

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

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**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): **February 6, 2017**

**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.)

**5400 Lyndon B. Johnson Freeway, Suite 1300**  
**Dallas, Texas 75240**  
(Address of Principal Executive Offices) (Zip Code)

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

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

On February 6, 2017, 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, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1934, 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 February 7, 2017. 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 Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, 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>  |
|--------------------|---|
| 99.1               | Press release issued by Capital Southwest Corporation on February 6, 2017 |
| 99.2               | Investor presentation slides  |

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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: February 6, 2017

By: /s/ Bowen S. Diehl

Name: Bowen S. Diehl

Title: Chief Executive Officer and  
President

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## EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 99.1               | Press release issued by Capital Southwest Corporation on February 6, 2017 |
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## Capital Southwest Announces Financial Results for Third Fiscal Quarter Ended December 31, 2016

### *CSWC Increases Pre-Tax Net Investment Income to \$0.21 Per Share*

Dallas, Texas – February 6, 2017 – Capital Southwest Corporation (“Capital Southwest” or the “Company”; Nasdaq: CSWC) today announced its financial results for the third fiscal quarter ended December 31, 2016.

### **Third Quarter Fiscal Year 2017 Financial Highlights**

- Total Investment Portfolio: \$267.1 million
    - o Total Credit Portfolio: \$151.5 million
      - o \$25 million in new credit investments originated during the quarter
      - o \$7 million in prepayments during the quarter
    - o Total CSWC investment in I-45 SLF: \$58.7 million
      - o I-45 SLF portfolio increased to \$186.6 million from \$172.5 million during the quarter
      - o \$39 million in new credit investments originated during the quarter
      - o \$18 million in prepayments during the quarter
      - o I-45 SLF portfolio consists of 41 issuers; 96% 1<sup>st</sup> Lien Debt and 4% 2<sup>nd</sup> Lien Debt
    - o Total Equity Portfolio, excluding investment in I-45 SLF: \$57.0 million
  - Pre-Tax Net Investment Income of \$3.4 million, or \$0.21 per weighted average diluted share
  - Dividends declared: \$0.17 per share
  - Net Realized and Unrealized Portfolio Appreciation: \$5.0 million
  - Total Cash: \$32.7 million
  - Total Net Assets: \$285.4 million
  - Net Asset Value per Share: \$17.88
  - Weighted Average Yield on Debt Investments: 10.32%
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In commenting on the Company's results, Bowen Diehl, President and Chief Executive Officer, stated, "We are pleased with our continued progress towards building a robust middle market focused, internally-managed, BDC paying a market dividend, that our shareholders can have confidence in, while growing NAV per share. Recent realizations in our portfolio have begun to demonstrate our ability to generate attractive risk adjusted returns across our credit platform."

### **Portfolio and Investment Activities**

During the quarter ended December 31, 2016, the Company originated five new on-balance sheet credit investments totaling \$25.0 million. The Company also grew the I-45 SLF investment portfolio to \$186.6 million from \$172.5 million. The Company received a full prepayment on its investment in Vivid Seats in the amount of \$6.9 million, recognizing a realized gain of \$0.4 million and an IRR of 21.5%. The Company also received proceeds related to scheduled repayments of certain debt securities totaling \$1.7 million.

New investment transactions which occurred during the quarter ended December 31, 2016 are summarized as follows:

**Lighting Retrofit International, \$8.0 million 1<sup>st</sup> Lien Senior Secured Debt:** Lighting Retrofit International is a leading provider of design-build energy efficiency services to energy service companies and utility clients.

**Premiere Global Services, Inc., \$2.0 million 2<sup>nd</sup> Lien Senior Secured Debt:** Premiere Global is a leading global provider of audio conferencing solutions and SaaS-based web and video collaboration solutions to large global companies, mid-sized companies, and SMBs.

**Polycom Inc., \$4.5 million 1<sup>st</sup> Lien Senior Secured Debt:** Polycom is a global provider of open, standards-based unified communication and collaboration solutions for voice and video communication and content sharing.

**Digital Room, \$7.0 million 2<sup>nd</sup> Lien Senior Secured Debt:** Digital Room is a leading e-commerce provider of high-quality customized printed products to graphic designers and SMBs, and to a lesser extent resellers and consumers in U.S.

**Restaurant Technologies, Inc., \$3.5 million 2<sup>nd</sup> Lien Senior Secured Debt:** Restaurant Technologies is the leading provider of integrated, closed-loop cooking oil management solutions to the foodservice industry.

Subsequent to quarter end, the Company originated a new lower middle market investment in a marketing services company in which Capital Southwest led a \$17.1 million unitranche loan, syndicating out a \$5.0 million first-out participation at closing and holding a \$12.1 million last-out position. The Company also invested \$1.0 million in equity in the transaction pari passu with the private equity sponsor. The Company also completed a follow-on investment in Lighting Retrofit International totaling \$2.2 million. We received proceeds of \$10.8 million from Hygea Holdings, which included a full repayment of our debt and proceeds from the sale of our warrants, generating an estimated IRR of 56%. Additionally, we received full prepayment on our investment in Polycom in the amount of \$4.3 million, generating an estimated IRR of 32%.

### **Third Fiscal Quarter 2017 Operating Results**

For the quarter ended December 31, 2016, Capital Southwest reported total investment income of \$6.9 million, compared to \$4.7 million in the prior quarter. The increase in investment income was attributable to an increase in average debt investments outstanding, an increase in the weighted average yield on debt investments, and an increase in dividends paid from I-45 SLF.

For the quarter ended December 31, 2016, total operating expenses (excluding tax and interest expense) were \$3.1 million, compared to \$2.8 million in the prior quarter. The increase in operating expenses was due primarily to legal fees related to corporate matters and an increase in share based compensation during the quarter.

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For the quarter ended December 31, 2016, there was interest expense of \$0.3 million recorded compared to \$0.1 million in the prior quarter. The increase in interest expense was due to increased debt outstanding on the revolving credit facility during the quarter.

For the quarter ended December 31, 2016, total pre-tax net investment income was \$3.4 million compared to \$1.8 million in the prior quarter.

For the quarter ended December 31, 2016, there was a tax expense of \$0.5 million recorded compared to \$0.4 million in the prior quarter.

During the quarter ended December 31, 2016, Capital Southwest recorded realized and unrealized gains on investments of \$5.0 million. The net increase in net assets resulting from operations was \$7.9 million, compared to \$6.9 million in the prior quarter.

The Company's net asset value, or NAV, at December 31, 2016 was \$17.88 per share, as compared to \$17.74 at September 30, 2016. The increase in NAV was primarily due to an increase in net realized and unrealized gains in the current quarter.

### **Liquidity and Capital Resources**

At December 31, 2016 Capital Southwest had unrestricted cash and money market balances of approximately \$32.7 million, total assets of approximately \$312.3 million, and net assets of approximately \$285.4 million.

In September 2016, the Company entered into a credit facility to provide additional liquidity to support its investment and operational activities. The facility includes total commitments of \$100.0 million from a diversified group of five lenders and is scheduled to mature on August 30, 2020. As of December 31, 2016, Capital Southwest had \$15.0 million in borrowings outstanding under the credit facility.

Additionally, I-45 SLF has total commitments outstanding on its credit facility of \$145.0 million. As of December 31, 2016, I-45 SLF had \$120.0 million in borrowings outstanding.

### **Share Repurchase Program**

On January 25, 2016, Capital Southwest announced that its Board of Directors authorized the repurchase of up to \$10 million of its common stock at prices below the Company's net asset value per share as reported in its most recent financial statements. The Board authorized the plan because it believes that the Company's common stock may be undervalued from time to time due to market volatility. As of December 31, 2016, no shares have been purchased under the plan.

### **Third Fiscal Quarter 2017 Financial Results Conference Call and Webcast**

Capital Southwest has scheduled a conference call on Tuesday, February 7, 2017, at 11:00 a.m. Eastern Time to discuss the third quarter 2017 financial results. You may access the call by dialing 1-855-835-4076 and using the passcode 51604928 at least 10 minutes before the call. The call can also be accessed 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/m/p/yckm2fmg>.

A telephonic replay will be available through February 14, 2017 by dialing 1-855-859-2056 and using the passcode 51604928. 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 Form 10-Q for the period ended December 31, 2016 to be filed with the Securities and Exchange Commission and Capital Southwest's Third Fiscal Quarter 2017 Earnings Presentation to be posted on the Investor Relations section of Capital Southwest's website at [www.capitalsouthwest.com](http://www.capitalsouthwest.com).

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## **About Capital Southwest**

Capital Southwest Corporation (Nasdaq: CSWC) is a Dallas, Texas-based publicly traded business development company, with approximately \$285.4 million in net assets as of December 31, 2016. Capital Southwest is a middle market lending firm focused on supporting the acquisition and growth of middle market businesses with \$5 to \$20 million investments across the capital structure, including first lien, unitranche, second lien and subordinated debt, as well as non-control equity co-investments. Since Capital Southwest's formation in 1961, it has always sought to invest in companies with strong management teams and sound financial performance. As a public company with a permanent capital base, Capital Southwest is fortunate to have 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 within the meaning of The Private Securities Litigation Reform Act of 1995 with respect to the business and investments of Capital Southwest. 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 and lending markets and general economic and business conditions.

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, 2016 and subsequent filings 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 Contacts:**

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

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*Capital Southwest Corporation*

## *Q3 2017 Earnings Presentation*

February 7, 2017

5400 Lyndon B. Johnson Freeway, Suite 1300 | Dallas, Texas 75240 | 214.238.5700 | [capitalsouthwest.com](http://capitalsouthwest.com)

# Forward-Looking Statements

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- This presentation contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 relating to, among other things the business, financial condition and results of operations of Capital Southwest, the anticipated investment strategies and investments of Capital Southwest, and future market demand. Any statements preceded or followed by or that include the words "believe," "expect," "intend," "plan," "should" or similar words, phrases or expressions or the negative thereof, or any other statements that are not historical statements are forward-looking statements. These statements are made on the basis of the current beliefs, expectations and assumptions of the management of Capital Southwest. 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.
- In light of these risks, uncertainties, assumptions, and other factors inherent in forward-looking statements, actual results may differ materially from those discussed in this presentation. Other unknown or unpredictable factors could also have a material adverse effect on Capital Southwest's actual future results, performance, or achievements. For a further discussion of these and other 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, 2016 and its subsequent filings with the Securities and Exchange Commission. As a result of the foregoing, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Capital Southwest does not assume any obligation revise or to update these forward-looking statements to reflect any 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. Sarner*

*Chief Financial Officer*

*Chris Rehberger*

*VP Finance / Treasurer*

# CSWC Company Overview

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*In January 2015, CSWC refocused its investment strategy to become a lender to middle-market companies across the capital structure*

- CSWC was formed in 1961, and became a BDC in 1988
- Publicly-traded on Nasdaq under CSWC ticker
- Internally-managed BDC with RIC status for tax purposes
- In December 2014, announced intent to split into two separate companies with tax-free spin-off of industrial growth company (“CSW Industrials”; Nasdaq: CSWI) which was completed September 30<sup>th</sup>, 2015
- 17 employees based in Dallas, Texas
- Total Balance Sheet Assets of \$312 MM as of December 31, 2016
- CSWC has made significant strides towards rotating its investment portfolio from equity to credit

# CSWC Corporate Strategy

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- Build a BDC that pays shareholders attractive and sustainable dividends by establishing:
  - A portfolio of investments balanced between liquid and illiquid asset classes
  - A portfolio of predominantly cash generating loans
  - An investment discipline focused on granularity and diversity across asset classes
  - Consistent NAV per share growth through selective equity co-investments
  - A match of fixed and floating rates with financing sources
- Maintain a shareholder friendly Internally Managed structure which:
  - Aligns management incentives with long term sustainable shareholder value creation
  - Incurs lower operating expenses versus the Externally Managed Structure
  - Historically has rewarded performing Internally Managed BDCs with price to book premiums of 0.5x versus Externally Managed peers
- Continue to execute on our I-45 SLF joint venture with Main Street which:
  - Enhances CSWC origination capabilities in the upper middle market
  - Grows recurring cash income by investing in a pool of granular and diversified upper middle market first lien loans
  - Allows an appropriate 2:1 leverage given the asset class
  - Cultivates relationships with financial institutions within the I-45 credit facility
- Pursue an SBIC License and participation in the SBA Debenture Program to further capitalize our lower middle market investment strategy

# Two Pronged Investment Strategy

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

- Companies with EBITDA greater than \$3 MM
- Typically leverage of 2x – 4x Debt to EBITDA through CSWC debt
- Commitment size up to \$20 MM with hold sizes generally ranging from \$5 to \$15 MM
- Originate both Sponsored and Non-sponsored debt investments
- Securities include first lien, unitranche, second lien and subordinated debt
- Non-control equity co-investments alongside debt investments

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

- Companies typically have in excess of \$50 MM in EBITDA
- Typically leverage of 3x – 5.5x Debt to EBITDA through CSWC debt position
- Hold sizes generally ranging from \$5 to \$10 MM
- Floating Rate First and Second Lien debt securities
- More liquid assets relative to Lower Middle Market investments
- Provides flexibility to invest/divest opportunistically based on market conditions and liquidity position

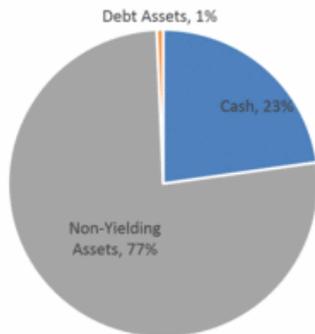
# Portfolio Rotation Focused on Credit

Since June 2014, CSWC has transformed its investment portfolio increasing income earning assets from 1% of the investable portfolio to 84%

- Exited 22 legacy portfolio equity investments, generating \$230 MM in proceeds
- Invested \$179 MM in 30 middle-market credit investments on balance sheet
- Invested \$230 MM in 50 credits within I-45 Senior Loan Fund ("I-45")

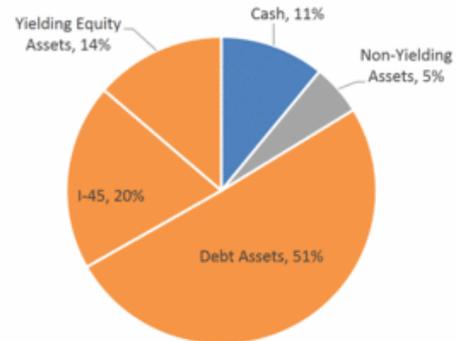
6/30/2014 (excl. CSWI Companies)

1% of Total Assets Generating Recurring Income



12/31/2016 Investable Assets

84% of Total Assets Generating Recurring Income



# Balance Sheet Credit Portfolio Growth

On Balance Sheet credit portfolio has grown to \$151 MM at 12/31/16 from \$45 MM at 9/30/15

| (In Millions)                            | 12/31/2015    | 3/31/2016     | 6/30/2016      | 9/30/2016     | 12/31/2016    |
|--|---------------|---------------|----------------|---------------|---------------|
| <b>Debt Investments at Cost</b>          |               |               |                |               |               |
| Beginning Total Debt Portfolio (Cost)    | \$45.1        | \$60.9        | \$93.4         | \$84.2        | \$137.0       |
| New Originations                         | \$17.9        | \$32.9        | \$1.7          | \$53.7        | \$24.4        |
| Repayments & Exits                       | (\$2.1)       | (\$0.6)       | (\$10.9)       | (\$1.0)       | (\$10.6)      |
| OID                                      | \$0.0         | \$0.1         | \$0.1          | \$0.1         | \$0.1         |
| <b>Change in Debt Investments (Cost)</b> | <b>\$15.8</b> | <b>\$32.5</b> | <b>(\$9.2)</b> | <b>\$52.8</b> | <b>\$13.9</b> |
| Ending Total Debt Portfolio (Cost)       | \$60.9        | \$93.4        | \$84.2         | \$137.0       | \$151.0       |



# Portfolio Exits Since Launch of Credit Strategy

**\$33 MM in Credit Portfolio exits generated 32% weighted average IRR**

| Portfolio Exits          |                              |                         |        |              |                 |                |              |
|--------------------------|------------------------------|-------------------------|--------|--------------|-----------------|----------------|--------------|
| Name                     | Industry                     | Type                    | Market | Date of Exit | Proceeds        | Realized Gain  | IRR          |
| Freedom Truck            | Finance                      | Last Out<br>Unitranche  | LMM    | April 2016   | \$5,998         | \$0            | 14.2%        |
| Bob's Discount Furniture | Retail                       | 2nd Lien                | UMM    | June 2016    | \$5,000         | \$191          | 15.1%        |
| Vivid Seats              | Hotel, Gaming & Leisure      | 1st Lien                | UMM    | October 2016 | \$6,913         | \$446          | 21.5%        |
| Hygea (1)                | Healthcare & Pharmaceuticals | 1st Lien w/<br>Warrants | LMM    | January 2017 | \$10,804        | \$2,866        | 56.2%        |
| Polycom (1)              | Telecommunications           | 1st Lien                | UMM    | January 2017 | \$4,305         | \$74           | 32.2%        |
| <b>Total / Wtd. Avg.</b> |                              |                         |        |              | <b>\$33,019</b> | <b>\$3,577</b> | <b>31.9%</b> |

<sup>1</sup>Exits occurring after 12/31/16; Estimated realized gain and IRR

Note: Market Segment refers to Upper Middle Market ("UMM") and Lower Middle Market ("LMM")

## Q3 2017 Portfolio Originations

*Solid portfolio growth with \$25 MM in new investments originated in Q3 2017 at a weighted average YTM of 10.3%*

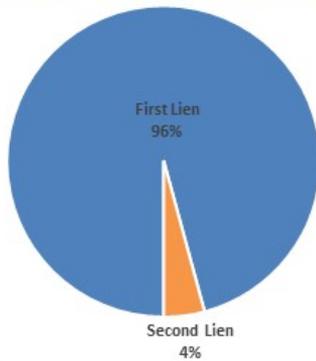
| Q3 2017 Portfolio Originations  |                           |          |                |                 |                        |                   |
|---------------------------------|---------------------------|----------|----------------|-----------------|------------------------|-------------------|
| Name                            | Industry                  | Type     | Market Segment | Par Value       | Coupon                 | Yield to Maturity |
| Lighting Retrofit International | Environmental Services    | 1st Lien | LMM            | \$8,000         | L + 9.75% (0.5% floor) | 10.5%             |
| American Teleconferencing       | Telecommunications        | 2nd Lien | UMM            | \$2,006         | L + 9.50% (1.0% floor) | 11.5%             |
| Polycom                         | Telecommunications        | 1st Lien | UMM            | \$4,500         | L + 6.50% (1.0% floor) | 7.8%              |
| Digital Room                    | Paper and Forest Products | 2nd Lien | UMM            | \$7,000         | L + 10.0% (1.0% floor) | 11.4%             |
| Restaurant Technologies         | Restaurants               | 2nd Lien | UMM            | \$3,500         | L + 8.75% (1.0% floor) | 10.1%             |
| <b>Total</b>                    |                           |          |                | <b>\$25,006</b> |                        | <b>10.3%</b>      |

*Note: Market Segment refers to Upper Middle Market ("UMM") and Lower Middle Market ("LMM")*

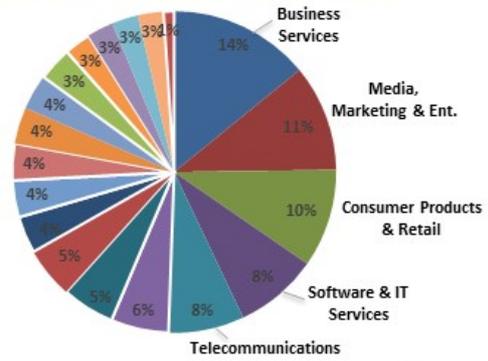
# I-45 Portfolio Growth

I-45 portfolio assets grew to \$187 MM

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



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



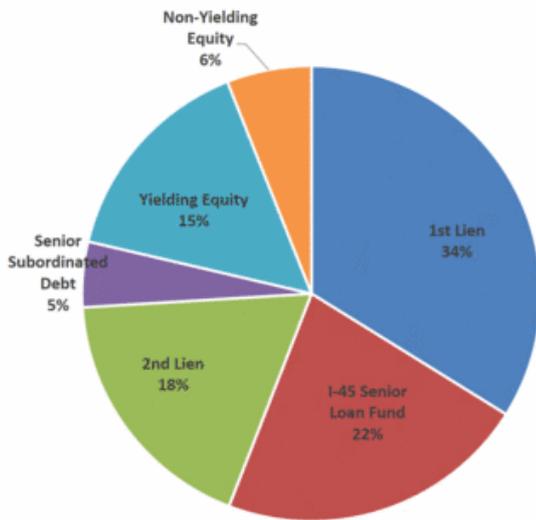
| I-45 Portfolio Statistics                |                  |                  |                  |                   |
|--|------------------|------------------|------------------|-------------------|
|  | <u>3/31/2016</u> | <u>6/30/2016</u> | <u>9/30/2016</u> | <u>12/31/2016</u> |
| Total Debt Investments at Fair Value     | \$99,214         | \$134,470        | \$172,519        | \$186,643         |
| Number of Issuers                        | 24               | 31               | 36               | 41                |
| Wtd. Avg. Issuer EBITDA                  | \$81,564         | \$83,004         | \$100,144        | \$88,970          |
| Avg. Investment Size as a % of Portfolio | 4.17%            | 3.23%            | 2.78%            | 2.44%             |
| Wtd. Avg. Leverage on Investments (1)    | 3.3x             | 3.7x             | 3.6x             | 3.5x              |
| Wtd. Avg. Yield to Maturity              | 7.85%            | 8.36%            | 8.36%            | 8.21%             |
| Wtd. Avg. Duration (Yrs)                 | 4.2              | 4.2              | 4.4              | 4.4               |

<sup>1</sup> Through I-45 Security

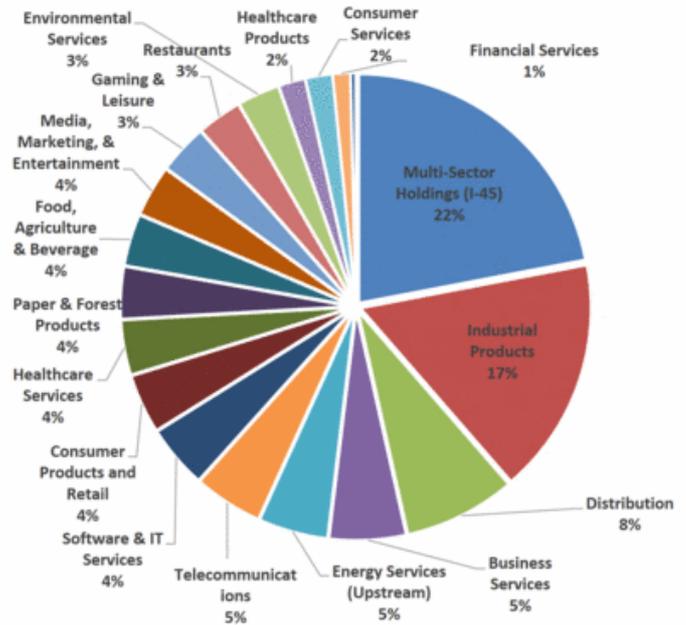
# Portfolio Mix as of 12/31/2016 at Fair Value

Current Portfolio of \$267 MM continues to be granular, diverse, and focused on income generating securities

**Current Investment Portfolio (By Type)**

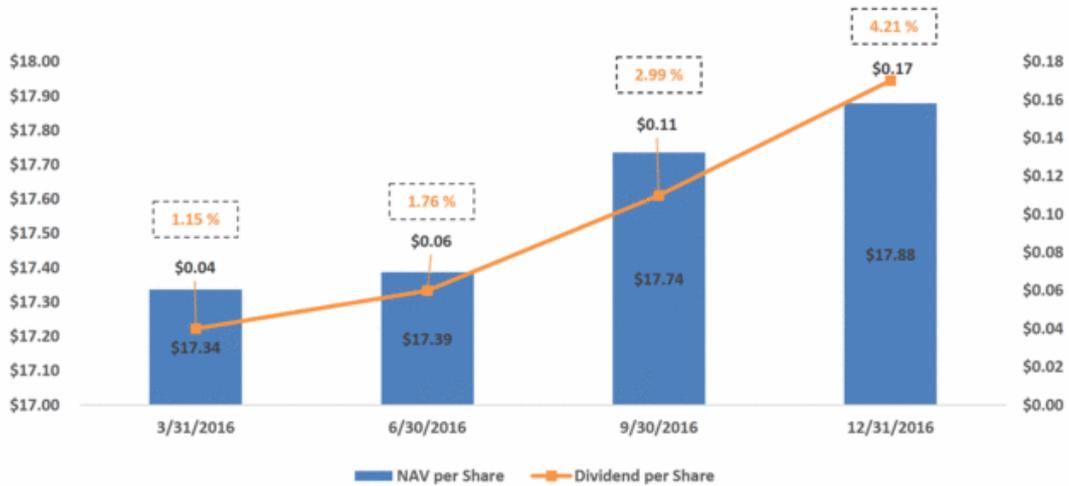


**Current Investment Portfolio (By Industry)**



# Generating Consistent Dividend and NAV Growth

- Over the past four quarters, CSWC has generated \$0.42 per share in Pre-Tax Net Investment Income and paid out \$0.38 per share in Dividends
- Dividend Yield has increased to 4.21% at 12/31/16 from 1.15% at 3/31/16
- NAV has increased to \$17.88 per share at 12/31/16 from \$17.34 per share at 3/31/16



Dividend Yield – Annualized Quarterly Dividend / CSWC Share Price at Qtr. End

# Q3 2017 Highlights

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## *Financial Highlights*

- Q3 2017 Pre-Tax Net Investment Income of \$3.4 MM or \$0.21 per weighted average diluted share
- Paid quarterly dividend in January of \$0.17 per share
- Increased Investment Portfolio to \$267 MM from \$238 MM
  - \$25 MM deployed in five new originations
  - \$7 MM proceeds received in one prepayment
  - \$8 MM additional equity funded to I-45
- Increased I-45 Senior Loan Fund investment portfolio to \$187 MM from \$173 MM
  - I-45 distributed \$2.4 MM dividend to CSWC, including \$0.8 MM in gains from prepayments
  - \$39 MM deployed in nine new originations
  - \$18 MM proceeds received in four prepayments
- \$32.7 MM in cash available for investment activity as of quarter end
- \$85 MM available to draw on Credit Facility as of quarter end

# Portfolio Statistics

## Continuing to build a performing credit portfolio

|   | Quarter Ended<br>3/31/2016 | Quarter Ended<br>6/30/2016 | Quarter Ended<br>9/30/2016 | Quarter Ended<br>12/31/2016 |
|---|----------------------------|----------------------------|----------------------------|-----------------------------|
| <b>Portfolio Statistics</b>                                     |                            |                            |                            |                             |
| Fair Value of Debt Investments                                  | \$92,832                   | \$83,730                   | \$137,586                  | \$151,465                   |
| Average Debt Investment Hold Size                               | \$5,157                    | \$4,925                    | \$5,982                    | \$5,826                     |
| Fair Value of Debt Investments as a % of Cost                   | 99%                        | 99%                        | 100%                       | 100%                        |
| % of Debt Portfolio on Non-Accrual (at Fair Value) <sup>1</sup> | 0.0%                       | 0.0%                       | 1.8%                       | 0.0%                        |
| Weighted Average Investment Rating <sup>2</sup>                 | 2.0                        | 1.9                        | 1.9                        | 1.9                         |
| Weighted Average Yield on Debt Investments                      | 10.67%                     | 10.08%                     | 10.00%                     | 10.32%                      |
| Total Fair Value of Portfolio Investments                       | \$178,436                  | \$175,915                  | \$238,319                  | \$267,131                   |
| Weighted Average Yield on all Portfolio Investments             | 9.46%                      | 9.35%                      | 9.13%                      | 10.78%                      |
| Investment Mix (Debt vs. Equity) <sup>3</sup>                   | 65% / 35%                  | 62% / 38%                  | 73% / 27%                  | 73% / 27%                   |
| Investment Mix (Yielding vs. Non-Yielding)                      | 90% / 10%                  | 90% / 10%                  | 94% / 6%                   | 94% / 6%                    |

<sup>1</sup> CSWC's \$2.7 MM sub debt investment (legacy 2012 funding) in Titan Liner has been restructured, with CSWC taking a controlling position in the company.

<sup>2</sup> 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.

<sup>3</sup> Excludes CSWC equity investment in I-45 Senior Loan Fund.

# Financial Highlights

|   | Quarter Ended<br>3/31/2016 | Quarter Ended<br>6/30/2016 | Quarter Ended<br>9/30/2016 | Quarter Ended<br>12/31/2016 |
|---|----------------------------|----------------------------|----------------------------|-----------------------------|
| <b>Financial Highlights</b>                             |                            |                            |                            |                             |
| Pre-Tax Net Investment Income Per Wtd Avg Diluted Share | \$0.04                     | \$0.06                     | \$0.11                     | \$0.21                      |
| Pre-Tax Net Investment Income Return on Equity (ROE)    | 1.03%                      | 1.34%                      | 2.54%                      | 4.79%                       |
| Dividends Per Share                                     | \$0.04                     | \$0.06                     | \$0.11                     | \$0.17                      |
| Earnings Per Wtd Avg Diluted Share                      | \$0.16                     | \$0.17                     | \$0.44                     | \$0.49                      |
| Earnings Return on Equity (ROE)                         | 3.67%                      | 3.93%                      | 9.87%                      | 11.07%                      |
| NAV Per Share   | \$17.34                    | \$17.39                    | \$17.74                    | \$17.88                     |
| Cash & Cash Equivalents                                 | \$95,969                   | \$96,957                   | \$57,840                   | \$32,671                    |
| Debt to Equity  | 0.0x                       | 0.0x                       | 0.0x                       | 0.1x                        |

## Balance Sheet Highlights

| <i>(In Thousands, except per share amounts)</i> | Quarter Ended<br>3/31/2016 | Quarter Ended<br>6/30/2016 | Quarter Ended<br>9/30/2016 | Quarter Ended<br>12/31/2016 |
|---|----------------------------|----------------------------|----------------------------|-----------------------------|
| <b>Assets</b>                                   |                            |                            |                            |                             |
| Portfolio Investments                           | \$178,436                  | \$175,915                  | \$238,319                  | \$267,131                   |
| Cash & Cash Equivalents                         | \$95,969                   | \$96,957                   | \$57,840                   | \$32,671                    |
| Deferred Tax Asset                              | \$2,342                    | \$1,874                    | \$1,940                    | \$1,940                     |
| Other Assets                                    | \$7,746                    | \$6,110                    | \$9,176                    | \$10,592                    |
| <b>Total Assets</b>                             | <b>\$284,493</b>           | <b>\$280,856</b>           | <b>\$307,275</b>           | <b>\$312,334</b>            |
| <b>Liabilities</b>                              |                            |                            |                            |                             |
| Credit Facility                                 | \$0                        | \$0                        | \$0                        | \$15,000                    |
| Payable for Unsettled Transaction               | \$3,940                    | \$0                        | \$19,361                   | \$0                         |
| Other Liabilities                               | \$7,918                    | \$7,572                    | \$8,985                    | \$11,890                    |
| <b>Total Liabilities</b>                        | <b>\$11,858</b>            | <b>\$7,572</b>             | <b>\$28,346</b>            | <b>\$26,890</b>             |
| <b>Shareholders Equity</b>                      |                            |                            |                            |                             |
| <b>Net Asset Value</b>                          | <b>\$272,635</b>           | <b>\$273,284</b>           | <b>\$278,929</b>           | <b>\$285,444</b>            |
| <b>NAV per Share</b>                            | <b>\$17.34</b>             | <b>\$17.39</b>             | <b>\$17.74</b>             | <b>\$17.88</b>              |
| Debt to Equity                                  | 0.0x                       | 0.0x                       | 0.0x                       | 0.1x                        |
| Shares Outstanding at Period End                | 15,726                     | 15,718                     | 15,727                     | 15,965                      |

# Income Statement Highlights

| <i>(In Thousands, except per share amounts)</i>                        | Quarter Ended<br>3/31/16 | Quarter Ended<br>6/30/16 | Quarter Ended<br>9/30/16 | Quarter Ended<br>12/31/16 |
|--|--------------------------|--------------------------|--------------------------|---------------------------|
| <b>Investment Income</b>   |                          |                          |                          |                           |
| Interest Income  | \$2,110                  | \$2,292                  | \$2,630                  | \$3,611                   |
| Dividend Income  | \$1,578                  | \$1,769                  | \$1,995                  | \$3,078                   |
| Fees and Other Income  | \$123                    | \$96                     | \$101                    | \$176                     |
| <b>Total Investment Income</b>   | <b>\$3,811</b>           | <b>\$4,157</b>           | <b>\$4,726</b>           | <b>\$6,865</b>            |
| <b>Expenses</b>  |                          |                          |                          |                           |
| Cash Compensation  | \$1,403                  | \$1,484                  | \$1,404                  | \$1,476                   |
| Share Based Compensation   | \$257                    | \$239                    | \$255                    | \$321                     |
| General & Administrative   | \$1,192                  | \$1,344                  | \$1,015                  | \$1,144                   |
| Spin-off Related Expenses  | \$251                    | \$172                    | \$172                    | \$172                     |
| <b>Total Expenses (excluding Interest)</b>                             | <b>\$3,103</b>           | <b>\$3,239</b>           | <b>\$2,846</b>           | <b>\$3,113</b>            |
| Interest Expense   | \$0                      | \$0                      | \$103                    | \$343                     |
| <b>Pre-Tax Net Investment Income</b>                                   | <b>\$708</b>             | <b>\$918</b>             | <b>\$1,777</b>           | <b>\$3,409</b>            |
| <b>Taxes and Gain / (Loss)</b>   |                          |                          |                          |                           |
| Income Tax Benefit (Expense)   | \$788                    | (\$547)                  | (\$412)                  | (\$536)                   |
| Net realized gain (loss) on investments                                | \$12                     | \$199                    | \$3,527                  | \$72                      |
| Net increase (decrease) in unrealized appreciation of investments      | \$1,001                  | \$2,127                  | \$2,026                  | \$4,940                   |
| <b>Net increase (decrease) in net assets resulting from operations</b> | <b>\$2,509</b>           | <b>\$2,697</b>           | <b>\$6,918</b>           | <b>\$7,885</b>            |
| Weighted Average Shares Outstanding                                    | 15,795                   | 15,791                   | 15,806                   | 15,932                    |
| <b>Pre-Tax Net Investment Income Per Weighted Average Share</b>        | <b>\$0.04</b>            | <b>\$0.06</b>            | <b>\$0.11</b>            | <b>\$0.21</b>             |
| <b>Dividends Per Share</b>   | <b>\$0.04</b>            | <b>\$0.06</b>            | <b>\$0.11</b>            | <b>\$0.17</b>             |

# Investment Income Detail

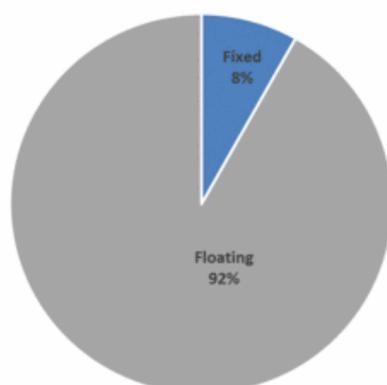
## Constructing a portfolio of investments with recurring cash yield

| <i>(In Thousands)</i>                          | Quarter Ended<br>3/31/2016 | Quarter Ended<br>6/30/2016 | Quarter Ended<br>9/30/16 | Quarter Ended<br>12/31/16 |
|--|----------------------------|----------------------------|--------------------------|---------------------------|
| <b>Investment Income Breakdown</b>             |                            |                            |                          |                           |
| Cash Interest                                  | \$2,063                    | \$2,216                    | \$2,535                  | \$3,490                   |
| Cash Dividends                                 | \$1,578                    | \$1,769                    | \$1,995                  | \$3,078                   |
| Management/Admin Fees                          | \$115                      | \$95                       | \$95                     | \$105                     |
| Amortization of purchase discounts and fees    | \$47                       | \$76                       | \$100                    | \$120                     |
| Other Income & Fees (non-recurring)            | \$8                        | \$1                        | \$1                      | \$73                      |
| <b>Total Investment Income</b>                 | <b>\$3,811</b>             | <b>\$4,157</b>             | <b>\$4,726</b>           | <b>\$6,865</b>            |
| <b>Key Metrics</b>                             |                            |                            |                          |                           |
| Cash Income as a % of Investment Income        | 98.8%                      | 98.2%                      | 97.9%                    | 98.3%                     |
| % of Total Investment Income that is Recurring | 99.8%                      | 100.0%                     | 100.0%                   | 98.8%                     |

# Interest Rate Sensitivity

## Debt Portfolio Well-Positioned for Changes to Base Interest Rates

### Yielding Debt Portfolio Composition



| Change in Base Interest Rates | Illustrative<br>NII Change (\$'s) | Illustrative<br>NII Change (Per Share) |
|-------------------------------|-----------------------------------|--|
| (50bps)                       | \$466,196                         | \$0.03                                 |
| 50 bps                        | \$831,955                         | \$0.05                                 |
| 100bps                        | \$1,767,014                       | \$0.11                                 |
| 150bps                        | \$2,702,351                       | \$0.17                                 |
| 200bps                        | \$3,637,688                       | \$0.23                                 |

*Note: Illustrative change in NII is based on a projection of our existing debt investments as of 12/31/16, adjusted only for changes in Base Rates. The results of this analysis include the I-45 Senior Loan Fund, which is comprised of 100% floating rate assets and liabilities.*

# Corporate Information

## Board of Directors

### Inside Directors

Joseph B. Armes  
Bowen S. Diehl

### Independent Directors

John H. Wilson  
William R. Thomas  
T. Duane Morgan  
David R. Brooks  
Jack D. Furst

## Corporate Offices & Website

5400 LBJ Freeway  
13th Floor  
Dallas, TX 75240  
<http://www.capitalsouthwest.com>

## Senior Management

Bowen S. Diehl  
*President & Chief Executive Officer*

Michael S. Sarner  
*Chief Financial Officer, Secretary & Treasurer*

## Investor Relations

Michael S. Sarner  
Capital Southwest  
214-884-3829  
[msarner@capitalsouthwest.com](mailto:msarner@capitalsouthwest.com)

## Securities Listing

NASDAQ: CSWC

## Fiscal Year End

March 31

## Independent Auditor

Grant Thornton  
Dallas, TX

## Corporate Counsel

Thompson & Knight / Jones Day  
Dallas, TX

## Transfer Agent

American Stock Transfer & Trust Company, LLC  
800-937-5449  
[www.amstock.com](http://www.amstock.com)