

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): **May 22, 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**

Trading Symbol(s)  
**CSWC**

Name of Each Exchange on Which Registered  
**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 May 22, 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 May 23, 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 May 22, 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)

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**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: May 22, 2023

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

## Capital Southwest Announces Financial Results for Fourth Fiscal Quarter and Fiscal Year Ended March 31, 2023

*CSWC Reports Pre-Tax Net Investment Income of \$0.65 Per Share for Quarter Ended March 31, 2023*

Dallas, Texas – May 22, 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 fourth fiscal quarter and fiscal year ended March 31, 2023.

### Fourth Quarter Fiscal Year 2023 Financial Highlights

- Total Investment Portfolio: \$1.2 billion
  - Credit Portfolio of \$1.0 billion:
    - 96% 1st Lien Senior Secured Debt
    - \$61.7 million in new committed credit investments
    - Weighted Average Yield on Debt Investments: 12.8%
    - Current non-accruals with a fair value of \$3.9 million, representing 0.3% of the total investment portfolio
  - Equity Portfolio of \$117.5 million, excluding investment in I-45 Senior Loan Fund (“I-45 SLF”)
    - \$5.6 million in new equity co-investments
  - CSWC Investment in I-45 SLF of \$51.3 million at fair value
    - I-45 SLF portfolio of \$143.7 million
      - Portfolio consists of 36 issuers: 95% 1st Lien Debt
    - \$86.0 million of debt outstanding at I-45 SLF
      - I-45 SLF fund leverage of 1.34x debt to equity at fair value
    - I-45 SLF paid a \$1.9 million quarterly dividend to CSWC; an annualized yield of 14.8%
- Pre-Tax Net Investment Income: \$22.8 million, or \$0.65 per weighted average share outstanding
- Dividends: Paid \$0.53 per share Regular Dividend and \$0.05 per share Supplemental Dividend
  - 113% LTM Pre-Tax NII Regular Dividend Coverage
  - Total Dividends for the quarter ended March 31, 2023 of \$0.58 per share
- Net Realized and Unrealized Depreciation: \$4.2 million
  - \$2.4 million of net depreciation related to the credit portfolio
  - \$1.2 million of net depreciation related to I-45 SLF
  - \$0.6 million of net depreciation related to the equity portfolio
- Balance Sheet:
  - Cash and Cash Equivalents: \$21.6 million
  - Total Net Assets: \$590.4 million
  - Net Asset Value (“NAV”) per Share: \$16.37
- Received Baa3 Investment Grade Rating from Moody’s Investors Service with Stable Outlook

#### **Fiscal Year 2023 Financial Highlights**

- Total Investment Portfolio: Increased by \$269.8 million in total fair value, from \$936.6 million to \$1.2 billion, representing 29% growth during the year
  - Credit Portfolio increased by \$243.8 million, representing 31% growth during the year
- Operating Leverage: Improved to 1.9% as of March 31, 2023 from 2.2% as of March 31, 2022
- Pre-Tax Net Investment Income: \$69.0 million for the fiscal year, or \$2.30 per weighted average diluted share compared to \$1.90 per weighted average diluted share in the prior fiscal year, representing 21% growth
- Dividends: Declared and Paid Total Dividends of \$2.28 per share
  - \$2.03 per share in regular dividends, an increase of 12% compared to the prior year
  - \$0.15 per share in special dividends
  - \$0.10 per share in supplemental dividends
  - Undistributed Taxable Income ("UTI") balance at the end of the fiscal year ended March 31, 2023 was \$0.45 per share

In commenting on the Company's results, Bowen Diehl, President and Chief Executive Officer, stated, "Our portfolio continued to perform well this quarter, producing \$0.65 of pre-tax net investment income. On the capitalization front, we continued to programmatically raise equity through our equity at-the-market program, raising \$29.2 million in gross proceeds at 118% of the prevailing NAV per share during the quarter. Over the past twelve months, we have raised over \$207 million in equity capital and reduced our regulatory leverage from 1.16x down to 0.88x as of the March 31, 2023 quarter end. In consideration of the performance of our portfolio, improvements in our operating leverage, and rising market interest rates, the Board of Directors has declared an increase in our regular quarterly dividend to \$0.54 per share for the June 30, 2023 quarter. In addition, given the excess earnings being generated by our floating rate debt portfolio, our Board of Directors has also declared a supplemental dividend of \$0.05 per share for the June 30, 2023 quarter, resulting in total dividends for the June quarter of \$0.59 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, we are very pleased to have received an investment grade rating from Moody's Investors Service during the quarter. We believe this is further market corroboration of our strong investment track record, first lien focused investment strategy, and prudent balance sheet management."

#### **Fourth Quarter Fiscal Year Investment Activities**

##### **Originations**

During the quarter ended March 31, 2023, the Company originated \$67.3 million in new commitments, consisting of investments in five new portfolio companies totaling \$49.5 million and add-on commitments in nine portfolio companies totaling \$17.8 million. New portfolio company investment transactions that closed during the quarter ended March 31, 2023 are summarized as follows:

**C&M Conveyor, Inc. (dba Innoveyance), \$13.0 million 1<sup>st</sup> Lien Senior Secured Debt:** Innoveyance is a designer and manufacturer of material handling systems such as conveyor systems, automation systems, transfer cars and more.

**Island Pump and Tank, LLC, \$9.0 million 1<sup>st</sup> Lien Senior Secured Debt, \$1.5 million Revolving Loan, \$0.8 million Preferred Equity:** Island Pump and Tank is a leading provider of installation, maintenance, and environmental services to fueling stations in the Northeast.

**GPT Industries, LLC, \$6.2 million 1<sup>st</sup> Lien Senior Secured Debt, \$3.0 million Revolving Loan, \$1.0 million Preferred Equity:** GPT Industries is a manufacturer of electrical isolation products for oil and gas pipelines, primarily for maintenance and repair use.

**Cavalier Buyer, Inc. (dba James River Cardiology), \$6.5 million 1<sup>st</sup> Lien Senior Secured Debt, \$2.0 million Revolving Loan, \$0.6 million Preferred and Common Equity:** James River Cardiology is a cardiology group practicing out of six clinics, two office-based labs and several local hospitals in the Richmond, VA area.

**Guardian Fleet Services, Inc., \$4.5 million 1<sup>st</sup> Lien Senior Secured Debt with Warrants, \$1.5 million Preferred Equity:** Guardian Fleet Services is a vertically-integrated hauling, towing, recovery, and specialized transportation operator serving the Florida and south Georgia markets.

#### **Prepayments and Exits**

During the quarter ended March 31, 2023, the Company received full prepayment on one debt investment totaling \$16.8 million.

**Amware Fulfillment LLC:** Proceeds of \$16.8 million, generating an IRR of 13.0%.

#### **Fourth Fiscal Quarter 2023 Operating Results**

For the quarter ended March 31, 2023, Capital Southwest reported total investment income of \$37.2 million, compared to \$32.8 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 investments.

For the quarter ended March 31, 2023, total operating expenses (excluding interest expense) were \$5.6 million, compared to \$6.2 million in the prior quarter. The decrease in operating expenses was primarily attributable to a decrease in accrued bonus compensation in the current quarter.

For the quarter ended March 31, 2023, interest expense was \$8.8 million as compared to \$7.9 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 March 31, 2023, total pre-tax net investment income was \$22.8 million, compared to \$18.7 million in the prior quarter.

During the quarter ended March 31, 2023, Capital Southwest recorded total net realized and unrealized losses on investments of \$4.2 million, compared to \$16.4 million in the prior quarter. For the quarter ended March 31, 2023, this included net realized and unrealized losses on debt investments of \$2.4 million, net unrealized losses on I-45 SLF of \$1.2 million, net realized and unrealized losses on equity investments of \$0.1 million, and \$0.5 million of net unrealized depreciation related to deferred tax associated with our wholly owned subsidiary that has elected to be a taxable entity (the "Taxable Subsidiary"). The net increase in net assets resulting from operations was \$18.2 million for the quarter, compared to \$2.9 million in the prior quarter.

The Company's NAV at March 31, 2023 was \$16.37 per share, as compared to \$16.25 at December 31, 2022. The increase in NAV per share from the prior quarter is primarily due to the issuance of common stock at a premium to NAV per share through the Equity ATM Program (as described below) and pre-tax net investment income in excess of dividends paid for the quarter.

#### **Fiscal Year 2023 Operating Results**

For the year ended March 31, 2023, Capital Southwest reported total investment income of \$119.3 million, compared to \$82.2 million in the prior year. 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 investments.

For the year ended March 31, 2023, total operating expenses (excluding interest expense) were \$21.4 million, compared to \$19.0 million in the prior year. The increase in operating expenses during the current year was primarily attributable to an increase in employee compensation, audit fees and in expenses related to the Company's new office space. Additionally, there was an increase in professional fees incurred in connection with the compensation consultant engaged by the Compensation Committee and the initial fee related to being assigned an investment grade rating by Moody's Investors Services.

For the year ended March 31, 2023, interest expense was \$28.9 million as compared to \$19.9 million in the prior year. 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 year ended March 31, 2023, total pre-tax net investment income was \$69.0 million, compared to \$43.3 million in the prior year.

During the year ended March 31, 2023, Capital Southwest recorded total net realized and unrealized losses on investments of \$35.6 million, compared to net realized and unrealized gains on investments of \$17.3 million in the prior year. For the year ended March 31, 2023, this included net realized and unrealized losses on debt investments of \$24.9 million, net unrealized losses on I-45 SLF of \$11.1 million, net realized and unrealized gains on equity investments of \$6.9 million, and \$6.5 million of net unrealized depreciation related to deferred tax associated with the Taxable Subsidiary. The net increase in net assets resulting from operations was \$33.1 million for the year, compared to \$42.8 million in the prior year.

The Company's NAV at March 31, 2023 was \$16.37 per share, as compared to \$16.86 at March 31, 2022. The decrease in NAV per share from the prior year is primarily due to net realized and unrealized losses on investments, partially offset by the issuance of common stock at a premium to NAV per share through both an underwritten public equity offering and the Equity ATM Program (as described below).

#### **Liquidity and Capital Resources**

At March 31, 2023, Capital Southwest had approximately \$21.6 million in unrestricted cash and money market balances, \$235.0 million of total debt outstanding on the Credit Facility (as defined below), \$139.1 million, net of unamortized debt issuance costs, of the 4.50% Notes due January 2026 outstanding, \$147.3 million, net of unamortized debt issuance costs, of the 3.375% Notes due October 2026 and \$116.3 million, net of unamortized debt issuance costs, of SBA Debentures (as defined below) outstanding. As of March 31, 2023, Capital Southwest had \$164.4 million in available borrowings under the Credit Facility. The regulatory debt to equity ratio at the end of the quarter was 0.88 to 1.

On November 17, 2022, the Company completed an underwritten public equity offering of 2,534,436 shares of common stock, including shares issuable pursuant to the underwriters' option to purchase additional shares, at a public offering price of \$18.15 per share, raising \$46.0 million of gross proceeds. Net proceeds were \$44.1 million after deducting underwriting discounts and offering expenses.

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 March 31, 2023, the Company sold 1,526,016 shares of its common stock under the Equity ATM Program at a weighted-average price of \$19.15 per share, raising \$29.2 million of gross proceeds. Net proceeds were \$28.8 million after commissions to the sales agents on shares sold. Cumulative to date, the Company has sold 16,613,122 shares of its common stock under the Equity ATM Program at a weighted-average price of \$20.75, raising \$344.7 million of gross proceeds. Net proceeds were \$339.1 million after commissions to the sales agents on shares sold. As of March 31, 2023, the Company has \$305.3 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%. The Credit Facility's revolver period ends on August 9, 2025 with a final maturity of August 9, 2026. At March 31, 2023, the Credit Facility had total commitments of \$400 million from a group of eleven bank lenders and \$235.0 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 March 31, 2023, SBIC I had a total leverage commitment from the SBA in the amount of \$130.0 million, of which \$10.0 million remains unused.

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 March 31, 2023, I-45 SLF had \$86.0 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 March 31, 2023, the Company did not repurchase any shares of the Company's common stock under the share repurchase program.

### **Regular Dividend of \$0.54 Per Share and Supplemental Dividend of \$0.05 Per Share for Quarter Ended June 30, 2023**

On April 26, 2023, the Board declared a total dividend of \$0.59 per share for the quarter ended June 30, 2023, comprised of a Regular Dividend of \$0.54 per share and a Supplemental Dividend of \$0.05 per share.

The Company's dividend will be payable as follows:

#### **Regular Dividend**

Amount Per Share: \$0.54  
Ex-Dividend Date: June 14, 2023  
Record Date: June 15, 2023  
Payment Date: June 30, 2023

#### **Supplemental Dividend**

Amount Per Share: \$0.05  
Ex-Dividend Date: June 14, 2023  
Record Date: June 15, 2023  
Payment Date: June 30, 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.

### **Fourth Quarter 2023 Earnings Results Conference Call and Webcast**

Capital Southwest has scheduled a conference call on Tuesday, May 23, 2023, at 11:00 a.m. Eastern Time to discuss the fourth quarter 2023 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/654v82e7>.

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 Annual Report on Form 10-K for the year ended March 31, 2023 to be filed with the Securities and Exchange Commission and Capital Southwest's Fourth Fiscal Quarter 2023 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 \$1.2 billion in investments at fair value as of March 31, 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, L.P, 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 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. Sarnier, 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)

	March 31, 2023 (Unaudited)	March 31, 2022
<b>Assets</b>		
Investments at fair value:		
Non-control/Non-affiliate investments (Cost: \$947,829 and \$721,392, respectively)	\$ 966,627	\$ 747,132
Affiliate investments (Cost: \$191,523 and \$140,911, respectively)	188,505	131,879
Control investments (Cost: \$80,800 and \$76,000, respectively)	51,256	57,603
Total investments (Cost: \$1,220,152 and \$938,303, respectively)	1,206,388	936,614
Cash and cash equivalents	21,585	11,431
Receivables:		
Dividends and interest	18,430	12,106
Escrow	363	1,344
Other	647	2,238
Income tax receivable	368	158
Debt issuance costs (net of accumulated amortization of \$5,642 and \$4,573, respectively)	3,717	4,038
Other assets	6,186	6,028
<b>Total assets</b>	<b>\$ 1,257,684</b>	<b>\$ 973,957</b>
<b>Liabilities</b>		
SBA Debentures (Par value: \$120,000 and \$40,000, respectively)	\$ 116,330	\$ 38,352
January 2026 Notes (Par value: \$140,000 and \$140,000, respectively)	139,051	138,714
October 2026 Notes (Par value: \$150,000 and \$150,000, respectively)	147,263	146,522
Credit facility	235,000	205,000
Other liabilities	16,761	14,808
Accrued restoration plan liability	598	2,707
Income tax payable	156	1,240
Deferred tax liability	12,117	5,747
<b>Total liabilities</b>	<b>667,276</b>	<b>553,090</b>
<b>Commitments and contingencies (Note 10)</b>		
<b>Net Assets</b>		
Common stock, \$0.25 par value: authorized, 40,000,000 shares; issued, 38,415,937 shares at March 31, 2023 and 27,298,032 shares at March 31, 2022	9,604	6,825
Additional paid-in capital	646,586	448,235
Total distributable (loss) earnings	(41,845)	(10,256)
Treasury stock - at cost, 2,339,512 shares	(23,937)	(23,937)
<b>Total net assets</b>	<b>590,408</b>	<b>420,867</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,257,684</b>	<b>\$ 973,957</b>
Net asset value per share (36,076,425 shares outstanding at March 31, 2023 and 24,958,520 shares outstanding at March 31, 2022)	\$ 16.37	\$ 16.86

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

(In thousands, except shares and per share data)

	Years Ended March 31,		
	2023	2022	2021
<b>Investment income:</b>			
Interest income:			
Non-control/Non-affiliate investments	\$ 87,982	\$ 58,136	\$ 42,880
Affiliate investments	11,658	7,122	6,126
Payment-in-kind interest income:			
Non-control/Non-affiliate investments	2,382	2,051	4,268
Affiliate investments	3,060	1,160	3,018
Dividend income:			
Non-control/Non-affiliate investments	1,824	1,654	1,752
Affiliate investments	141	28	33
Control investments	7,337	6,720	6,609
Fee income:			
Non-control/Non-affiliate investments	4,057	4,833	3,233
Affiliate investments	638	494	122
Control investments	100	—	—
Other income	121	17	21
Total investment income	<u>119,300</u>	<u>82,215</u>	<u>68,062</u>
Operating expenses:			
Compensation	9,870	8,838	7,756
Share-based compensation	3,705	3,585	2,944
Interest	28,873	19,924	17,941
Professional fees	3,180	2,489	2,193
General and administrative	4,632	4,077	3,115
Total operating expenses	<u>50,260</u>	<u>38,913</u>	<u>33,949</u>
Income before taxes	69,040	43,302	34,113
Federal income, excise and other taxes	630	181	637
Deferred taxes	(301)	434	1,805
Total income tax provision	<u>329</u>	<u>615</u>	<u>2,442</u>
<b>Net investment income</b>	<u>\$ 68,711</u>	<u>\$ 42,687</u>	<u>\$ 31,671</u>
<b>Realized (loss) gain</b>			
Non-control/Non-affiliate investments	\$ (5,872)	\$ 7,136	\$ (6,908)
Affiliate investments	(11,027)	140	(1,628)
Income tax provision	(130)	(1,442)	—
<b>Total net realized (loss) gain on investments, net of tax</b>	<u>(17,029)</u>	<u>5,834</u>	<u>(8,536)</u>
<b>Net unrealized (depreciation) appreciation on investments</b>			
Non-control/Non-affiliate investments	(6,942)	20,940	21,218
Affiliate investments	6,014	(4,750)	(2,825)
Control investments	(11,147)	(2,755)	12,598
Income tax provision	(6,514)	(1,968)	(2,236)
<b>Total net unrealized (depreciation) appreciation on investments, net of tax</b>	<u>(18,589)</u>	<u>11,467</u>	<u>28,755</u>
<b>Net realized and unrealized (losses) gains on investments</b>	<u>(35,618)</u>	<u>17,301</u>	<u>20,219</u>
Realized loss on extinguishment of debt	—	(17,087)	(1,007)
Realized loss on disposal of fixed assets	—	(86)	—
<b>Net increase in net assets from operations</b>	<u>\$ 33,093</u>	<u>\$ 42,815</u>	<u>\$ 50,883</u>
<b>Pre-tax net investment income per share - basic and diluted</b>	<u>\$ 2.30</u>	<u>\$ 1.90</u>	<u>\$ 1.79</u>
<b>Net investment income per share – basic and diluted</b>	<u>\$ 2.29</u>	<u>\$ 1.87</u>	<u>\$ 1.66</u>
<b>Net increase in net assets from operations – basic and diluted</b>	<u>\$ 1.10</u>	<u>\$ 1.87</u>	<u>\$ 2.67</u>
<b>Weighted average shares outstanding – basic and diluted</b>	<u>30,015,533</u>	<u>22,839,835</u>	<u>19,060,131</u>



*Capital Southwest Corporation*

## *Q4 2023 Earnings Presentation*

May 23, 2023

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

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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”)
- Internally Managed BDC with RIC tax treatment for U.S. federal income tax purposes
- 26 employees based in Dallas, Texas
- Total Balance Sheet Assets of \$1.3 B as of March 31, 2023
- Operate Capital Southwest SBIC I, LP, a wholly-owned subsidiary
- Manage I-45 Senior Loan Fund (“I-45 SLF”) in partnership with Main Street Capital (NYSE: “MAIN”)
- Maintain investment grade issuer rating of Baa3 from Moody's Investor Service

# Fiscal Year 2023 Highlights

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## Financial Highlights

- Investments at Fair Value of \$1.2 B compared to \$937 MM in prior year, an increase of 29%
- Pre-Tax Net Investment Income increased to \$2.30 per share from \$1.90 per share in prior year, an increase of 21%
- Paid Regular Dividends of \$2.03 compared to \$1.82 in prior year, an increase of 12%
- Weighted Average Yield on Portfolio increased to 12.8% compared to 9.3% in prior year
- Strengthened Balance Sheet through capital raising activities
  - Raised \$207 MM in gross equity proceeds at a weighted average price of \$18.89, or 114% of the prevailing NAV per share
  - Increased total commitments on Credit Facility to \$400 MM from \$335 MM in prior year
  - Obtained additional \$50 MM in leverage commitments during the year resulting in total of \$130 MM in SBA approved leverage
- Operating Leverage<sup>(1)</sup> improved to 1.9% as of 3/31/23 from 2.2% as of 3/31/22
- Regulatory Debt to Equity decreased to 0.88x as of 3/31/23 from 1.16x as of 3/31/22
- Received Baa3 investment grade rating from Moody's Investors Service in March 2023

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

# Q4 2023 Highlights

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## Financial Highlights

- Q4 2023 Pre-Tax Net Investment Income (“NII”) of \$22.8 MM or \$0.65 per share compared to \$0.60 per share in the prior quarter, an increase of 8%
- Paid \$0.53 per share Regular Dividend and \$0.05 per share Supplemental Dividend for the quarter ended March 31, 2023
  - Increased Regular Dividend to \$0.54 per share for the quarter ending June 30, 2023, an increase of 1.9% compared to the prior quarter
  - Declared Supplemental Dividend of \$0.05 per share for the quarter ending June 30, 2023
- Investment Portfolio at Fair Value increased to \$1.21 B from \$1.15 B in prior quarter
  - \$67.3 MM in total new committed investments to five new portfolio companies and add-on commitments to nine existing portfolio companies
  - \$16.8 MM in total proceeds from one debt prepayment generating an IRR of 13.0%
- Raised \$29.2 MM in gross proceeds through Equity ATM Program during the quarter
  - Sold shares at weighted-average price of \$19.15 per share, or 118% of the prevailing NAV per share
- Regulatory Debt to Equity decreased to 0.88x from 0.91x in prior quarter
- \$164 MM available on Credit Facility and \$21.6 MM in cash and cash equivalents as of quarter end

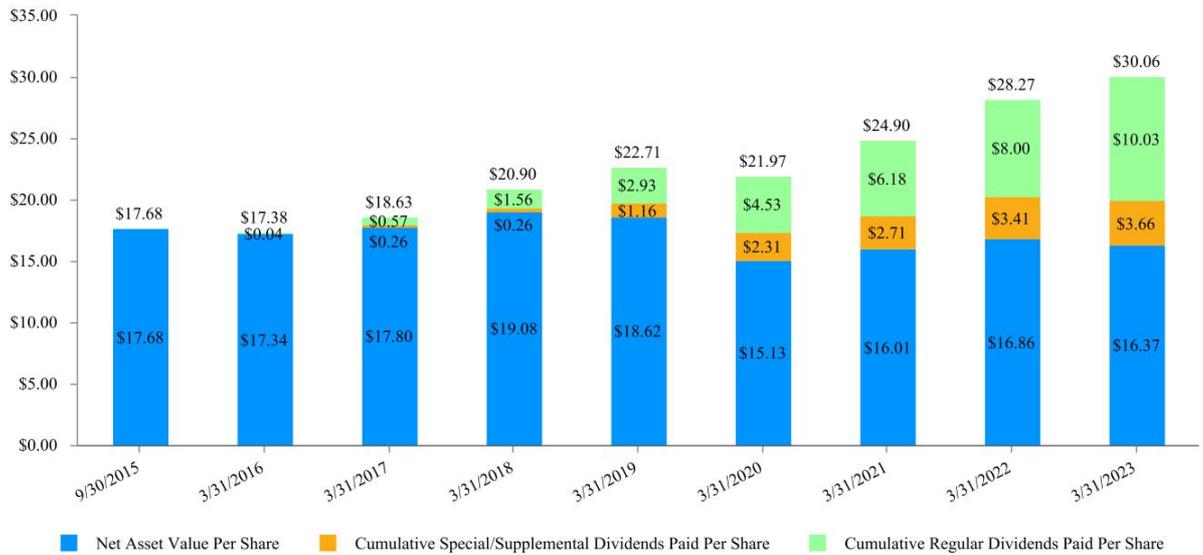
## Track Record of Consistent Dividends Continues

- In the last twelve months ended 3/31/2023, CSWC generated \$2.30 per share in Pre-Tax NII and paid out \$2.03 per share in Regular Dividends
  - LTM Pre-Tax NII Regular Dividend Coverage of 113%
- Cumulative Pre-Tax NII Regular Dividend Coverage of 108% since December 2015
- Total of \$3.71 per share Special and Supplemental Dividends declared since December 2015
- Estimated Undistributed Taxable Income ("UTI") of \$0.45 per share as of March 31, 2023



## History of Value Creation

Total Value (Net Asset Value + Cumulative Dividends Paid) Increase from Credit Strategy of \$12.38 per share through 3/31/2023



# 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 \$35 MM with hold sizes generally \$5 MM to \$35 MM
- Both sponsored and non-sponsored deals
- Securities include first lien, unitranche, and second lien
- Frequently make equity co-investments alongside CSWC debt

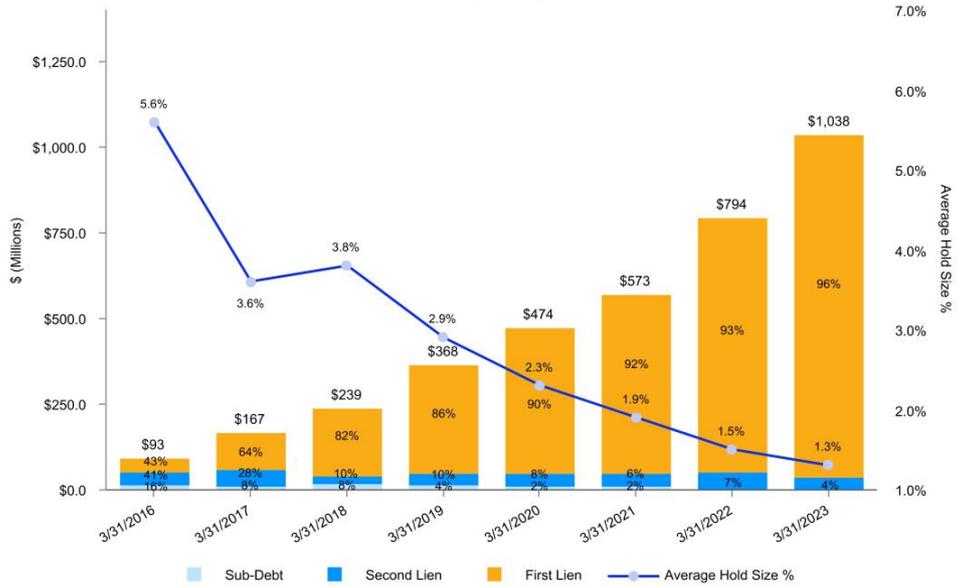
## **OPPORTUNISTIC: Upper Middle Market (“UMM”): Syndicated or Club, First and Second Lien**

- Companies typically have in excess of \$20 MM in EBITDA
- Typical leverage of 3.5x – 5.5x Debt to EBITDA through CSWC debt position
- Hold sizes generally \$5 MM to \$20 MM
- Floating rate first and second lien debt securities

## Credit Portfolio Heavily Weighted Towards First Lien Investments

96% of credit portfolio in first lien senior secured loans with an average investment hold size of 1.3% as of 3/31/23

Credit Portfolio Heavily Weighted to First Lien



## Q4 2023 Originations

**\$67.3 MM in total new committed investments to five new portfolio companies and nine existing portfolio companies**

- \$59.6 MM funded at close

Portfolio Originations		Q4 2023				
Name	Industry	Type	Total Debt Funded at Close (\$000s)	Total Equity Funded at Close (\$000s)	Unfunded Commitments at Close (\$000s)	Debt Yield to Maturity
C&M Conveyor, Inc. (DBA Innoveyance)	Business services	First Lien	\$13,000	\$—	\$—	12.5%
Island Pump and Tank, LLC	Environmental services	First Lien / Equity	\$9,000	\$750	\$1,500	13.1%
GPT Industries, LLC	Industrial products	First Lien / Equity	\$6,150	\$1,000	\$3,000	12.3%
Cavalier Buyer, Inc. (DBA James River Cardiology)	Healthcare services	First Lien / Equity	\$6,500	\$625	\$2,000	14.1%
Spectrum of Hope, LLC (DBA Kids SPOT)	Healthcare services	First Lien / Equity	\$5,210	\$1,000	\$—	13.1%
Guardian Fleet Services, Inc.	Transportation & logistics	First Lien / Equity	\$4,500	\$1,500	\$—	12.7%
Outerbox, LLC	Media & marketing	First Lien / Equity	\$3,825	\$131	\$—	12.3%
Air Conditioning Specialist, Inc.	Consumer services	First Lien	\$2,400	\$—	\$1,000	12.8%
NeuroPsychiatric Hospitals, LLC	Healthcare services	First Lien	\$3,176	\$—	\$—	15.6%
Other Equity Co-Investments	Various	Equity	\$—	\$559	\$—	N/A
AAC New Holdco Inc.	Healthcare services	First Lien	\$266	\$—	\$200	18.0%
<b>Total / Wtd. Avg</b>			<b>\$54,027</b>	<b>\$5,565</b>	<b>\$7,700</b>	<b>13.1%</b>

## Track Record of CSWC Exits Continues

### *\$16.8 MM in total proceeds from one portfolio company exit*

- During the quarter, CSWC exited one debt investment, generating proceeds of \$16.8 MM and an IRR of 13.0%
- Cumulative IRR of 14.5% on 68 portfolio company exits generating \$798 MM in proceeds since launch of credit strategy in January 2015

Portfolio Exits		Q4 2023			
Name	Industry	Type	Net Proceeds (\$000s)	Realized Gain / (Loss) (\$000s)	IRR
Amware Fulfillment LLC	Distribution	First Lien	\$16,838	\$3	13.0%
Total / Wtd. Avg			\$16,838	\$3	13.0%

# CSWC Investment Portfolio Composition

Maintaining appropriate portfolio leverage while receiving attractive risk-adjusted returns

Investment Portfolio - Statistics		
(in \$000's)	12/31/2022	3/31/2023
	Total CSWC Portfolio	Total CSWC Portfolio
Number of Portfolio Companies	81	85
Total Cost	\$1,083,712	\$1,139,352
Total Fair Value	\$1,102,421	\$1,155,132
Average Hold Size Debt Investments (at Fair Value)	\$13,382	\$13,303
Average Hold Size Equity Investments (at Fair Value)	\$2,336	\$2,218
% First Lien Investments (at Fair Value)	86.5%	86.6%
% Second Lien Investments (at Fair Value)	3.2%	3.1%
% Subordinated Debt Investments (at Fair Value)	0.1%	0.1%
% Equity (at Fair Value) <sup>(1)</sup>	10.2%	10.2%
Wtd. Avg. Yield on Debt Investments <sup>(2)</sup>	12.0%	12.8%
Wtd. Avg. Yield on Total Investments <sup>(3)</sup>	11.7%	12.1%
Wtd. Avg. EBITDA of Issuer (\$MM's) <sup>(4)</sup>	\$22.1	\$21.0
Wtd. Avg. Leverage through CSWC Security <sup>(5)</sup>	3.6x	4.0x

Note: All metrics above exclude the I-45 SLF

(1) At March 31, 2023 and December 31, 2022, we had equity ownership in approximately 62% and 59%, 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 March 31, 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 both quarters ended March 31, 2023 and December 31, 2022, nine portfolio companies 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 both quarters ended March 31, 2023 and December 31, 2022, nine portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful

## Quarter-over-Quarter Investment Rating Migration

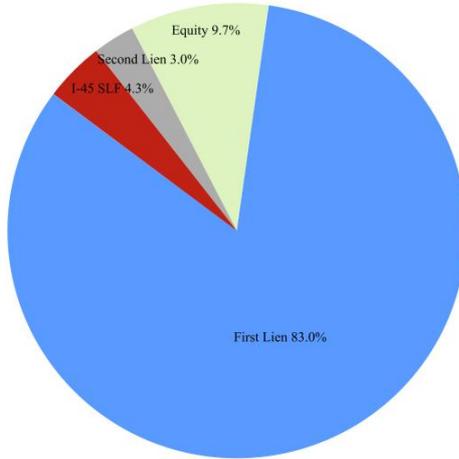
Approximately 96% of all debt investments are currently rated a "1" or "2" as credit portfolio continues to demonstrate strong performance

Investment Rating	12/31/2022			Investment Rating Upgrades			Investment Rating Downgrades			3/31/2023		
	# 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	7	\$118.0	11.9%	4	\$52.3	5.0%	—	\$—	—%	10	\$153.1	14.8%
2	77	\$824.0	83.2%	2	\$30.8	3.0%	—	\$—	—%	81	\$839.5	80.9%
3	6	\$48.0	4.9%	—	\$—	—%	2	\$23.1	2.2%	5	\$44.7	4.3%
4	3	\$0.3	—%	—	\$—	—%	1	\$0.0	—%	4	\$0.3	—%
<b>Wtd. Avg. Investment Rating (at Cost)</b>	1.96									1.93		

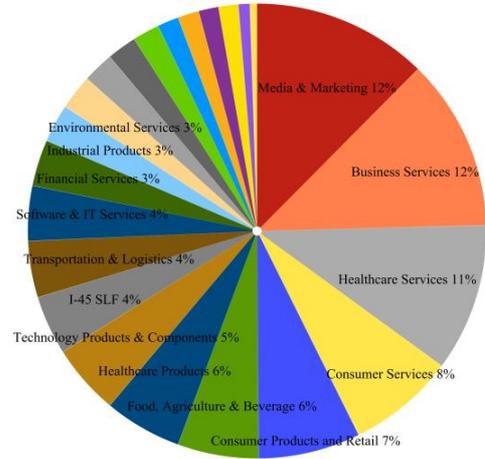
## CSWC Portfolio Mix as of March 31, 2023 at Fair Value

Current Investment Portfolio of \$1.2 B continues to be diverse across industries

Current Investment Portfolio (By Type)



Current Investment Portfolio (By Industry)



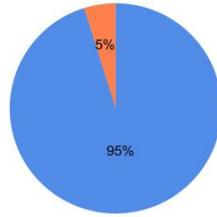
(Note 1) I-45 SLF consists of 95% first lien senior secured debt

(Note 2) Equity represents equity co-investments across 53 portfolio companies

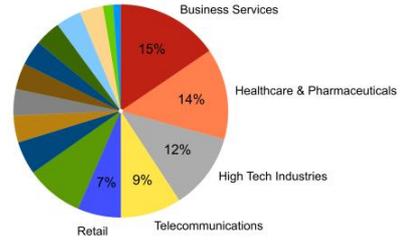
# I-45 SLF Portfolio Overview

I-45 SLF loan portfolio of \$144 MM is 95% first lien senior secured debt with average hold size of 2.8% of the I-45 portfolio

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



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



■ First Lien ■ Non-First Lien

I-45 Portfolio Statistics				
(In Thousands)	6/30/2022	9/30/2022	12/31/2022	3/31/2023
Total Investments at Fair Value	\$173,509	\$168,610	\$160,998	\$143,712
Fund Leverage (Debt to Equity) at Fair Value	1.70x	1.73x	1.75x	1.34x
Number of Issuers	39	39	39	36
Wtd. Avg. Issuer EBITDA <sup>(1)</sup>	\$78,190	\$81,162	\$81,865	\$74,955
Avg. Investment Size as a % of Portfolio	2.6%	2.6%	2.6%	2.8%
Wtd. Avg. Net Leverage on Investments <sup>(1)(2)</sup>	4.7x	4.4x	4.5x	4.8x
Wtd. Avg. Spread to LIBOR / SOFR	6.1%	6.3%	6.3%	6.3%
Wtd. Avg. Duration (Yrs)	3.5	3.3	2.9	2.6

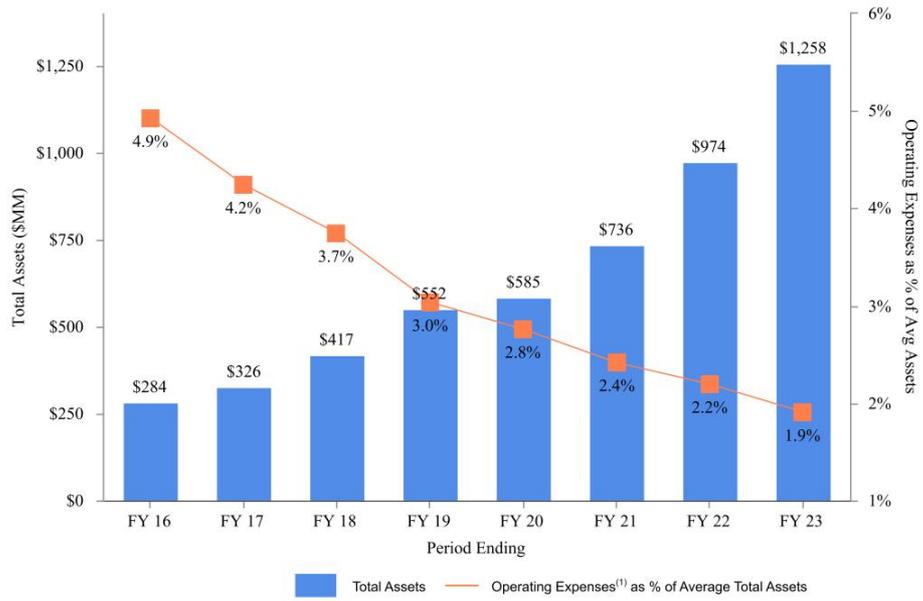
(1) For the quarter ended March 31, 2023, three portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful  
 (2) Through I-45 SLF security

# Income Statement

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 6/30/22	Quarter Ended 9/30/22	Quarter Ended 12/31/22	Quarter Ended 3/31/23
<b>Investment Income</b>				
Interest Income	\$18,260	\$22,119	\$27,639	\$31,622
PIK Interest Income	687	1,384	1,501	1,870
Dividend Income	2,186	2,527	2,382	2,207
Fees and Other Income	1,410	769	1,244	1,493
<b>Total Investment Income</b>	<b>\$22,543</b>	<b>\$26,799</b>	<b>\$32,766</b>	<b>\$37,192</b>
<b>Expenses</b>				
Cash Compensation	\$1,542	\$2,254	\$3,381	\$2,693
Share Based Compensation	821	1,060	992	832
General & Administrative	2,066	1,878	1,777	2,091
<b>Total Expenses (excluding Interest)</b>	<b>\$4,429</b>	<b>\$5,192</b>	<b>\$6,150</b>	<b>\$5,616</b>
Interest Expense	\$5,484	\$6,629	\$7,937	\$8,823
<b>Pre-Tax Net Investment Income</b>	<b>\$12,630</b>	<b>\$14,978</b>	<b>\$18,679</b>	<b>\$22,753</b>
<b>Gains / Losses and Taxes</b>				
Net Realized and Unrealized Gains (Losses)	\$(9,928)	\$(4,986)	\$(16,476)	\$(4,228)
Income Tax (Expense) / Benefit	(192)	(534)	746	(349)
<b>Net increase in Net Assets Resulting from Operations</b>	<b>\$2,510</b>	<b>\$9,458</b>	<b>\$2,949</b>	<b>\$18,176</b>
Weighted Average Diluted Shares Outstanding	25,514	27,988	31,381	35,244
<b>Pre-Tax NII Per Diluted Weighted Average Share</b>	<b>\$0.50</b>	<b>\$0.54</b>	<b>\$0.60</b>	<b>\$0.65</b>
<b>Net Increase in Net Assets Per Dil. Wtd. Average Share</b>	<b>\$0.10</b>	<b>\$0.34</b>	<b>\$0.09</b>	<b>\$0.52</b>

# Operating Leverage Trend

Continue to realize operating efficiencies 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 3/31/2023

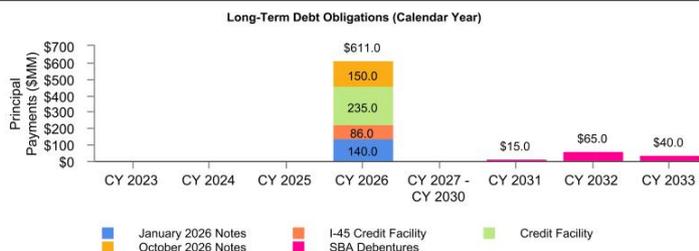


Note: "Other Corporate" consists primarily of \$0.06 per share in change in restoration plan liability

## 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	\$86.0 MM	\$14.0 MM
Credit Facility	\$400.0 MM	Term SOFR + 2.15% <sup>(3)</sup>	August 2026	\$235.0 MM	\$164.4 MM <sup>(4)</sup>
October 2026 Notes <sup>(5)</sup>	\$150.0 MM	3.375%	October 2026	\$150.0 MM	N/A
SBA Debentures	\$130.0 MM	4.08% <sup>(6)</sup>	September 2031 <sup>(7)</sup>	\$120.0 MM	\$10.0 MM <sup>(8)</sup>



(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) Additional 0.10% adjustment for 1-month SOFR loans, and 0.15% adjustment for 3-month SOFR loans

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

(5) 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

(6) Weighted average interest rate of all pooled and unpooled SBA Debentures for the three months ended March 31, 2023

(7) First pooled 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 6/30/22	Quarter Ended 9/30/22	Quarter Ended 12/31/22	Quarter Ended 3/31/23
<b>Assets</b>				
Portfolio Investments	\$1,006,640	\$1,056,931	\$1,150,046	\$1,206,388
Cash & Cash Equivalents	18,770	30,238	21,686	21,585
Other Assets	28,549	26,002	30,425	29,711
<b>Total Assets</b>	<b>\$1,053,959</b>	<b>\$1,113,171</b>	<b>\$1,202,157</b>	<b>\$1,257,684</b>
<b>Liabilities</b>				
SBA Debentures	\$77,461	\$77,553	\$100,582	\$116,330
January 2026 Notes	138,798	138,883	138,967	139,051
October 2026 Notes	146,708	146,893	147,078	147,263
Credit Facility	215,000	240,000	225,000	235,000
Other Liabilities	23,007	34,118	29,043	29,632
<b>Total Liabilities</b>	<b>\$600,974</b>	<b>\$637,447</b>	<b>\$640,670</b>	<b>\$667,276</b>
<b>Shareholders Equity</b>				
<b>Net Asset Value</b>	<b>\$452,985</b>	<b>\$475,724</b>	<b>\$561,487</b>	<b>\$590,408</b>
<b>Net Asset Value per Share</b>	<b>\$16.54</b>	<b>\$16.53</b>	<b>\$16.25</b>	<b>\$16.37</b>
<b>Regulatory Debt to Equity</b>	<b>1.10x</b>	<b>1.11x</b>	<b>0.91x</b>	<b>0.88x</b>

# Portfolio Statistics

Continuing to build a well performing credit portfolio

<i>(In Thousands)</i>	Quarter Ended 6/30/22	Quarter Ended 9/30/22	Quarter Ended 12/31/22	Quarter Ended 3/31/23
<b>Portfolio Statistics</b>				
Fair Value of Debt Investments	\$865,432	\$903,451	\$990,298	\$1,037,595
Average Debt Investment Hold Size	\$12,727	\$12,906	\$13,382	\$13,303
Fair Value of Debt Investments as a % of Par	97%	96%	96%	96%
% of Investment Portfolio on Non-Accrual (at Fair Value)	1.6%	0.9%	0.3%	0.3%
Weighted Average Investment Rating <sup>(1)</sup>	1.98	1.95	1.96	1.93
Weighted Average Yield on Debt Investments	9.31%	10.59%	11.97%	12.78%
Fair Value of All Portfolio Investments	\$1,006,640	\$1,056,931	\$1,150,046	\$1,206,388
Weighted Average Yield on all Portfolio Investments	9.11%	10.29%	11.70%	12.11%
Investment Mix (Debt vs. Equity) <sup>(2)(3)</sup>	91% / 9%	91% / 9%	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 6/30/22	Quarter Ended 9/30/22	Quarter Ended 12/31/22	Quarter Ended 3/31/23
<b>Investment Income Breakdown</b>				
Cash Interest	\$17,414	\$21,173	\$26,619	\$30,712
Cash Dividends	2,186	2,527	2,382	2,208
PIK Income	687	1,384	1,501	1,869
Amortization of Purchase Discounts and Fees	848	963	1,062	969
Management/Admin Fees	264	329	310	369
Prepayment Fees & Other Income	1,144	423	892	1,066
<b>Total Investment Income</b>	<b>\$22,543</b>	<b>\$26,799</b>	<b>\$32,766</b>	<b>\$37,193</b>
<b>Key Metrics</b>				
Cash Income as a % of Investment Income <sup>(1)</sup>	97%	95%	95%	95%
% of Total Investment Income that is Recurring	95%	98%	97%	97%

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

## Key Financial Metrics

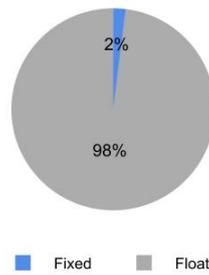
*Strong Pre-Tax Net Investment Income and Dividend Yield driven by net portfolio growth and investment performance*

	Quarter Ended 6/30/22	Quarter Ended 9/30/22	Quarter Ended 12/31/22	Quarter Ended 3/31/23
<b>Key Financial Metrics</b>				
Pre-Tax Net Investment Income Per Wtd Avg Diluted Share	\$0.50	\$0.54	\$0.60	\$0.65
Pre-Tax Net Investment Income Return on Equity (ROE) <sup>(1)</sup>	11.74%	12.94%	14.40%	15.89%
Realized Earnings Per Wtd Avg Diluted Share	\$0.58	\$0.21	\$0.27	\$0.65
Realized Earnings Return on Equity (ROE) <sup>(1)</sup>	13.72%	5.02%	6.43%	15.91%
Earnings Per Wtd Avg Diluted Share	\$0.10	\$0.34	\$0.09	\$0.52
Earnings Return on Equity (ROE) <sup>(1)</sup>	2.33%	8.17%	2.27%	12.69%
Regular Dividends per Share	\$0.48	\$0.50	\$0.52	\$0.53
Supplemental / Special Dividends per Share	\$0.15	\$—	\$0.05	\$0.05
<b>Total Dividends per Share</b>	<b>\$0.63</b>	<b>\$0.50</b>	<b>\$0.57</b>	<b>\$0.58</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)	(16,942,166)	(0.47)
(150 bps)	(12,706,625)	(0.35)
(100 bps)	(8,471,083)	(0.23)
(50 bps)	(4,235,542)	(0.12)
50 bps	4,235,542	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 3/31/2023, adjusted only for changes in Base Interest Rate. Base Interest Rate used in this analysis is 3-Month LIBOR of 5.19% at 3/31/2023. The results of this analysis include the I-45 Senior Loan Fund, which is comprised of 98% 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. Sarner <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. Sarner Capital Southwest 214-884-3829 <a href="mailto:msarner@capitalsouthwest.com">msarner@capitalsouthwest.com</a>	<b>Independent Auditor</b> RSM US LLP Chicago, IL
	<b>Securities Listing</b> Nasdaq: "CSWC" (Common Stock)	<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.amstock.com">www.amstock.com</a>

Industry Analyst Coverage		
Firm	Analyst	Contact Information
Ladenburg Thalmann & Co., Inc.	Mickey M. Schleien, CFA	Direct: 305-572-4131
JMP Securities, LLC	Devin Ryan	Direct: 415-835-8900
Hovde Group	Erik Zwick	Direct: 617-510-1239
Jefferies, LLC	Kyle Joseph	Direct: 510-418-0754
Raymond James & Associates	Robert Dodd	Direct: 901-579-4560
Oppenheimer & Co., Inc.	Mitchel Penn	Direct: 212-667-7136
UBS Securities, LLC	Vilas Abraham	Direct: 212-713-3241

