

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **October 30, 2023**

**CAPITAL SOUTHWEST CORPORATION**

(Exact Name Of Registrant As Specified In Charter)

**Texas**  
(State or Other Jurisdiction of Incorporation)

**814-00061**  
(Commission File Number)

**75-1072796**  
(IRS Employer Identification No.)

**8333 Douglas Avenue, Suite 1100**  
**Dallas, Texas 75225**  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **(214) 238-5700**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class  
**Common Stock, \$0.25 par value per share**  
**7.75% Notes due 2028**

Trading Symbol(s)  
**CSWC**  
**CSWCZ**

Name of Each Exchange on Which Registered  
**The Nasdaq Global Select Market**  
**The Nasdaq Global Select Market**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02 Results of Operations and Financial Condition.**

On October 30, 2023, Capital Southwest Corporation (the "Company") issued a press release, a copy of which has been furnished as Exhibit 99.1 hereto.

The information furnished in this Current Report on Form 8-K under Item 2.02, including Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), except as shall be expressly set forth by reference in a future filing.

**Item 7.01 Regulation FD Disclosure.**

The Company expects to hold a conference call with analysts and investors on October 31, 2023. A copy of the investor presentation slides to be used by the Company on such conference call is furnished as Exhibit 99.2 to this Form 8-K and incorporated herein by reference.

The information set forth under this Item 7.01, including Exhibit 99.2, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, nor shall it be deemed incorporated by reference into any filing under the Securities Act, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
<a href="#">99.1</a>	<a href="#">Press release issued by Capital Southwest Corporation on October 30, 2023</a>
<a href="#">99.2</a>	<a href="#">Investor presentation slides</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: October 30, 2023

By: /s/ Bowen S. Diehl  
Name: Bowen S. Diehl  
Title: Chief Executive Officer and President

## Capital Southwest Announces Financial Results for Second Fiscal Quarter Ended September 30, 2023 and Announces Increase in Total Dividends to \$0.63 per share for the Quarter Ended December 31, 2023

*CSWC Reports Pre-Tax Net Investment Income of \$0.67 Per Share for Quarter Ended September 30, 2023*

**Dallas, Texas – October 30, 2023** – Capital Southwest Corporation (“Capital Southwest,” “CSWC” or the “Company”) (Nasdaq: CSWC), an internally managed business development company focused on providing flexible financing solutions to support the acquisition and growth of middle market businesses, today announced its financial results for the second fiscal quarter ended September 30, 2023.

### Second Quarter Fiscal Year 2024 Financial Highlights

- Total Investment Portfolio: \$1.4 billion
  - Credit Portfolio of \$1.2 billion:
    - 97% 1st Lien Senior Secured Debt
    - \$107.5 million in new committed credit investments
    - Weighted Average Yield on Debt Investments: 13.5%
    - Current non-accruals with a fair value of \$26.9 million, representing 2.0% of the total investment portfolio
  - Equity Portfolio of \$121.1 million, excluding investment in I-45 Senior Loan Fund (“I-45 SLF”)
    - \$2.5 million in new equity co-investments
- Pre-Tax Net Investment Income: \$26.4 million, or \$0.67 per weighted average share outstanding
- Dividends: Paid \$0.56 per share Regular Dividend and \$0.06 per share Supplemental Dividend
  - 120% LTM Pre-Tax NII Regular Dividend Coverage
  - Total Dividends for the quarter ended September 30, 2023 of \$0.62 per share
- Net Realized and Unrealized Depreciation: \$4.2 million, or 0.3% of total investments at fair value
  - \$1.6 million of net appreciation related to I-45 SLF
  - \$2.8 million of net depreciation related to the credit portfolio
  - \$3.0 million of net depreciation related to the equity portfolio
- Balance Sheet:
  - Cash and Cash Equivalents: \$23.0 million
  - Total Net Assets: \$657.8 million
  - Net Asset Value (“NAV”) per Share: \$16.46

In commenting on the Company's results, Bowen Diehl, President and Chief Executive Officer, stated, "The September quarter was another strong quarter for Capital Southwest, with \$110 million of originations in five new and six existing portfolio companies. Our portfolio continued to perform well, producing \$0.67 of pre-tax net investment income for the quarter, which more than earned both our \$0.56 per share regular dividend and our \$0.06 per share supplemental dividend paid for the quarter. In consideration of the performance of our portfolio, improvements in our operating leverage, and elevated market interest rates, the Board of Directors has declared an increase in our regular quarterly dividend to \$0.57 per share for the December 31, 2023 quarter. In addition, given the continued excess earnings being generated by our floating rate debt portfolio, our Board of Directors has also declared a supplemental dividend of \$0.06 per share for the December 31, 2023 quarter, resulting in total dividends for the December 31, 2023 quarter of \$0.63 per share. While future dividend declarations are at the discretion of our Board of Directors, it is our intent to continue to distribute quarterly supplemental dividends for the foreseeable future while base rates remain materially above long-term historical averages and we have a meaningful UTI balance. Finally, subsequent to quarter end we received shareholder approval to increase the number of authorized shares from 40,000,000 to 75,000,000. These incremental shares provide Capital Southwest with the flexibility to continue our track record of raising accretive equity to maintain conservative balance sheet leverage while growing our asset base."

## **Second Quarter Fiscal Year Investment Activities**

### **Originations**

During the quarter ended September 30, 2023, the Company originated \$110.0 million in new commitments, consisting of investments in five new portfolio companies totaling \$81.7 million and add-on commitments in six portfolio companies totaling \$28.3 million. New portfolio company investment transactions that closed during the quarter ended September 30, 2023 are summarized as follows:

**CityVet, Inc., \$15.0 million 1<sup>st</sup> Lien Senior Secured Debt, \$5.0 million Delayed Draw Term Loan:** CityVet operates a network of branded veterinary practices offering comprehensive pet care services including medical, surgical, retail, pharmacy, boarding and wellness.

**Swensons Drive-In Restaurants, LLC, \$16.0 million 1<sup>st</sup> Lien Senior Secured Debt, \$1.5 million Revolving Loan:** Swensons Drive-In Restaurants is a quick service restaurant chain, founded in 1934, that operates twenty-one nostalgic drive-in style restaurants, primarily located in the surrounding areas of Cleveland, Akron, Columbus, Cincinnati and Indianapolis.

**Damotech, Inc., \$10.2 million 1<sup>st</sup> Lien Senior Secured Debt, \$3.0 million Delayed Draw Term Loan, \$3.0 million Revolving Loan, \$1.0 million Preferred and Common Equity:** Damotech is a rack safety leader in North America, providing engineering services and industrial rack repair and protection products to clients of all sizes across numerous industries.

**Institutes of Health, LLC, \$15.0 million 1<sup>st</sup> Lien Senior Secured Debt, \$1.0 million Revolving Loan, \$1.0 million Preferred Equity:** Institutes of Health operates medical care facilities serving patients entirely in the workers' compensation space, providing treatment for traumatic brain injury, chronic pain, PTSD and depression.

**Jackson Hewitt Tax Services, Inc., \$10.0 million 1<sup>st</sup> Lien Senior Secured Debt:** Jackson Hewitt is the second largest omnichannel tax preparation provider in the United States, with a network of locations including over three thousand franchisee and over two thousand corporate-owned stores/kiosks across 49 states.

## **Second Fiscal Quarter 2024 Operating Results**

For the quarter ended September 30, 2023, Capital Southwest reported total investment income of \$42.8 million, compared to \$40.4 million in the prior quarter. The increase in investment income was primarily attributable to an increase in average debt investments outstanding and an increase in the weighted average yield on debt investments from 12.9% to 13.5%.

For the quarter ended September 30, 2023, total operating expenses (excluding interest expense) were \$5.9 million, compared to \$5.7 million in the prior quarter.

For the quarter ended September 30, 2023, interest expense was \$10.5 million as compared to \$9.7 million in the prior quarter. The increase was primarily attributable to an increase in average debt outstanding and an increase in the weighted average interest rate on total debt.

For the quarter ended September 30, 2023, total pre-tax net investment income was \$26.4 million, compared to \$25.0 million in the prior quarter.

During the quarter ended September 30, 2023, Capital Southwest recorded total net realized and unrealized losses on investments of \$4.2 million, compared to \$0.7 million of total net realized and unrealized losses in the prior quarter. For the quarter ended September 30, 2023, this included net realized and unrealized gains on I-45 SLF of \$1.6 million, net unrealized losses on debt investments of \$2.8 million and net realized and unrealized losses on equity investments of \$3.0 million. The net increase in net assets resulting from operations was \$22.6 million for the quarter, compared to \$23.8 million in the prior quarter.

The Company's NAV at September 30, 2023 was \$16.46 per share, as compared to \$16.38 at June 30, 2023. The increase in NAV per share from the prior quarter is primarily due to pre-tax net investment income in excess of dividends paid for the quarter, as well as the issuance of common stock at a premium to NAV per share through the Equity ATM Program (as described below), partially offset by net realized and unrealized losses on investments.

## **Liquidity and Capital Resources**

At September 30, 2023, Capital Southwest had approximately \$23.0 million in unrestricted cash and money market balances, \$250.0 million of total debt outstanding on the Credit Facility (as defined below), \$139.2 million, net of unamortized debt issuance costs, of the 4.50% Notes due January 2026 outstanding, \$147.6 million, net of unamortized debt issuance costs, of the 3.375% Notes due October 2026, \$69.4 million, net of unamortized debt issuance costs, of the 7.75% Notes due August 2028 and \$126.4 million, net of unamortized debt issuance costs, of SBA Debentures (as defined below) outstanding. As of September 30, 2023, Capital Southwest had \$184.4 million in available borrowings under the Credit Facility. The regulatory debt to equity ratio at the end of the quarter was 0.92 to 1.

On October 11, 2023, after receiving the requisite shareholder approval, the Company filed an amendment to its Amended and Restated Articles of Incorporation with the office of the Secretary of State of the State of Texas to increase the amount of authorized shares of common stock from 40,000,000 to 75,000,000.

In June 2023, the Company issued approximately \$71.9 million in aggregate principal amount, including the underwriters' full exercise of their option to purchase an additional \$9.4 million in aggregate principal amount to cover over-allotments, of 7.75% notes due 2028 (the "August 2028 Notes"). The August 2028 Notes mature on August 1, 2028 and may be redeemed in whole or in part at any time, or from time to time, at the Company's option on or after August 1, 2025. The August 2028 Notes bear interest at a rate of 7.75% per year, payable quarterly on February 1, May 1, August 1 and November 1 of each year, beginning on August 1, 2023. The August 2028 Notes are the direct unsecured obligations of the Company, rank pari passu with the Company's other outstanding and future unsecured unsubordinated indebtedness and are effectively or structurally subordinated to all of the Company's existing and future secured indebtedness, including borrowings under the Credit Facility and the SBA Debentures. The August 2028 Notes are listed on the Nasdaq Global Select Market under the trading symbol "CSWCZ."

The Company has an "at-the-market" offering (the "Equity ATM Program"), pursuant to which the Company may offer and sell, from time to time through sales agents, shares of its common stock having an aggregate offering price of up to \$650,000,000. During the quarter ended September 30, 2023, the Company sold 1,100,000 shares of its common stock under the Equity ATM Program at a weighted-average price of \$20.77 per share, raising \$22.8 million of gross proceeds. Net proceeds were \$22.5 million after commissions to the sales agents on shares sold. Cumulative to date, the Company has sold 20,240,580 shares of its common stock under the Equity ATM Program at a weighted-average price of \$20.41.

raising \$413.1 million of gross proceeds. Net proceeds were \$406.5 million after commissions to the sales agents on shares sold. As of September 30, 2023, the Company has \$236.9 million available under the Equity ATM Program.

In August 2016, CSWC entered into a senior secured credit facility (the "Credit Facility") to provide additional liquidity to support its investment and operational activities. Borrowings under the Credit Facility accrue interest on a per annum basis at a rate equal to the applicable SOFR rate plus 2.15%. On August 2, 2023, CSWC entered into the Third Amended and Restated Senior Secured Revolving Credit Agreement which (1) increased commitments under the Credit Facility from \$400 million to \$435 million; (2) added an uncommitted accordion feature that could increase the maximum commitments up to \$750 million; (3) extended the end of the Credit Facility's revolving period from August 9, 2025 to August 2, 2027 and extended the final maturity from August 9, 2026 to August 2, 2028; and (4) amended several financial covenants. At September 30, 2023, the Credit Facility had \$250.0 million in borrowings outstanding.

On April 20, 2021, our wholly owned subsidiary, Capital Southwest SBIC I, LP ("SBIC I"), received a license from the Small Business Administration (the "SBA") to operate as a Small Business Investment Company ("SBIC") under Section 301(c) of the Small Business Investment Act of 1958, as amended. The SBIC license allows SBIC I to obtain leverage by issuing SBA-guaranteed debentures ("SBA Debentures"), subject to the issuance of a leverage commitment by the SBA. SBA debentures are loans issued to an SBIC that have interest payable semi-annually and a ten-year maturity. The interest rate is fixed shortly after issuance at a market-driven spread over U.S. Treasury Notes with ten-year maturities. Current statutes and regulations permit SBIC I to borrow up to \$175 million in SBA Debentures with at least \$87.5 million in regulatory capital, subject to SBA approval. As of September 30, 2023, all approved SBA Debenture commitments have been utilized.

In November 2015, I-45 SLF entered into a senior secured credit facility led by Deutsche Bank. On March 30, 2023, the I-45 credit facility was amended to permanently reduce total commitments to \$100 million from a group of four bank lenders. After giving effect to the amendment, borrowings under the I-45 credit facility bear interest at a rate equal to Term SOFR plus 2.41%. The I-45 credit facility is scheduled to mature in March 2026. As of September 30, 2023, I-45 SLF had \$67.0 million in borrowings outstanding under the I-45 credit facility.

#### **Share Repurchase Program**

On July 28, 2021, the Company's board of directors (the "Board") approved a share repurchase program authorizing the Company to repurchase up to \$20 million of its outstanding shares of common stock in the open market at certain thresholds below its NAV per share, in accordance with guidelines specified in Rules 10b5-1(c)(1)(i)(B) and 10b-18 under the Securities Exchange Act of 1934. On August 31, 2021, the Company entered into a share repurchase agreement, which became effective immediately, and the Company will cease purchasing its common stock under the share repurchase program upon the earlier of, among other things: (1) the date on which the aggregate purchase price for all shares equals \$20 million including, without limitation, all applicable fees, costs and expenses; or (2) upon written notice by the Company to the broker that the share repurchase agreement is terminated. During the quarter ended September 30, 2023, the Company did not repurchase any shares of the Company's common stock under the share repurchase program.

**Regular Dividend of \$0.57 Per Share and Supplemental Dividend of \$0.06 Per Share for Quarter Ended December 31, 2023**

On October 25, 2023, the Board declared a total dividend of \$0.63 per share for the quarter ended December 31, 2023, comprised of a Regular Dividend of \$0.57 per share and a Supplemental Dividend of \$0.06 per share.

The Company's dividend will be payable as follows:

**Regular Dividend**

Amount Per Share: \$0.57  
Ex-Dividend Date: December 14, 2023  
Record Date: December 15, 2023  
Payment Date: December 29, 2023

**Supplemental Dividend**

Amount Per Share: \$0.06  
Ex-Dividend Date: December 14, 2023  
Record Date: December 15, 2023  
Payment Date: December 29, 2023

When declaring dividends, the Board reviews estimates of taxable income available for distribution, which may differ from net investment income under generally accepted accounting principles. The final determination of taxable income for each year, as well as the tax attributes for dividends in such year, will be made after the close of the tax year.

Capital Southwest maintains a dividend reinvestment plan ("DRIP") that provides for the reinvestment of dividends on behalf of its registered stockholders who hold their shares with Capital Southwest's transfer agent and registrar, American Stock Transfer and Trust Company. Under the DRIP, if the Company declares a dividend, registered stockholders who have opted into the DRIP by the dividend record date will have their dividend automatically reinvested into additional shares of Capital Southwest common stock.

**Second Quarter 2024 Earnings Results Conference Call and Webcast**

Capital Southwest has scheduled a conference call on Tuesday, October 31, 2023, at 11:00 a.m. Eastern Time to discuss the second quarter 2024 financial results. You may access the call by using the Investor Relations section of Capital Southwest's website at [www.capitalsouthwest.com](http://www.capitalsouthwest.com), or by using <http://edge.media-server.com/mmc/p/n4cfqyx6>.

An audio archive of the conference call will also be available on the Investor Relations section of Capital Southwest's website.

For a more detailed discussion of the financial and other information included in this press release, please refer to the Capital Southwest's Form 10-Q for the period ended September 30, 2023 to be filed with the Securities and Exchange Commission and Capital Southwest's Second Fiscal Quarter 2024 Earnings Presentation to be posted on the Investor Relations section of Capital Southwest's website at [www.capitalsouthwest.com](http://www.capitalsouthwest.com).

**About Capital Southwest**

Capital Southwest Corporation (Nasdaq: CSWC) is a Dallas, Texas-based, internally managed business development company with approximately \$1.4 billion in investments at fair value as of September 30, 2023. Capital Southwest is a middle market lending firm focused on supporting the acquisition and growth of middle market businesses with \$5 million to \$35 million investments across the capital structure, including first lien, second lien and non-control equity co-investments. As a public company with a permanent capital base, Capital Southwest has the flexibility to be creative in its financing solutions and to invest to support the growth of its portfolio companies over long periods of time.

**Forward-Looking Statements**

This press release contains historical information and forward-looking statements with respect to the business and investments of Capital Southwest, including, but not limited to, the statements about Capital Southwest's future performance and financial performance and financial condition, and the timing, form and amount of any distributions or supplemental dividends in the future. Forward-looking statements are statements that are not historical statements and can often be identified by words such as "will," "believe," "expect" and similar expressions and variations or negatives of these words. These statements are based on management's current expectations, assumptions and beliefs. They are not guarantees of future results and are subject to numerous risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed in any forward-looking statement. These risks include risks related to: changes in the markets in which Capital Southwest invests; changes in the financial, capital, and lending markets; changes in the interest rate environment and its impact on our business and our portfolio companies; regulatory changes; tax treatment; our ability to operate our wholly owned subsidiary, Capital Southwest SBIC I, LP, as a small business investment company; an economic downturn and its impact on the ability of our portfolio companies to operate and the investment opportunities available to us; the impact of supply chain constraints and labor shortages on our portfolio companies; and the elevated levels of inflation and its impact on our portfolio companies and the industries in which we invests.

Readers should not place undue reliance on any forward-looking statements and are encouraged to review Capital Southwest's Annual Report on Form 10-K for the year ended March 31, 2023 and any subsequent filings, including the "Risk Factors" sections therein, with the Securities and Exchange Commission for a more complete discussion of the risks and other factors that could affect any forward-looking statements. Except as required by the federal securities laws, Capital Southwest does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changing circumstances or any other reason after the date of this press release.

**Investor Relations Contact:**

Michael S. Sarner, Chief Financial Officer  
214-884-3829

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**  
(In thousands, except shares and per share data)

	September 30, 2023 (Unaudited)	March 31, 2023
<b>Assets</b>		
Investments at fair value:		
Non-control/Non-affiliate investments (Cost: \$1,117,439 and \$947,829, respectively)	\$ 1,132,316	\$ 966,627
Affiliate investments (Cost: \$162,716 and \$191,523, respectively)	167,828	188,505
Control investments (Cost: \$80,800 and \$80,800, respectively)	53,422	51,256
Total investments (Cost: \$1,360,955 and \$1,220,152, respectively)	1,353,566	1,206,388
Cash and cash equivalents	23,020	21,585
Receivables:		
Dividends and interest	24,182	18,430
Escrow	8	363
Other	735	647
Income tax receivable	336	368
Debt issuance costs (net of accumulated amortization of \$6,707 and \$5,642, respectively)	9,631	3,717
Other assets	5,435	6,186
Total assets	<u>\$ 1,416,913</u>	<u>\$ 1,257,684</u>
<b>Liabilities</b>		
SBA Debentures (Par value: \$130,000 and \$120,000, respectively)	\$ 126,376	\$ 116,330
January 2026 Notes (Par value: \$140,000 and \$140,000, respectively)	139,220	139,051
October 2026 Notes (Par value: \$150,000 and \$150,000, respectively)	147,633	147,263
August 2028 Notes (Par value: \$71,875 and \$0, respectively)	69,438	—
Credit facility	250,000	235,000
Other liabilities	15,062	16,761
Accrued restoration plan liability	589	598
Income tax payable	463	156
Deferred tax liability	10,358	12,117
Total liabilities	<u>759,139</u>	<u>667,276</u>
<b>Commitments and contingencies (Note 10)</b>		
<b>Net Assets</b>		
Common stock, \$0.25 par value: authorized, 40,000,000 shares; issued, 39,951,118 shares at September 30, 2023 and 38,415,937 shares at March 31, 2023	9,988	9,604
Additional paid-in capital	690,880	646,586
Total distributable (loss) earnings	(43,094)	(41,845)
Treasury stock - at cost, no shares at September 30, 2023 and 2,339,512 shares at March 31, 2023	—	(23,937)
Total net assets	<u>657,774</u>	<u>590,408</u>
Total liabilities and net assets	<u>\$ 1,416,913</u>	<u>\$ 1,257,684</u>
Net asset value per share (39,951,118 shares outstanding at September 30, 2023 and 36,076,425 shares outstanding at March 31, 2023)	<u>\$ 16.46</u>	<u>\$ 16.37</u>

**CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

(In thousands, except shares and per share data)

	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
<b>Investment income:</b>				
Interest income:				
Non-control/Non-affiliate investments	\$ 33,657	\$ 19,632	\$ 64,297	\$ 35,380
Affiliate investments	4,298	2,487	8,477	4,999
Payment-in-kind interest income:				
Non-control/Non-affiliate investments	963	550	1,877	966
Affiliate investments	563	834	1,305	1,105
Dividend income:				
Non-control/Non-affiliate investments	287	527	786	1,077
Affiliate investments	31	—	91	101
Control investments	2,166	2,000	4,310	3,535
Fee income:				
Non-control/Non-affiliate investments	349	567	1,294	1,857
Affiliate investments	360	134	517	252
Control investments	21	50	45	50
Other income	82	18	139	20
Total investment income	<u>42,777</u>	<u>26,799</u>	<u>83,138</u>	<u>49,342</u>
Operating expenses:				
Compensation	2,333	2,254	4,843	3,796
Share-based compensation	1,236	1,060	2,199	1,881
Interest	10,481	6,629	20,162	12,113
Professional fees	989	810	1,944	1,659
General and administrative	1,327	1,068	2,576	2,285
Total operating expenses	<u>16,366</u>	<u>11,821</u>	<u>31,724</u>	<u>21,734</u>
Income before taxes	26,411	14,978	51,414	27,608
Federal income, excise and other taxes	(150)	178	449	251
Deferred taxes	(633)	356	(785)	475
Total income tax (benefit) provision	<u>(783)</u>	<u>534</u>	<u>(336)</u>	<u>726</u>
<b>Net investment income</b>	<u>\$ 27,194</u>	<u>\$ 14,444</u>	<u>\$ 51,750</u>	<u>\$ 26,882</u>
<b>Realized gain (loss)</b>				
Non-control/Non-affiliate investments	\$ 210	\$ (2,396)	\$ (5,596)	\$ 153
Affiliate investments	152	(6,318)	(6,503)	(6,303)
Income tax benefit (provision)	28	79	(293)	(165)
<b>Total net realized gain (loss) on investments, net of tax</b>	<u>390</u>	<u>(8,635)</u>	<u>(12,392)</u>	<u>(6,315)</u>
<b>Net unrealized (depreciation) appreciation on investments</b>				
Non-control/Non-affiliate investments	(6,204)	2,609	(3,921)	(1,942)
Affiliate investments	(1,038)	3,338	8,131	2,624
Control investments	1,560	(804)	2,166	(6,706)
Income tax benefit (provision)	1,083	(1,494)	1,063	(2,575)
<b>Total net unrealized (depreciation) appreciation on investments, net of tax</b>	<u>(4,599)</u>	<u>3,649</u>	<u>7,439</u>	<u>(8,599)</u>
<b>Net realized and unrealized (losses) gains on investments</b>	<u>(4,209)</u>	<u>(4,986)</u>	<u>(4,953)</u>	<u>(14,914)</u>
<b>Realized loss on extinguishment of debt</b>	<u>(361)</u>	<u>—</u>	<u>(361)</u>	<u>—</u>
<b>Net increase in net assets from operations</b>	<u>\$ 22,624</u>	<u>\$ 9,458</u>	<u>\$ 46,436</u>	<u>\$ 11,968</u>
<b>Pre-tax net investment income per share - basic and diluted</b>	<u>\$ 0.67</u>	<u>\$ 0.54</u>	<u>\$ 1.33</u>	<u>\$ 1.03</u>
<b>Net investment income per share - basic and diluted</b>	<u>\$ 0.69</u>	<u>\$ 0.52</u>	<u>\$ 1.34</u>	<u>\$ 1.01</u>
<b>Net increase in net assets from operations - basic and diluted</b>	<u>\$ 0.57</u>	<u>\$ 0.34</u>	<u>\$ 1.20</u>	<u>\$ 0.45</u>
<b>Weighted average shares outstanding - basic and diluted</b>	<u>39,698,396</u>	<u>27,987,699</u>	<u>38,653,879</u>	<u>26,757,376</u>



*Capital Southwest Corporation*

## *Q2 2024 Earnings Presentation*

October 31, 2023

8333 Douglas Avenue, Suite 1100 | Dallas, Texas 75225 | 214.238.5700 | [capitalsouthwest.com](https://capitalsouthwest.com)

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# Important Notices

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# Forward-Looking Statements

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- This presentation contains forward-looking statements relating to, among other things, the business, market conditions, financial condition and results of operations of Capital Southwest, the anticipated investment strategies and investments of Capital Southwest, and future market demand. Any statements that are not statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, preceded by, followed by, or include words such as "believe," "expect," "intend," "plan," "should" or similar words, phrases or expressions or the negative thereof. These statements are made on the basis of the current beliefs, expectations and assumptions of the management of Capital Southwest and speak only as of the date of this presentation. There are a number of risks and uncertainties that could cause Capital Southwest's actual results to differ materially from the forward-looking statements included in this presentation.
- These risks include risks related to: changes in the markets in which Capital Southwest invests; changes in the financial, capital, and lending markets; the impact of rising interest rates on Capital Southwest's business and its portfolio companies; the impact of supply chain constraints and labor difficulties on our portfolio companies; elevated levels of inflation and its impact on Capital Southwest's portfolio companies and the industries in which it invests; regulatory changes; tax treatment and general economic and business conditions; our ability to operate our wholly owned subsidiary, Capital Southwest SBIC I, LP, as a small business investment company ("SBIC"); and an economic downturn and its impact on the ability of our portfolio companies to operate and the investment opportunities available to us.
- For a further discussion of some of the risks and uncertainties applicable to Capital Southwest and its business, see Capital Southwest's Annual Report on Form 10-K for the fiscal year ended March 31, 2023 and its subsequent filings with the SEC. Other unknown or unpredictable factors could also have a material adverse effect on Capital Southwest's actual future results, performance, or financial condition. As a result of the foregoing, readers are cautioned not to place undue reliance on these forward-looking statements. Capital Southwest does not assume any obligation to revise or to update these forward-looking statements, whether as a result of new information, subsequent events or circumstances, or otherwise, except as may be required by law.

## **Conference Call Participants**

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***Bowen S. Diehl***  
***President and Chief Executive Officer***

***Michael S. Sarnier***  
***Chief Financial Officer***

***Chris Rehberger***  
***VP Finance / Treasurer***

## CSWC Company Overview

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*CSWC is a middle-market lending firm focused on supporting the acquisition and growth of middle-market companies across the capital structure*

- CSWC was formed in 1961, and elected to be regulated as a BDC in 1988
- Publicly-traded on Nasdaq: Common Stock ("CSWC") and 7.75% Notes due 2028 ("CSWCZ")
- Internally Managed BDC with RIC tax treatment for U.S. federal income tax purposes
- 27 employees based in Dallas, Texas
- Total Balance Sheet Assets of \$1.4 B as of September 30, 2023
- Operate Capital Southwest SBIC I, LP, a wholly-owned subsidiary
- Maintain investment grade issuer ratings of Baa3 from Moody's and BBB- from Fitch

# Q2 2024 Highlights

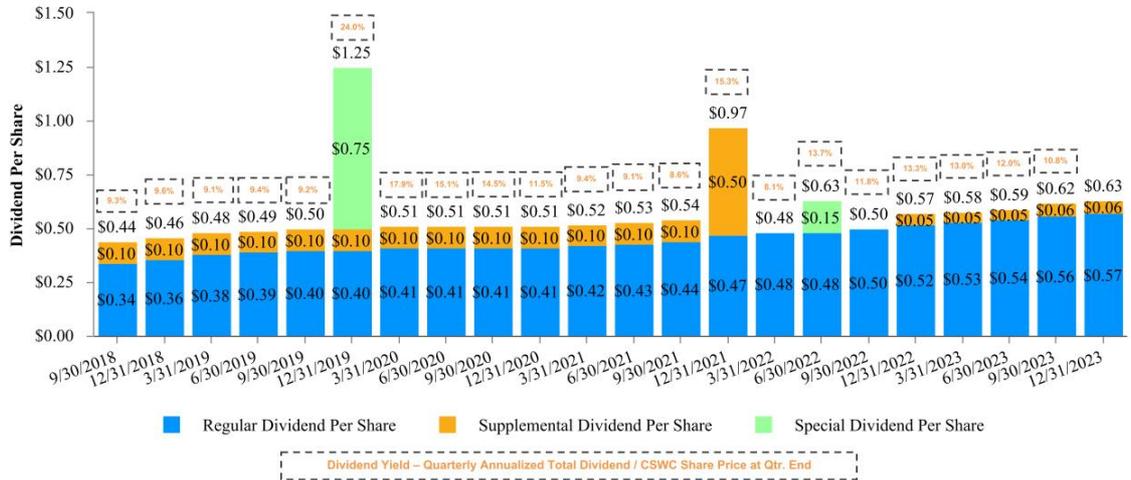
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## Financial Highlights

- Q2 2024 Pre-Tax Net Investment Income (“NII”) of \$26.4 MM or \$0.67 per share
- Increased Regular Dividend to \$0.57 per share for the quarter ending December 31, 2023, an increase of 1.8% compared to the \$0.56 per share Regular Dividend paid for the quarter ended September 30, 2023
  - Maintained Supplemental Dividend of \$0.06 per share for the quarter ending December 31, 2023
- Investment Portfolio at Fair Value increased to \$1.35 B from \$1.29 B in prior quarter
  - \$110.0 MM in total new committed investments to five new portfolio companies and six existing portfolio companies
- Raised \$22.8 MM in gross proceeds through Equity ATM Program during the quarter
  - Sold shares at weighted-average price of \$20.77 per share, or 127% of the prevailing NAV per share
- Regulatory Debt to Equity ended at 0.92x for the quarter
- Increased Credit Facility to \$435 MM from \$400 MM and extended maturity to August 2028
- \$184 MM available on Credit Facility and \$23 MM in cash and cash equivalents as of quarter end
- Subsequent to quarter end, received shareholder approval to increase authorized shares of common stock to 75 million shares from 40 million shares

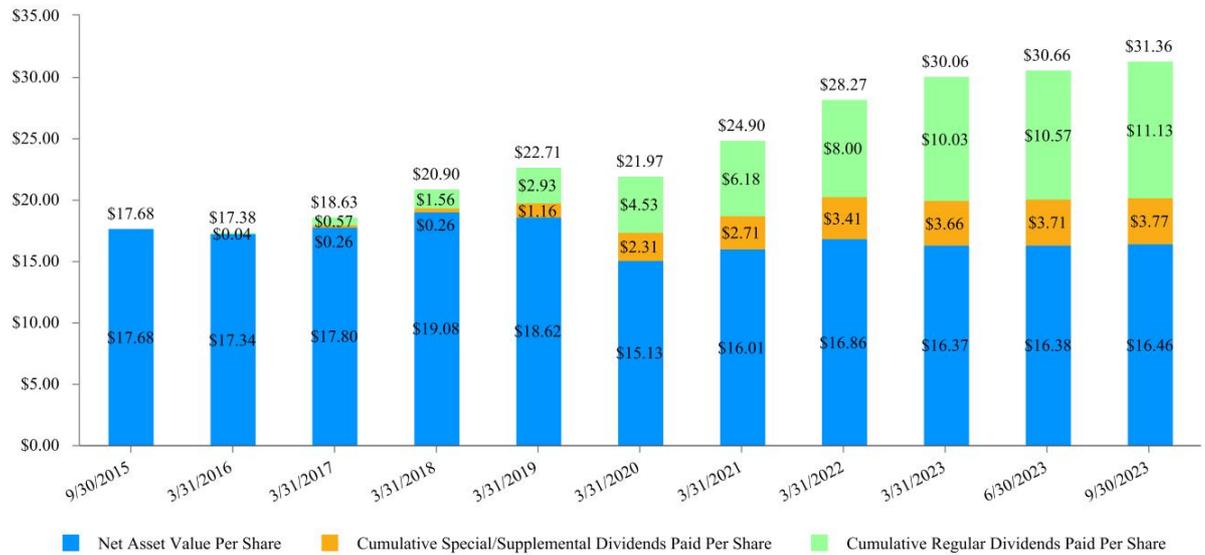
## Track Record of Consistent Dividends Continues

- In the last twelve months ended 9/30/2023, CSWC generated \$2.59 per share in Pre-Tax NII and paid out \$2.15 per share in Regular Dividends
  - LTM Pre-Tax NII Regular Dividend Coverage of 120%
- Cumulative Pre-Tax NII Regular Dividend Coverage of 109% since launch of credit strategy in 2015
- Total of \$3.83 per share Special and Supplemental Dividends declared since launch of credit strategy in 2015
- Estimated Undistributed Taxable Income ("UTI") of \$0.42 per share as of September 30, 2023



## History of Value Creation

Total Value (Net Asset Value + Cumulative Dividends Paid) Increase from Credit Strategy of \$13.68 per share through 9/30/2023



# Credit Investment Strategy

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## **CORE: Lower Middle Market (“LMM”): CSWC led or Club Deals**

- Companies with EBITDA between \$3 MM and \$20 MM
- Typical leverage of 2.0x – 4.0x Debt to EBITDA through CSWC debt position
- Commitment size up to \$50 MM with hold sizes generally \$5 MM to \$35 MM
- Both sponsored and non-sponsored deals
- Floating rate first lien debt securities
- Frequently make equity co-investments alongside CSWC debt

## **OPPORTUNISTIC: Upper Middle Market (“UMM”): Club, First and Second Lien**

- Companies typically have in excess of \$20 MM in EBITDA
- Typical leverage of 3.5x – 5.0x Debt to EBITDA through CSWC debt position
- Hold sizes generally \$5 MM to \$20 MM
- Floating rate first and second lien debt securities

## Granular Credit Portfolio Heavily Weighted Towards First Lien Investments

97% of credit portfolio in first lien senior secured loans with an average investment hold size of 1.1% as of 9/30/23

Credit Portfolio Heavily Weighted to First Lien



## Q2 2024 Originations

**\$110.0 MM in total new committed investments to five new portfolio companies and six existing portfolio companies**

- \$96.5 MM funded at close

Portfolio Originations		Q2 2024				
Name	Industry	Type	Total Debt Funded at Close (\$000s)	Total Equity Funded at Close (\$000s)	Unfunded Commitments at Close (\$000s)	Debt Yield to Maturity
CityVet, Inc.	Healthcare services	First Lien	\$15,000	\$—	\$5,000	13.7%
Swensons Drive-In Restaurants, LLC	Restaurants	First Lien	\$16,000	\$—	\$1,500	14.2%
Damotech, Inc	Industrial products	First Lien / Equity	\$10,200	\$1,000	\$6,000	13.4%
Institutes of Health, LLC	Healthcare services	First Lien / Equity	\$15,000	\$1,000	\$1,000	13.2%
Island Pump and Tank, LLC	Environmental services	First Lien / Equity	\$16,000	\$446	\$—	13.3%
Jackson Hewitt Tax Services, Inc.	Financial services	First Lien	\$10,000	\$—	\$—	13.0%
Versicare Management, LLC	Healthcare services	First Lien	\$8,500	\$—	\$—	13.8%
NeuroPsychiatric Hospitals, LLC	Healthcare services	First Lien	\$2,000	\$—	\$—	15.8%
Air Conditioning Specialist, Inc.	Consumer services	First Lien	\$1,296	\$—	\$—	13.0%
Other Equity Co-Investments	Various	Equity	\$—	\$102	\$—	N/A
<b>Total / Wtd. Avg</b>			<b>\$93,996</b>	<b>\$2,548</b>	<b>\$13,500</b>	<b>13.6%</b>

# CSWC Investment Portfolio Composition

Maintaining appropriate portfolio leverage while receiving attractive risk-adjusted returns

Investment Portfolio - Statistics		
(in \$000's)	6/30/2023	9/30/2023
	Total CSWC Portfolio	Total CSWC Portfolio
Number of Portfolio Companies	89	94
Total Cost	\$1,206,225	\$1,280,155
Total Fair Value	\$1,233,456	\$1,300,144
Average Hold Size Debt Investments (at Fair Value)	\$13,548	\$13,553
Average Hold Size Equity Investments (at Fair Value)	\$2,150	\$2,052
% First Lien Investments (at Fair Value)	87.2%	87.8%
% Second Lien Investments (at Fair Value)	2.8%	2.8%
% Subordinated Debt Investments (at Fair Value)	0.1%	0.1%
% Equity (at Fair Value) <sup>(1)</sup>	9.9%	9.3%
Wtd. Avg. Yield on Debt Investments <sup>(2)</sup>	12.9%	13.5%
Wtd. Avg. Yield on Total Investments <sup>(3)</sup>	12.6%	13.0%
Wtd. Avg. EBITDA of Issuer (\$MM's) <sup>(4)</sup>	\$20.2	\$20.0
Wtd. Avg. Leverage through CSWC Security <sup>(5)</sup>	3.8x	3.6x

Note: All metrics above exclude the I-45 Senior Loan Fund

(1) At September 30, 2023 and June 30, 2023, we had equity ownership in approximately 63% and 64%, respectively, of our investments

(2) The weighted-average annual effective yields were computed using the effective interest rates during the quarter for all debt investments at cost as of September 30, 2023, including accretion of original issue discount but excluding fees payable upon repayment of the debt instruments

(3) The weighted average annual effective yields on total investments were calculated by dividing total investment income, exclusive of non-recurring fees, by average total investments at fair value

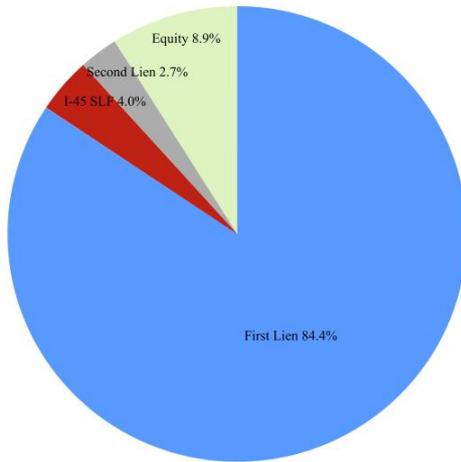
(4) Includes CSWC debt investments only. Weighted average EBITDA metric is calculated using investment cost basis weighting. For the quarters ended September 30, 2023 and June 30, 2023, ten portfolio companies and nine portfolio companies, respectively, are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful

(5) Includes CSWC debt investments only. Calculated as the amount of each portfolio company's debt (including CSWC's position and debt senior or pari passu to CSWC's position, but excluding debt subordinated to CSWC's position) in the capital structure divided by each portfolio company's adjusted EBITDA. Weighted average leverage is calculated using investment cost basis weighting. For the quarters ended September 30, 2023 and June 30, 2023, ten portfolio companies and nine portfolio companies, respectively, are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful

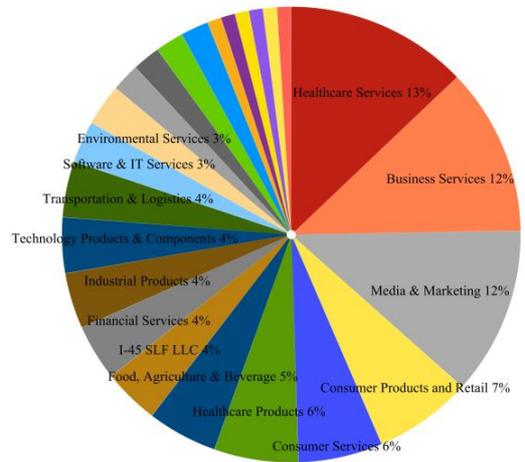
## CSWC Portfolio Mix as of September 30, 2023 at Fair Value

Current Investment Portfolio of \$1.4 B continues to be diverse across industries

Current Investment Portfolio (By Type)



Current Investment Portfolio (By Industry)



(Note 1) I-45 Senior Loan Fund ("I-45 SLF") consists of 95% first lien senior secured debt  
 (Note 2) Equity represents equity co-investments across 59 portfolio companies

## Quarter-over-Quarter Investment Rating Migration

Approximately 97% of all debt investments are currently rated a "1" or "2" as credit portfolio continues to demonstrate strong performance

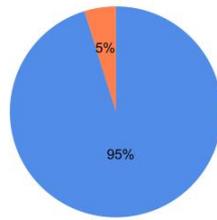
Investment Rating	6/30/2023			Investment Rating Upgrades			Investment Rating Downgrades			9/30/2023		
	# of Loans	Fair Value (\$MM)	% of Portfolio (FV)	# of Loans	Fair Value (\$MM)	% of Portfolio (FV)	# of Loans	Fair Value (\$MM)	% of Portfolio (FV)	# of Loans	Fair Value (\$MM)	% of Portfolio (FV)
1	11	\$155.8	14.0%	1	\$8.2	0.7%	—	\$—	—%	12	\$162.9	13.8%
2	91	\$912.3	82.1%	2	\$21.2	1.8%	—	\$—	—%	99	\$980.1	83.1%
3	5	\$42.9	3.9%	—	\$—	—%	2	\$16.2	1.4%	4	\$29.5	2.5%
4	—	\$—	—%	—	\$—	—%	1	\$6.6	0.6%	1	\$6.6	0.6%
<b>Wtd. Avg. Investment Rating (at Cost)</b>	<b>1.91</b>									<b>1.92</b>		

Note: We utilize an internally developed investment rating system to rate the performance and monitor the expected level of returns for each debt investment in our portfolio. The investment rating system takes into account both quantitative and qualitative factors of the portfolio company and the investments held therein. Investment Ratings range from a rating of 1, which represents the least amount of risk in our portfolio, to 4, which indicates that the investment is performing materially below underwriting expectations

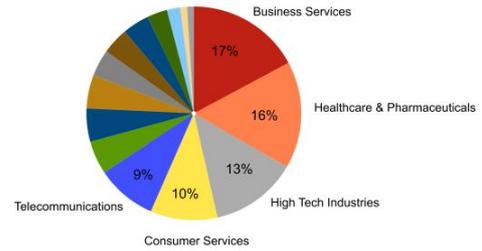
# I-45 Senior Loan Fund Portfolio Overview

I-45 SLF loan portfolio of \$132 MM is 95% first lien senior secured debt

**Current I-45 Portfolio (By Type)**



**Current I-45 Portfolio (By Industry)**



■ First Lien ■ Non-First Lien

I-45 Portfolio Statistics				
(In Thousands)	12/31/2022	3/31/2023	6/30/2023	9/30/2023
Total Investments at Fair Value	\$160,998	\$143,712	\$131,723	\$132,123
Fund Leverage (Debt to Equity) at Fair Value	1.75x	1.34x	1.20x	1.00x
Number of Issuers	39	36	33	33
Wtd. Avg. Issuer EBITDA <sup>(1)</sup>	\$81,865	\$74,955	\$70,692	\$71,441
Avg. Investment Size as a % of Portfolio	2.6%	2.8%	3.0%	3.0%
Wtd. Avg. Net Leverage on Investments <sup>(1)(2)</sup>	4.5x	4.8x	4.9x	5.0x
Wtd. Avg. Spread to LIBOR / SOFR	6.3%	6.3%	6.4%	6.4%
Wtd. Avg. Duration (Yrs)	2.9	2.6	2.4	2.3

(1) For the quarter ended September 30, 2023, four portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful  
 (2) Through I-45 SLF security

# Income Statement

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 12/31/22	Quarter Ended 3/31/23	Quarter Ended 6/30/23	Quarter Ended 9/30/23
<b>Investment Income</b>				
Interest Income	\$27,639	\$31,622	\$34,819	\$37,955
PIK Interest Income	1,501	1,870	1,656	1,526
Dividend Income	2,382	2,207	2,703	2,484
Fees and Other Income	1,244	1,493	1,183	812
<b>Total Investment Income</b>	<b>\$32,766</b>	<b>\$37,192</b>	<b>\$40,361</b>	<b>\$42,777</b>
<b>Expenses</b>				
Cash Compensation	\$3,381	\$2,693	\$2,510	\$2,333
Share Based Compensation	992	832	963	1,236
General & Administrative	1,777	2,091	2,204	2,316
<b>Total Expenses (excluding Interest)</b>	<b>\$6,150</b>	<b>\$5,616</b>	<b>\$5,677</b>	<b>\$5,885</b>
Interest Expense	\$7,937	\$8,823	\$9,681	\$10,481
<b>Pre-Tax Net Investment Income</b>	<b>\$18,679</b>	<b>\$22,753</b>	<b>\$25,003</b>	<b>\$26,411</b>
<b>Gains / Losses and Taxes</b>				
Net Realized and Unrealized Gains (Losses)	\$(16,476)	\$(4,228)	\$(744)	\$(4,209)
Realized Loss on Extinguishment of Debt	—	—	—	(361)
Income Tax (Expense) / Benefit	746	(349)	(447)	783
<b>Net increase in Net Assets Resulting from Operations</b>	<b>\$2,949</b>	<b>\$18,176</b>	<b>\$23,812</b>	<b>\$22,624</b>
Weighted Average Diluted Shares Outstanding	31,381	35,244	37,598	39,698
<b>Pre-Tax NII Per Diluted Weighted Average Share</b>	<b>\$0.60</b>	<b>\$0.65</b>	<b>\$0.67</b>	<b>\$0.67</b>
<b>Net Increase in Net Assets Per Dil. Wtd. Average Share</b>	<b>\$0.09</b>	<b>\$0.52</b>	<b>\$0.63</b>	<b>\$0.57</b>

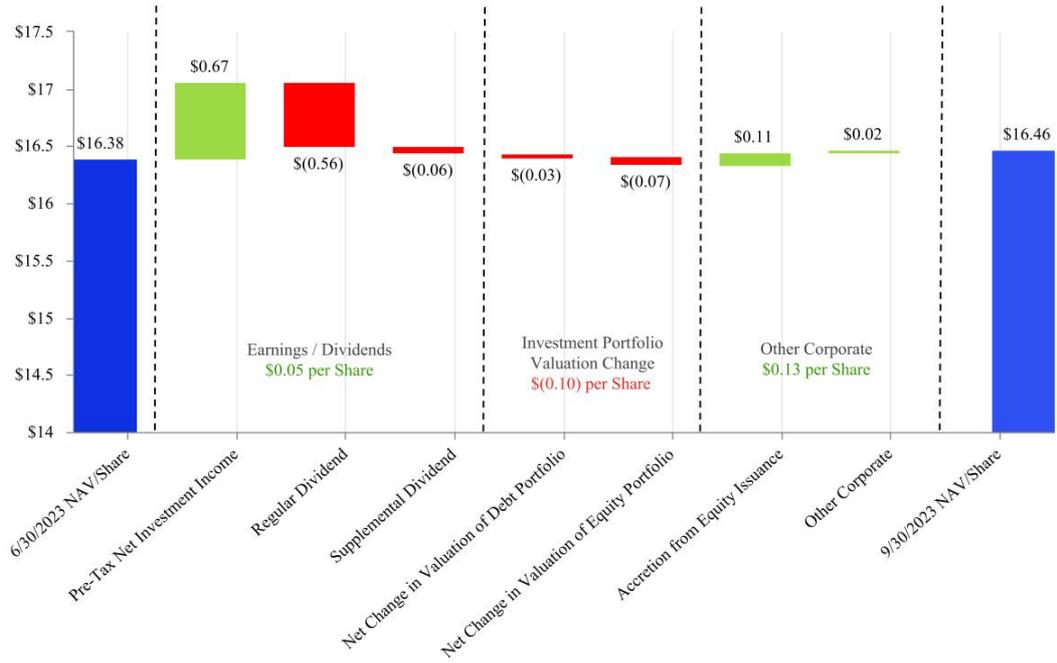
# Operating Leverage Trend

Continuing to improve Operating Leverage through benefits of internally-managed structure



Note: Operating Leverage calculated as last twelve months operating expenses (excluding interest expense) divided by average annual assets  
 (1) Operating expenses exclude interest expense

## NAV per Share Bridge for Quarter Ended 9/30/2023



Note: "Other Corporate" consists of addback for Share Based Compensation Expense, Income Tax Credit, and Realized Loss on Extinguishment of Debt

## Significant Unused Debt Capacity with Long-Term Duration

### Earliest debt maturity occurs in January 2026

Facility	Total Commitments	Interest Rate	Maturity	Principal Drawn	Undrawn Commitment
January 2026 Notes <sup>(1)</sup>	\$140.0 MM	4.50%	January 2026	\$140.0 MM	N/A
I-45 Credit Facility <sup>(2)</sup>	\$100.0 MM	Term SOFR + 2.41%	March 2026	\$67.0 MM	\$33.0 MM
Credit Facility	\$435.0 MM	Term SOFR + 2.15%	August 2028	\$250.0 MM	\$184.4 MM <sup>(3)</sup>
October 2026 Notes <sup>(4)</sup>	\$150.0 MM	3.375%	October 2026	\$150.0 MM	N/A
August 2028 Notes <sup>(5)</sup>	\$71.9 MM	7.75%	August 2028	\$71.9 MM	N/A
SBA Debentures	\$130.0 MM	4.21% <sup>(6)</sup>	September 2031 <sup>(7)</sup>	\$130.0 MM	\$0.0 MM <sup>(8)</sup>

Long-Term Debt Obligations (Calendar Year)



(1) Redeemable in whole or in part at any time prior to October 31, 2025, at par plus a "make whole" premium, and thereafter at par

(2) CSWC owns 80% of the equity and 50% of the voting rights of I-45 SLF with a joint venture partner

(3) Net of \$0.6 MM in letters of credit outstanding

(4) Redeemable in whole or in part at any time prior to July 1, 2026, at par plus a "make whole" premium, and thereafter at par

(5) Redeemable in whole or in part at Capital Southwest's option on or after August 1, 2025

(6) Weighted average interest rate of all SBA Debentures for the three months ended September 30, 2023

(7) First SBA Debentures mature on September 1, 2031

(8) Current statutes and regulations permit SBIC I to borrow up to \$175 million in SBA Debentures with at least \$87.5 million in regulatory capital, subject to SBA approval

## Balance Sheet

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 12/31/22	Quarter Ended 3/31/23	Quarter Ended 6/30/23	Quarter Ended 9/30/23
<b>Assets</b>				
Portfolio Investments	\$1,150,046	\$1,206,388	\$1,285,318	\$1,353,566
Cash & Cash Equivalents	21,686	21,585	21,278	23,020
Other Assets	30,425	29,711	30,407	40,327
<b>Total Assets</b>	<b>\$1,202,157</b>	<b>\$1,257,684</b>	<b>\$1,337,003</b>	<b>\$1,416,913</b>
<b>Liabilities</b>				
SBA Debentures	\$100,582	\$116,330	\$121,352	\$126,376
January 2026 Notes	138,967	139,051	139,135	139,220
October 2026 Notes	147,078	147,263	147,448	147,633
August 2028 Notes	—	—	69,327	69,438
Credit Facility	225,000	235,000	195,000	250,000
Other Liabilities	29,043	29,632	28,540	26,472
<b>Total Liabilities</b>	<b>\$640,670</b>	<b>\$667,276</b>	<b>\$700,802</b>	<b>\$759,139</b>
<b>Shareholders Equity</b>				
<b>Net Asset Value</b>	<b>\$561,487</b>	<b>\$590,408</b>	<b>\$636,201</b>	<b>\$657,774</b>
<b>Net Asset Value per Share</b>	<b>\$16.25</b>	<b>\$16.37</b>	<b>\$16.38</b>	<b>\$16.46</b>
<b>Regulatory Debt to Equity</b>	<b>0.91x</b>	<b>0.88x</b>	<b>0.87x</b>	<b>0.92x</b>

# Portfolio Statistics

Continuing to build a well performing credit portfolio

<i>(In Thousands)</i>	Quarter Ended 12/31/22	Quarter Ended 3/31/23	Quarter Ended 6/30/23	Quarter Ended 9/30/23
<b>Portfolio Statistics</b>				
Fair Value of Debt Investments	\$990,298	\$1,037,595	\$1,110,915	\$1,179,074
Average Debt Investment Hold Size	\$13,382	\$13,303	\$13,548	\$13,553
Fair Value of Debt Investments as a % of Par	96%	96%	97%	97%
% of Investment Portfolio on Non-Accrual (at Fair Value)	0.3%	0.3%	1.7%	2.0%
Weighted Average Investment Rating <sup>(1)</sup>	1.96	1.93	1.91	1.92
Weighted Average Yield on Debt Investments	11.97%	12.78%	12.94%	13.50%
Fair Value of All Portfolio Investments	\$1,150,046	\$1,206,388	\$1,285,318	\$1,353,566
Weighted Average Yield on all Portfolio Investments	11.70%	12.11%	12.64%	12.97%
Investment Mix (Debt vs. Equity) <sup>(2)(3)</sup>	90% / 10%	90% / 10%	90% / 10%	90% / 10%

(1) CSWC utilizes an internal 1 - 4 investment rating system in which 1 represents material outperformance and 4 represents material underperformance. All new investments are initially set to 2. Weighted average investment rating calculated at cost

(2) Excludes CSWC equity investment in I-45 SLF

(3) At Fair Value

# Investment Income Detail

Constructing a portfolio of investments with recurring cash yield

(In Thousands)	Quarter Ended 12/31/22	Quarter Ended 3/31/23	Quarter Ended 6/30/23	Quarter Ended 9/30/23
<b>Investment Income Breakdown</b>				
Cash Interest	\$26,619	\$30,712	\$33,703	\$36,588
Cash Dividends	2,382	2,208	2,703	2,484
PIK Income	1,501	1,869	1,656	1,526
Amortization of Purchase Discounts and Fees	1,062	969	1,172	1,447
Management/Admin Fees	310	369	380	401
Prepayment Fees & Other Income	892	1,065	747	331
<b>Total Investment Income</b>	<b>\$32,766</b>	<b>\$37,192</b>	<b>\$40,361</b>	<b>\$42,777</b>
<b>Key Metrics</b>				
Cash Income as a % of Investment Income <sup>(1)</sup>	95%	95%	96%	96%
% of Total Investment Income that is Recurring	97%	97%	98%	99%

(1) Includes Purchase Discounts and Fees previously received in cash

## Key Financial Metrics

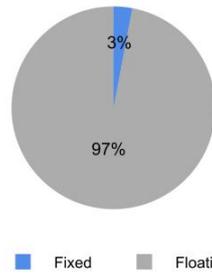
*Strong Pre-Tax Net Investment Income and Dividend Yield driven by net portfolio growth and investment performance*

	Quarter Ended 12/31/22	Quarter Ended 3/31/23	Quarter Ended 6/30/23	Quarter Ended 9/30/23
<b>Key Financial Metrics</b>				
Pre-Tax Net Investment Income Per Wtd Avg Diluted Share	\$0.60	\$0.65	\$0.67	\$0.67
Pre-Tax Net Investment Income Return on Equity (ROE) <sup>(1)</sup>	14.40%	15.89%	16.25%	16.25%
Realized Earnings Per Wtd Avg Diluted Share	\$0.27	\$0.65	\$0.31	\$0.69
Realized Earnings Return on Equity (ROE) <sup>(1)</sup>	6.43%	15.91%	7.65%	16.75%
Earnings Per Wtd Avg Diluted Share	\$0.09	\$0.52	\$0.63	\$0.57
Earnings Return on Equity (ROE) <sup>(1)</sup>	2.27%	12.69%	15.48%	13.92%
Regular Dividends per Share	\$0.52	\$0.53	\$0.54	\$0.56
Supplemental / Special Dividends per Share	\$0.05	\$0.05	\$0.05	\$0.06
<b>Total Dividends per Share</b>	<b>\$0.57</b>	<b>\$0.58</b>	<b>\$0.59</b>	<b>\$0.62</b>

*(1) Return on Equity is calculated as the quarterly annualized Pre-Tax NII, Realized Earnings, or Total Earnings, respectively, divided by equity at the end of the prior quarter*

# Interest Rate Sensitivity

## Fixed vs. Floating Credit Portfolio Exposure <sup>(1)</sup>



Change in Base Interest Rates	Illustrative Annual NII Change (\$'s)	Illustrative Annual NII Change (\$ Per Share)
(200 bps)	(19,110,036)	(0.48)
(150 bps)	(14,332,527)	(0.36)
(100 bps)	(9,555,018)	(0.24)
(50 bps)	(4,777,509)	(0.12)
50 bps	4,777,509	0.12

(1) Portfolio Exposure includes I-45 SLF assets pro rata as a % of CSWC's equity investment in the fund

Note: Illustrative change in annual NII is based on a projection of CSWC's existing debt investments as of 9/30/2023, adjusted only for changes in Base Interest Rate. Base Interest Rate used in this analysis is 3-Month SOFR of 5.39% at 9/30/2023. The results of this analysis include the I-45 Senior Loan Fund, which is comprised of 97% floating rate debt assets and 100% floating rate liabilities

# Corporate Information

<b>Board of Directors</b> <b>Inside Director</b> Bowen S. Diehl <b>Independent Directors</b> David R. Brooks Christine S. Battist Jack D. Furst William R. Thomas Ramona Rogers-Windsor	<b>Senior Management</b> Bowen S. Diehl <i>President &amp; Chief Executive Officer</i>  Michael S. Sarnier <i>Chief Financial Officer, Secretary &amp; Treasurer</i>  Joshua S. Weinstein <i>Senior Managing Director</i>	<b>Fiscal Year End</b> March 31
<b>Corporate Offices &amp; Website</b> 8333 Douglas Avenue Suite 1100 Dallas, TX 75225 <a href="http://www.capitalsouthwest.com">http://www.capitalsouthwest.com</a>	<b>Investor Relations</b> Michael S. Sarnier Capital Southwest 214-884-3829 <a href="mailto:msarnier@capitalsouthwest.com">msarnier@capitalsouthwest.com</a>	<b>Independent Auditor</b> RSM US LLP Chicago, IL
	<b>Securities Listing</b> Nasdaq: "CSWC" (Common Stock) Nasdaq: "CSWCZ" (7.75% Notes due 2028)	<b>Corporate Counsel</b> Eversheds Sutherland (US) LLP
		<b>Transfer Agent</b> American Stock Transfer & Trust Company, LLC 800-937-5449 <a href="http://www.astfinancial.com">www.astfinancial.com</a>

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