



Capital Senior Living Announces Strategic Investment from Conversant Capital and Proposed Rights Offering to Raise Up to \$152.5 Million

Investor Presentation

July 22, 2021

DISCOVER *the difference*

Forward-Looking Statements & Non-GAAP Financial Measures



Forward Looking Statements:

The forward-looking statements in 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 Company's ability to obtain stockholder approval for the proposed transaction; the satisfaction of all conditions to the closing of the proposed transaction; other risks related to the consummation of the proposed transaction, including the risk that the transaction will not be consummated within the expected time period or at all; the costs related to the proposed transaction; the impact of the proposed transaction on the Company's business; any legal proceedings that may be brought related to the proposed transaction; 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; 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.

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.

No Offer or Solicitation /Additional Information and Where to Find It

This presentation does not constitute an offer to sell or the solicitation of an offer to buy any securities, nor will there be any sale of any securities in any state or other jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction. The rights offering will be made pursuant to the Company's shelf registration statement on Form S-3, which became effective on May 6, 2020, and a prospectus supplement containing the detailed terms of the rights offering to be filed with the SEC. Any offer will be made only by means of a prospectus forming part of the registration statement. Investors should read the prospectus supplement, when available, and consider the investment objective, risks, fees and expenses of the Company carefully before investing. When available, a copy of the prospectus supplement may be obtained at the website maintained by the SEC at www.sec.gov.

This communication is being made in connection with the proposed private placement and rights offering. In connection with the proposed transaction, the Company intends to file a proxy statement with the SEC. The Company may also file other relevant documents with the SEC regarding the proposed transaction. The information in the preliminary proxy statement will not be complete and may be changed. The definitive proxy statement will be delivered to stockholders of the Company. This communication is not a substitute for any proxy statement or any other document that may be filed with the SEC in connection with the proposed transaction.

INVESTORS AND STOCKHOLDERS OF THE COMPANY ARE URGED TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS THAT MAY BE FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.

Investors and security holders will be able to obtain free copies of the preliminary proxy statement and the definitive proxy statement (in each case, if and when available) and other documents containing important information about the Company and the proposed transaction once such documents are filed with the SEC through the website maintained by the SEC at www.sec.gov. Copies of the documents filed with the SEC by the Company will be available free of charge on the Company's website at <http://www.capitalsenior.com>.

Participants in the Solicitation

The Company and its executive officers and directors and certain other members of management and employees may, under the rules of the SEC, be deemed to be "participants" in the solicitation of proxies in connection with the proposed transaction. Information regarding the Company's directors and executive officers is available in its Proxy Statement on Schedule 14A for its 2020 Annual Meeting of Stockholders, filed with the SEC on November 3, 2020, and in its Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 31, 2021, as amended on April 30, 2021. These documents may be obtained free of charge from the sources indicated above. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement and other relevant materials relating to the proposed transaction to be filed with the SEC when they become available.

Leading Operator of Seniors Housing and Services



68
Communities
60 Owned
8 Managed



6,000+
Residents
Served



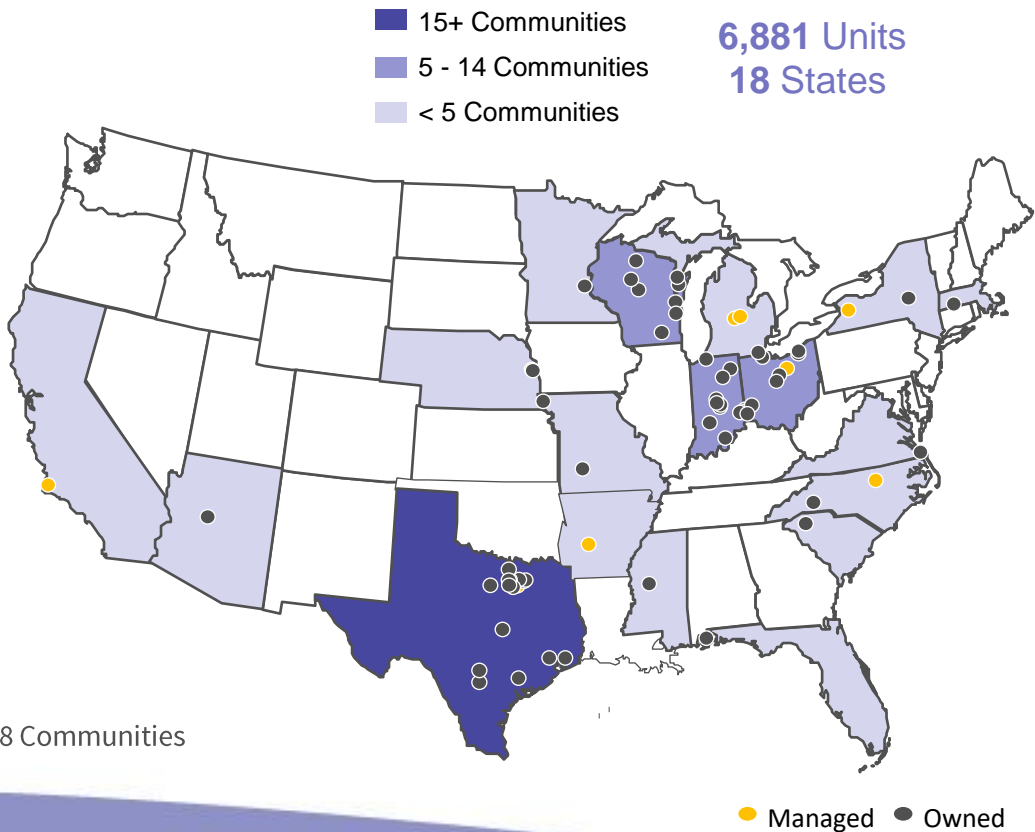
30+
Year
History



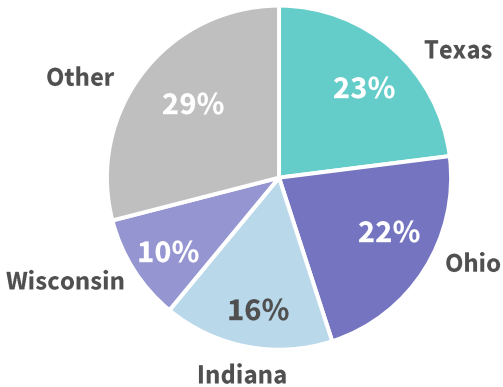
76.8%
YTD 2021 Avg Occupancy³
60 owned communities



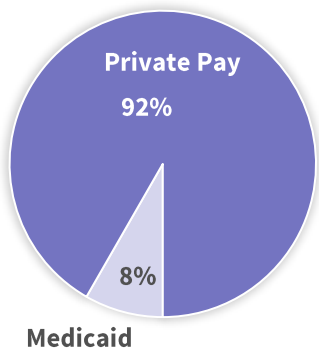
3,200+
Employees



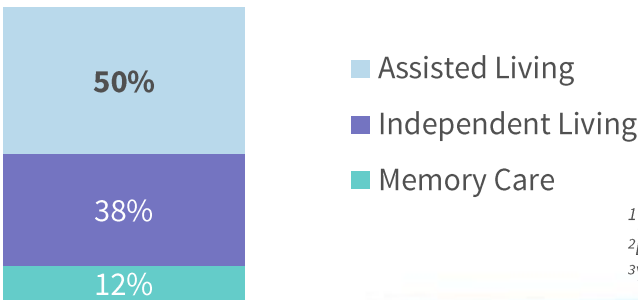
Attractive Markets and Resident Demographic^{1,2}



Attractive Private Pay Focus¹



Balanced Unit Mix Supports Target Market Profile¹



¹Data for 60 Owned Communities

²Based on full Year 2020 Revenue

³YTD through 6/30/21

DISCOVER *the difference*



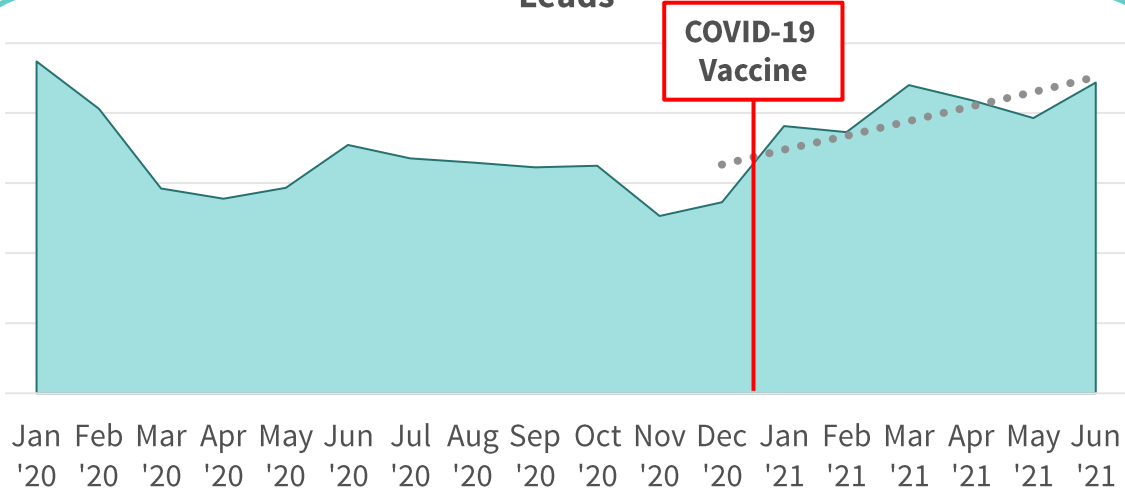
Business Update



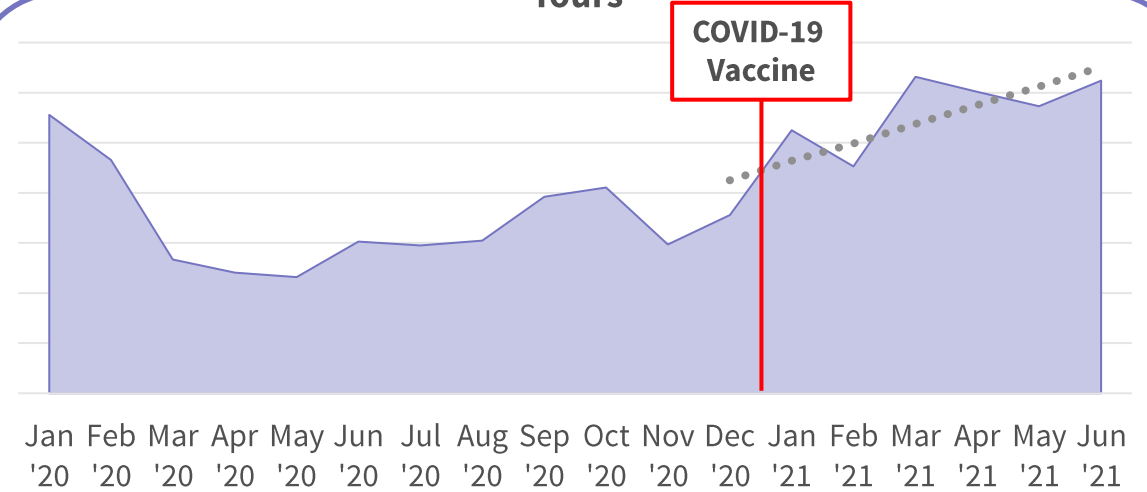
DISCOVER *the difference*

Strong Leading Indicators Support 2021 Occupancy Recovery

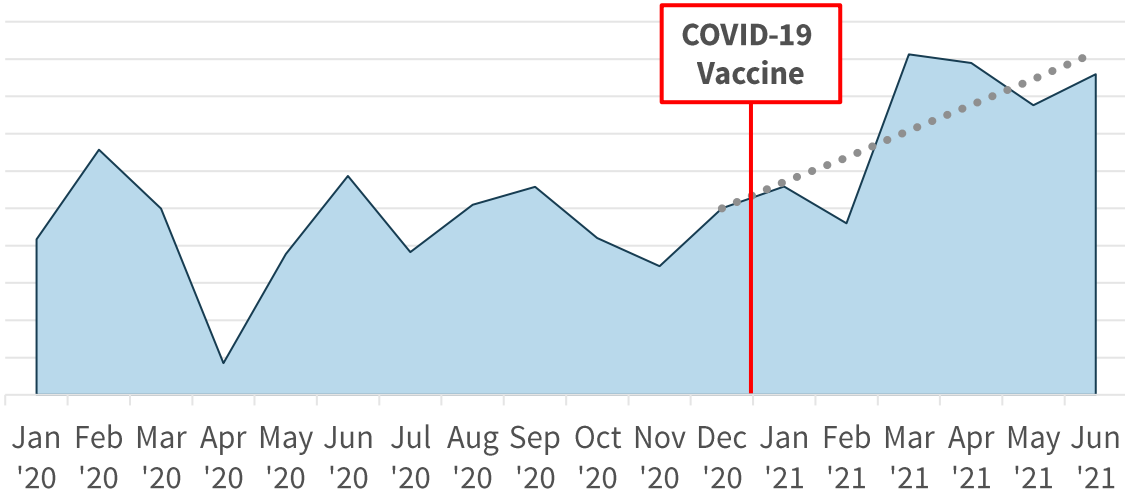
Leads



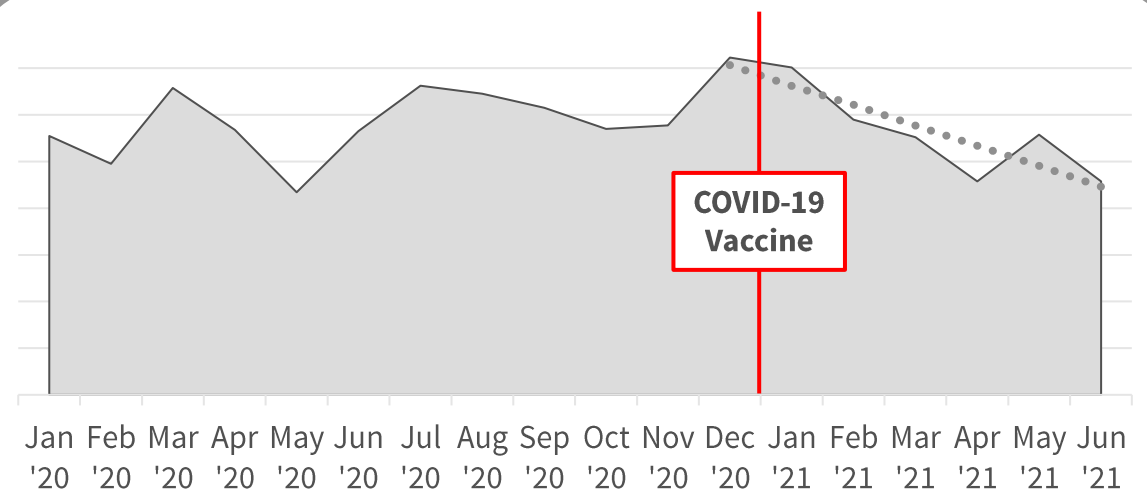
Tours



Move Ins



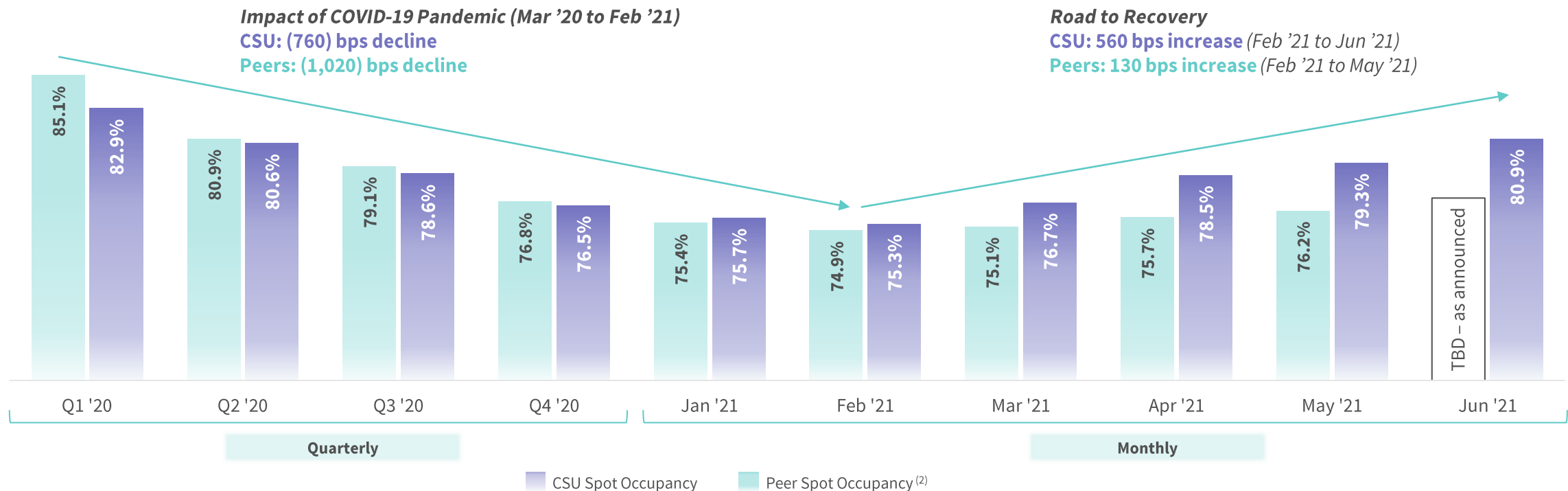
Move Outs



Outperforming Peers Through Challenging Environment

- COVID-19 Pandemic has had a material impact on senior housing operations throughout the industry
- Capital Senior Living continues to outperform peers in this challenging environment, with a less pronounced occupancy decline through the trough in February 2021, and meaningfully faster recovery thereafter

Capital Senior Living End-of-Period Spot Occupancy vs. Peers ⁽¹⁾⁽²⁾



(1) Occupancy for 60 owned communities

(2) Peer set consists of Welltower, Ventas, Brookdale Senior Living, and New Senior Investment Group



Transaction Overview



DISCOVER *the difference*

Capital Senior Living is Partnering with Conversant Capital to Recapitalize the Company & Position it for Growth



Capital Senior Living is pleased to announce a strategic investment from Conversant Capital. This comes at a pivotal time as the industry turns the corner from the pandemic and the management team leads the Company into its next chapter of growth.



Conversant Capital pursues credit and equity investments within the real estate, digital infrastructure and hospitality sectors in both the public and private markets. Conversant's principals have a history of partnering with real estate platforms and their management teams to help identify and capitalize on organic and external growth opportunities. Representative transactions include Quinn Residences and Indus Realty Trust.



DISCOVER *the difference*

Capital Senior Living is Transforming Itself Into a Low Risk – High Growth Company



	Capital Senior Living <i>Then</i>		Capital Senior Living <i>Now</i>
Senior Housing Demand	<ul style="list-style-type: none"> 80+ population growth of 1.3% from 2010 to 2019 as the relatively small 1928-1940 generation aged into senior housing 	➔	<ul style="list-style-type: none"> Sharply accelerating growth of 80+ cohort: 4.1% population CAGR expected from 2020 to 2030¹
Senior Housing Supply	<ul style="list-style-type: none"> Significant multi-year increase in seniors housing supply Multi-cycle high in new supply was added in 2017 peak 	➔	<ul style="list-style-type: none"> Supply was slowly decelerating in 2018 and 2019, followed by a rapid deceleration in 2020 New starts in 1Q21 down 77% from 2017 peak² Accelerating construction costs and challenges in procuring construction financing likely inhibit new supply
Owned / Leased Model	<ul style="list-style-type: none"> 1/3 of portfolio leased from 3rd party real estate owners. Leases increased fixed cost base and had unsustainable rent escalators 	➔	<ul style="list-style-type: none"> Portfolio of owned and managed (no triple net leases) avoids escalating non-operating cost structures and provides stronger return on focused capital investment in existing portfolio
Portfolio Quality	<ul style="list-style-type: none"> Portfolio growth prioritized over asset quality; insufficient liquidity to invest in the assets CSU portfolio was 126 assets at year end 2019, of which 80 were owned and the remainder leased 	➔	<ul style="list-style-type: none"> Portfolio is now 60 properties (all owned), which represents superior subset of previous portfolio Proposed capital raise expected to fund material capital investment into the assets
Operations	<ul style="list-style-type: none"> Decentralized operating model prevented efficient integration of acquisitions and was less effective at adjusting to operating headwinds including increased supply, resident acuity shift, and centralized operating efficiencies (e.g., procurement, human resources, and sales capabilities) 	➔	<ul style="list-style-type: none"> Management team with intense focus on improving quality of care (e.g., roll out of new Memory Care program, Magnolia Trails™) while also driving cost efficiencies and synergies (e.g., internalized sales and centralized administrative functions) Improvements to regional and property level management teams
Free Cash Flow Growth	<ul style="list-style-type: none"> Disappointing underlying earnings performance exacerbated by COVID 	➔	<ul style="list-style-type: none"> Entering unique period for sector and company specific growth

(1) US Census Bureau
(2) NIC MAP

Transaction Summary

Investment Summary

- Up to approximately \$152.5 million capital raise through the private placement of convertible stock with Conversant Capital (“Conversant”) and a proposed common stock rights offering to existing stockholders ⁽¹⁾
- Incremental \$25 million accordion from Conversant available to fund future investments, subject to certain conditions ⁽²⁾

Convertible Preferred Stock

- \$82.5 million private placement of newly designated Series A Convertible Preferred Stock issued to Conversant
- Convertible into common shares of the Company at an initial conversion price of \$40.00 per share (25% premium to the rights offering subscription price)
- Dividend:
 - Payable in cash or payment in-kind (PIK) at the Company’s election
 - Rate of 11% to 15% (based on rights offering participation) ⁽³⁾

Rights Offering

- ~\$70 million rights offering of common stock to existing shareholders at \$32.00 per share
- Conversant has committed to backstop up to \$42.5 million in the form of additional purchases of Preferred Stock

Other

- Approximately \$17.3 million of interim debt financing from Conversant that will be immediately available to the Company to provide funds for working capital between signing and closing
 - This will be converted into preferred stock at closing (and included in the \$82.5 million private placement) or paid debt down with the proceeds of the private placement
- Conversant receives the right to appoint a number of directors to the board proportional to its as-converted ownership upon transaction closing
- Transaction subject to Company stockholder approval and the satisfaction of certain other closing conditions
- Expected to close during the fourth quarter of 2021 (subject to receipt of approvals)

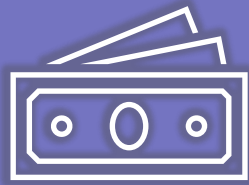
(1) In aggregate, the minimum initial gross proceeds from the transaction will total \$125 million (or \$150 million, inclusive of the \$25 million accordion)

(2) Accordion to be funded via Preferred Stock

(3) Dividend rate to be determined at closing based on participation in the rights offering

Transaction Benefits and Strategic Rationale

Injects Liquidity and Fortifies Balance Sheet



Adds Working Capital and Addresses Going Concern Issues

Enhances Liquidity and Improves Capital Structure

Provides Flexibility to Address Near-to Medium-Term Maturities

Positions Company to Benefit from Recovery



Investment in Existing Properties Accelerates Recovery

Ability to Strategically Expand Portfolio through Acquisitions

Uniquely Positioned to Grow as a Pure-Play Owner-Operator Without Leases

Structure Provides Certainty and Opportunity for Existing Stockholder Participation



Conversant Backstop Provides Certainty of Capital Raise

Rights Offering Provides Ability for Existing Stockholder Participation

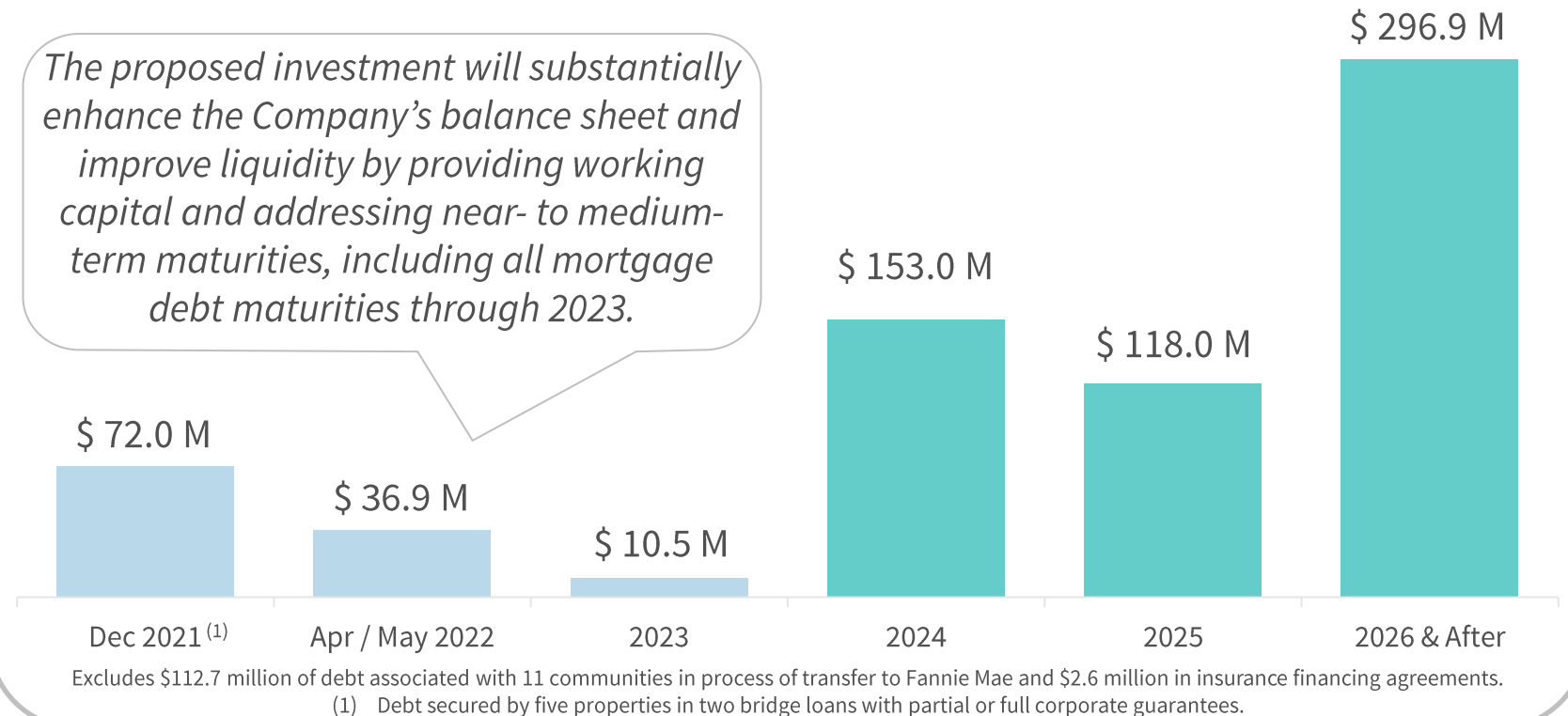
Capitalized for Sustainable, Long-Term Growth Plan

Injects Liquidity and Fortifies Balance Sheet

- Approx. \$17.3M interim loan immediately adds working capital into the business
- Transaction proceeds provide flexibility to refinance near-term maturities with attractive terms and potentially lower leverage

Debt Maturity Schedule as of 6/30/2021

The proposed investment will substantially enhance the Company's balance sheet and improve liquidity by providing working capital and addressing near- to medium-term maturities, including all mortgage debt maturities through 2023.



Provides Capital to Accelerate Occupancy Recovery and Market Penetration

With the availability of new capital, Capital Senior Living intends to pursue a pipeline of identified potential investments in its current portfolio with attractive expected return on investment in the mid-teens.

Renovations



- Common area enhancements and upgrades
- Complete refurbishment projects comprising flooring, furniture, paint, décor and lighting
- Refreshment capital expenditures for minor upgrades

Conversions



- Opportunity to capture market share and embedded demand for memory care
- Converting existing IL / AL inventory into memory care to achieve highest and best use

Upgrades



- Improve resident experience and competitive positioning with targeted enhancements
- Comprises kitchen upgrades, bathroom upgrades, and other unit-specific improvements

Illustrative Uses of Capital

Pro forma for the transaction, we believe Capital Senior Living will be capitalized for growth and sustainable, long-term value creation

Use		Timing	Est. \$MM
Current Portfolio Investments	<ul style="list-style-type: none"> Execute on pipeline of identified investments in existing portfolio High-impact community renovations, targeted memory care conversions, and unit upgrades 	Immediate	~\$20MM
Working Capital	<ul style="list-style-type: none"> Provide working capital to the business to support occupancy recovery and anticipated future growth 	Immediate	~\$15MM
Capital Structure	<ul style="list-style-type: none"> Solidify the balance sheet and create a more sustainable long-term capital structure Address upcoming near-term debt maturities, including those with corporate guarantees, through combination of repayment / refinancing 	Near-Term	~\$100MM
Growth Investments (Acquisitions)	<ul style="list-style-type: none"> Strategically expand the portfolio through accretive acquisitions Highly scaleable platform which can grow with little or no incremental overhead 	Medium-Term	~\$15MM

Up to ~\$40MM,
with Accordion
draw

Industry Dynamics	The senior living industry is at an inflection point: it is recovering from the COVID-19 led downturn with a favorable long-term outlook
Capital Senior Living Performance	Capital Senior Living continues to outperform peers in the challenging environment
Capital Senior Living - Conversant Strategic Partnership	Capital Senior Living is entering a strategic partnership with Conversant Capital, an investor in the real estate, digital infrastructure, and hospitality sectors with a history of partnering with real estate platforms and their management team
Transaction Benefits	We believe the transaction solidifies the Company's balance sheet, placing Capital Senior Living in a position of strength, and provides capital to catalyze and accelerate growth