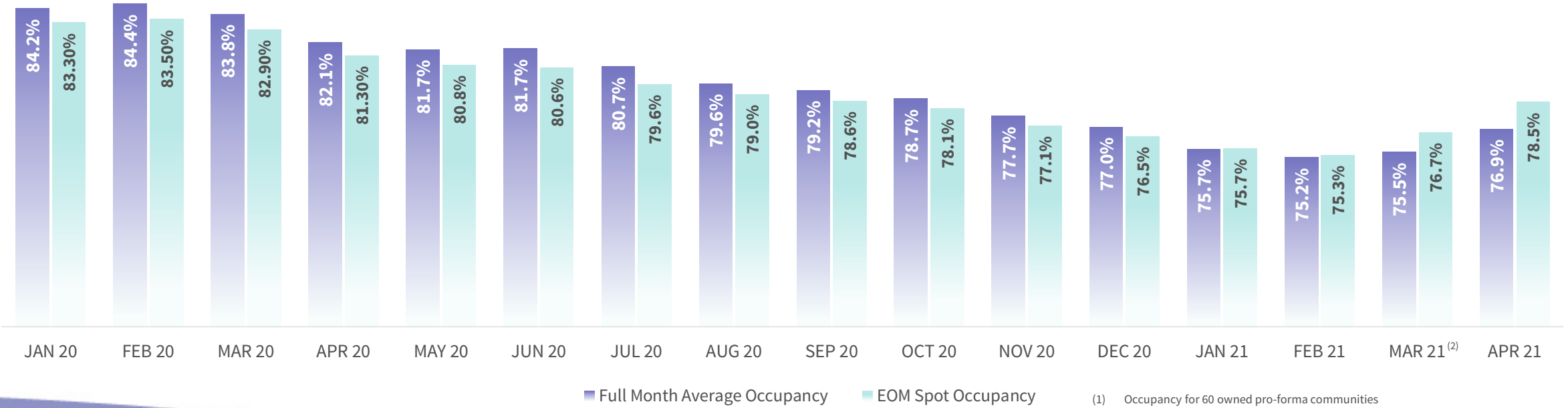
Source: CDC COVID Data Tracker; US and State Trends  
 CSU data reflects 60 owned post-transition communities

# Q1 2021 Occupancy Inflection Point



- Rapid distribution of the COVID-19 vaccination in Q1 2020 led to significant declines in COVID-19 cases and increased consumer confidence in accessing seniors housing and services.

Capital Senior Living Monthly Occupancy <sup>(1)</sup>



(1) Occupancy for 60 owned pro-forma communities  
 (2) Final March '21 numbers includes 12 units excluded due to winter storm impact

# Occupancy Improving with Stable Cost Structure

	1Q21	4Q20	1Q20
Average Occupancy	75.5%	77.4%	83.7%
Average Rent <sup>(1)</sup>	\$3,531	\$ 3,586	\$3,577
Revenue	\$45.2	\$ 46.9	\$50.6
Operating Expenses <sup>(2)</sup>	\$36.1	\$ 35.8	\$34.9
NOI (60 Properties) <sup>(3)</sup>	\$9.1	\$ 11.1	\$15.7
NOI Margin <sup>(3)</sup>	20.1%	23.6%	31.0%

\$ in Millions except RevPOR

(1) Adjusted to remove State Relief Revenue

(2) Includes real estate taxes and insurance, excludes management fees

(3) Calculated as revenue less operating expenses exclusive of COVID-19 relief and expenses of (\$7.7M), net

(4) Final March '21 numbers includes 12 units excluded due to winter storm impact

\* Results for the Company's 60 owned communities

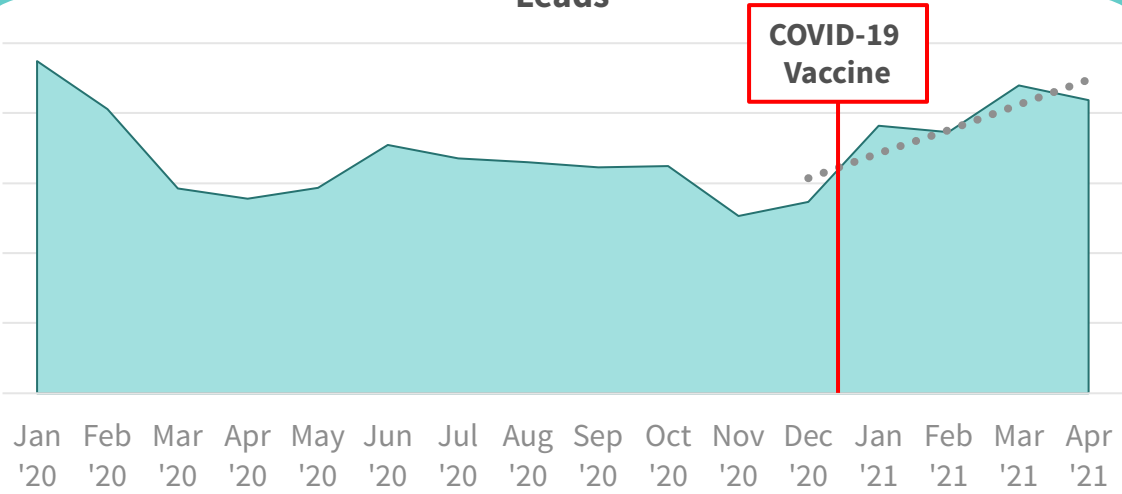
## Key Takeaways

- Occupancy stabilized in Q1 and **increased 170 basis points** from February to April
 

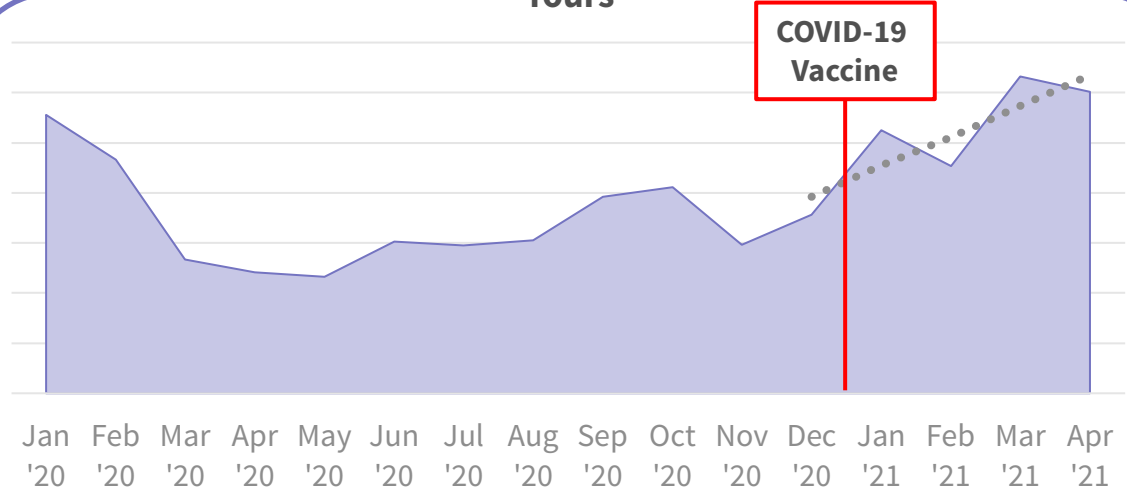
Jan	75.7	
Feb	75.2	↓ (50bps)
Mar <sup>(4)</sup>	75.5	↑ 30bps
Apr	76.9	↑ 140bps
- Excluding adjustments for other income and one-time concessions, average rent held flat from Q4'20 to Q1'21
- Labor costs declined 2.5% sequentially and 1.2% from Q1'20 with March achieving our lowest use of STAT pay in the post-COVID operating environment
- Operating expense increase year over year driven by Real Estate Tax increase of \$600k which are currently under appeal and increase to insurance costs of \$500k

# Strong Leading Indicators Support 2021 Recovery

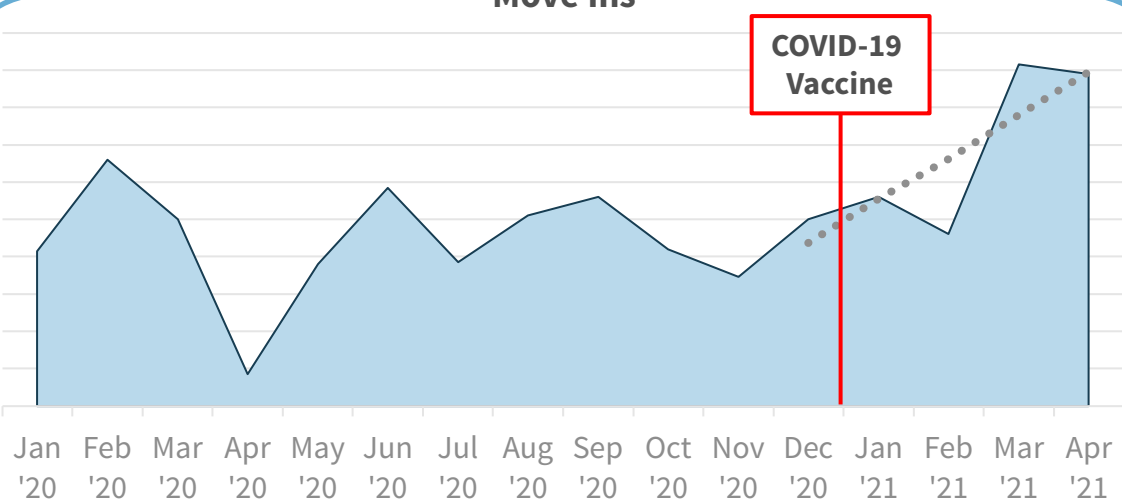
Leads



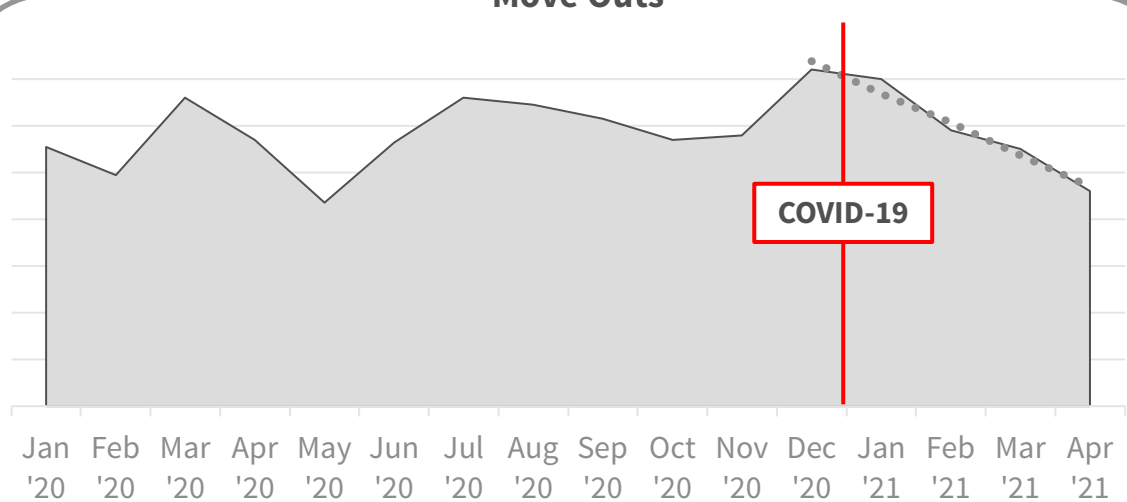
Tours



Move Ins

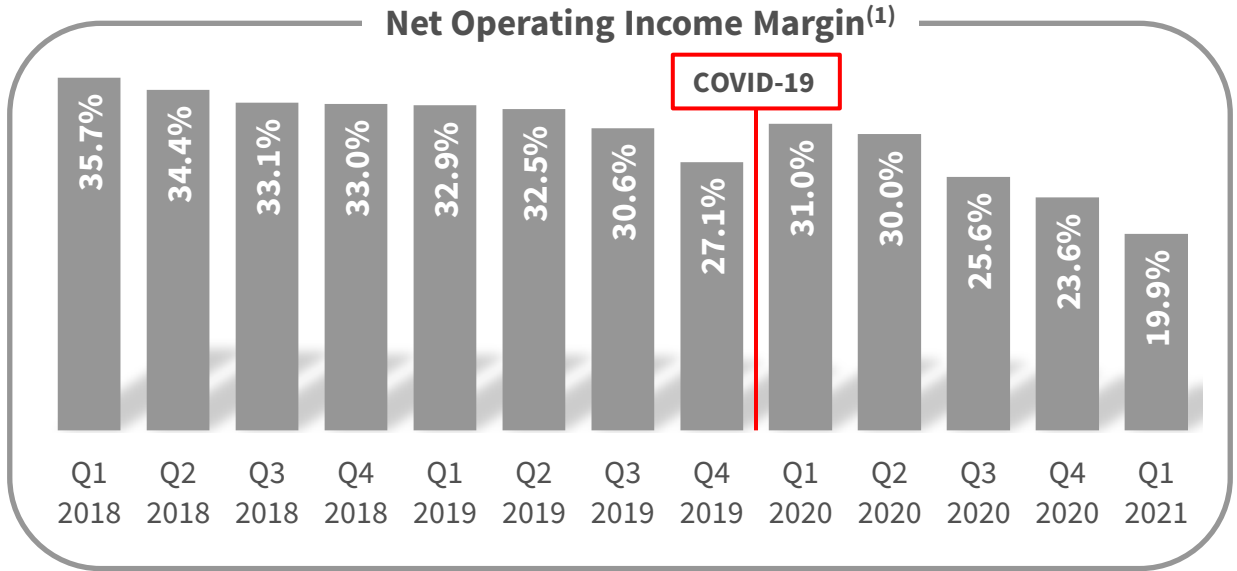
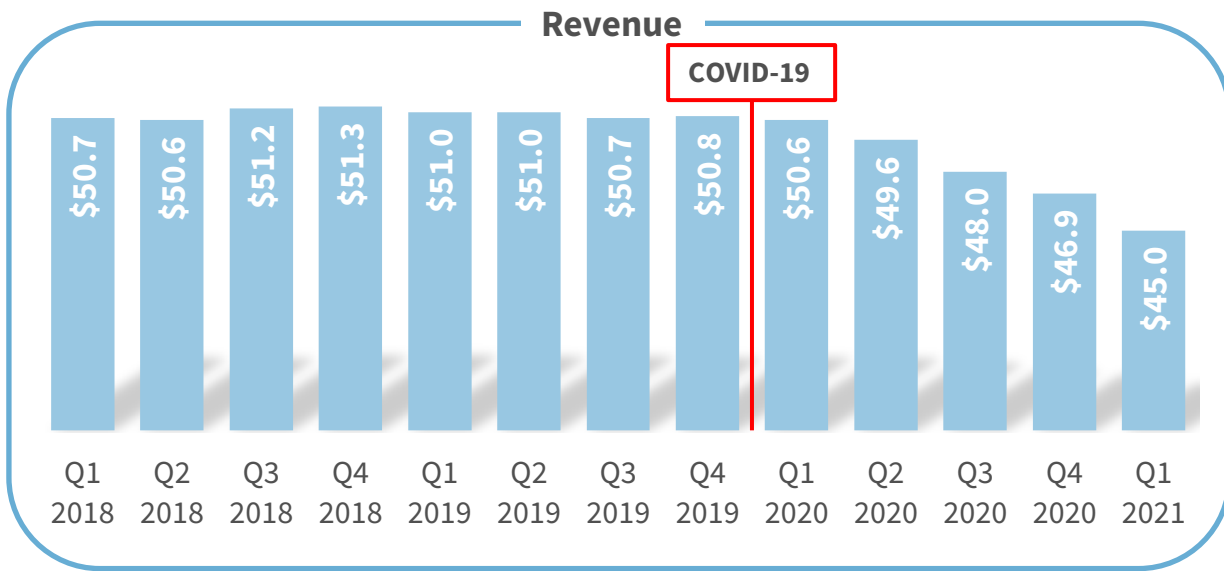
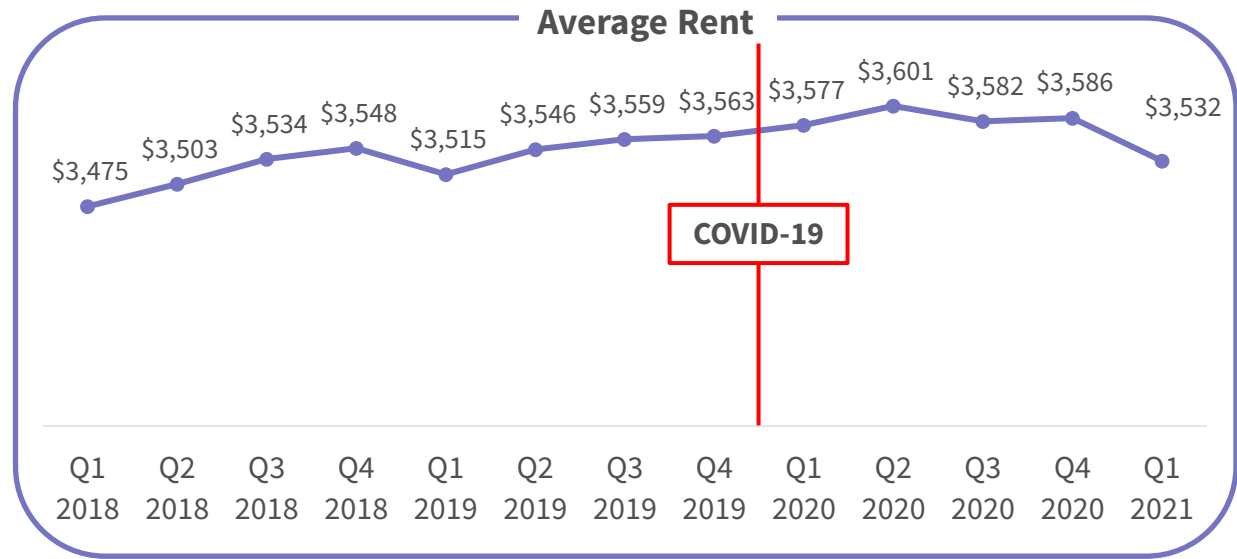
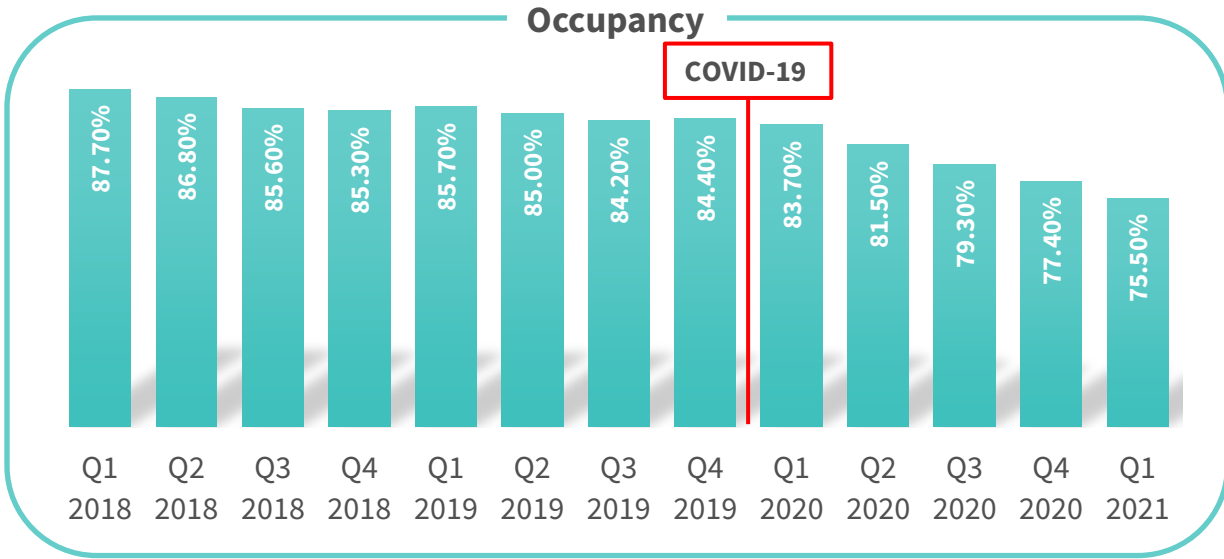


Move Outs





# Future Growth Outlook; Q1 2021 Bottom of COVID-19 Impact



(1) Calculated as revenue less operating expenses exclusive of COVID-19 relief and expenses of (\$7.7M), net

# Transformative Strategic Actions Undertaken Since 2019

Capital Senior has executed several key steps to right-size the portfolio, improve operational and financial performance, and reposition the business for long-term success



## **New Senior Leadership Team**

CEO, COO, Chief Revenue Officer, and others



## **Revamped Operating Strategy**

To improve operating performance and focus on highest performing owned assets in core markets



## **Exited All Triple Net Leases**

Resulting in \$46.8MM of estimated annual cash flow savings



## **Stabilized Balance Sheet / Reduced Liabilities**

Transitioned ownership of 18 over-levered communities to lender, resulting in \$11.3MM of estimated annual cash flow savings



## **Sold Non-Core Assets**

Sold underperforming assets and exited non-core markets



## **Reduced Overhead and Streamlined Operations**

Expecting ~19% G&A savings between '20 - '21

Early actions resulted in outperformance relative to peers, in spite of challenges during COVID-19 pandemic