

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): **January 31, 2022**

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**

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 January 31, 2022, 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 February 1, 2022. 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>
99.1	Press release issued by Capital Southwest Corporation on January 31, 2022
99.2	Investor presentation slides

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: January 31, 2022

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

Capital Southwest Announces Financial Results for Third Fiscal Quarter Ended December 31, 2021 and Announces Increase in Quarterly Dividend to \$0.48 per share for the Quarter Ended March 31, 2022

CSWC Reports Pre-Tax Net Investment Income of \$0.51 Per Share for Quarter Ended December 31, 2021

Dallas, Texas – January 31, 2022 – 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 third fiscal quarter ended December 31, 2021.

Third Quarter Fiscal Year 2022 Financial Highlights

- **Total Investment Portfolio:** \$876.8 million
 - **Credit Portfolio** of \$744.7 million:
 - 91% 1st Lien Senior Secured Debt
 - \$261.5 million in new committed credit investments
 - Weighted Average Yield on Debt Investments: 9.5%
 - Three credit investments currently on non-accrual with a fair value of \$14.0 million, representing 1.6% of the total investment portfolio
 - No additional credit investments placed on non-accrual during the quarter
 - **Equity Portfolio** of \$74.5 million, excluding investment in I-45 Senior Loan Fund (“I-45 SLF”)
 - \$6.8 million in new equity co-investments
 - **CSWC Investment in I-45 SLF** of \$57.6 million at fair value
 - I-45 SLF portfolio of \$180.0 million
 - Portfolio consists of 42 issuers: 95% 1st Lien Debt
 - \$109.5 million of debt outstanding at I-45 SLF as of December 31, 2021
 - I-45 SLF fund leverage of 1.52x debt to equity at fair value at quarter end
 - I-45 SLF paid a \$1.7 million quarterly dividend to CSWC; an annualized yield of 11.8%
- **Pre-Tax Net Investment Income:** \$11.8 million, or \$0.51 per weighted average diluted share
- **Dividends:** Paid \$0.47 per share Regular Dividend and \$0.50 per share Supplemental Dividend
 - 105% LTM Pre-Tax NII Regular Dividend Coverage
 - Total Dividends for the quarter ended December 31, 2021 of \$0.97 per share
 - Undistributed Taxable Income at quarter end estimated at \$0.32 per share
- **Net Realized and Unrealized Appreciation on Investments:** \$0.7 million
 - \$4.8 million of net appreciation related to the equity portfolio
 - \$2.1 million of net depreciation related to the credit portfolio
 - \$2.0 million of net depreciation related to I-45 SLF LLC

- **Balance Sheet:**

- Cash and Cash Equivalents: \$18.7 million
- Total Net Assets: \$387.3 million
- Net Asset Value (“NAV”) per Share: \$16.19

In commenting on the Company’s results, Bowen Diehl, President and Chief Executive Officer, stated, “Our portfolio continued to perform well this quarter, producing \$0.51 of Pre-Tax Net Investment Income. Deal activity during the quarter was record setting, as we closed new commitments of approximately \$268.3 million during the quarter. We also saw record volume in repayment activity with \$158.4 million in proceeds received, generating \$7.4 million in realized gains and a weighted average IRR on the exits of 16.2%. On the capitalization front, we continued to programmatically raise equity through our equity ATM program, raising \$16.0 million in gross proceeds at 159% of the prevailing NAV per share during the quarter. Additionally, we raised \$50 million in new institutional unsecured bonds with a coupon of 3.375%. As of the end of the quarter, our SBIC subsidiary had drawn \$29 million of our initial \$40 million leverage commitment from the Small Business Administration (the “SBA”) at a weighted average interest rate of 1.43%. As a reminder, current SBA regulations provide for the ability to borrow up to \$175 million in SBA-guaranteed debentures with at least \$87.5 million in regulatory capital, subject to SBA approval. These financing activities continue to increase our earnings power allowing us to once again increase the dividend this quarter from \$0.47 per share to \$0.48 per share.”

Third Quarter Fiscal Year Investment Activities

Originations

During the quarter ended December 31, 2021, the Company originated investments in fourteen new portfolio companies and twelve existing portfolio companies, totaling \$268.3 million in capital commitments. New portfolio company investment transactions that closed during the quarter ended December 31, 2021 are summarized as follows:

Winter Services Operations, LLC, \$20.0 million 1st Lien Senior Secured Debt, \$4.4 million Delayed Draw Term Loan, \$4.4 million Revolving Loan: Winter Services provides snow and ice management services and de-icing agent distribution to commercial, industrial, and government customers across a growing footprint primarily based in the upper Midwest.

National Credit Care, LLC, \$22.5 million 1st Lien Senior Secured Debt: National Credit Care is the second largest credit repair organization in the United States, consulting customers on credit health with the end goal of qualifying for a mortgage or receiving a lower mortgage rate.

Catbird NYC, LLC, \$16.0 million 1st Lien Senior Secured Debt, \$4.0 million Revolving Loan, \$1.6 million Preferred Equity: Catbird NYC is a direct-to-consumer business that designs, manufactures, and sells Catbird brand delicate fine jewelry and offers a curated selection of jewelry and other products from third-party designers.

South Coast Terminals, LLC, \$18.1 million 1st Lien Senior Secured Debt, \$1.9 million Revolving Loan: South Coast Terminals is an independent contract manufacturer, bulk storage provider, packager and processor of specialty chemicals and lubricant additives.

ArborWorks, LLC, \$13.0 million 1st Lien Senior Secured Debt, \$3.0 million Revolving Loan, \$0.1 million Preferred Equity: ArborWorks is a professional tree care firm that specializes in providing utility line clearing and vegetation management services on the West Coast.

Mercury Acquisition 2021, LLC (dba Tele-Town Hall), \$12.5 million 1st Lien Senior Secured Debt, \$3.3 million 2nd Lien Debt, Preferred Equity: Mercury Acquisition is a provider of mass communication service solutions that allow its customers to engage and manage large-scale audiences simultaneously using ultra-high-capacity, real-time voice and messaging products that provide significantly greater functionality than traditional webinar and conferencing services.

The Producto Group, LLC, \$13.8 million 1st Lien Senior Secured Debt, \$1.5 million Common Equity: The Producto Group is a manufacturer of high precision metal and plastic tooling components.

Lash OpCo, LLC, \$6.5 million 1st Lien Senior Secured Debt, \$7.0 million Delayed Draw Term Loan, \$0.5 million Revolving Loan: Lash OpCo is a beauty-focused platform consisting of five brands, focused on eyelash beauty products and serum manufacturing.

Infolinks Media Buyco, LLC, \$7.8 million 1st Lien Senior Secured Debt, \$2.3 million Delayed Draw Term Loan, \$1.0 million Common Equity: Infolinks is an exclusive digital ad placement provider that helps publishers monetize premium ad space through placement arrangements with programmatic buyers.

Air Conditioning Specialist, Inc., \$9.0 million 1st Lien Senior Secured Debt, \$1.0 million Revolving Loan, \$0.5 million Preferred Equity: Air Conditioning Specialist is a provider of heating, ventilation, and air conditioning maintenance, retrofit, and new construction installation and service.

SIB Holdings, LLC, \$7.4 million 1st Lien Senior Secured Debt, \$1.9 million Delayed Draw Term Loan, \$0.7 million Revolving Loan, \$0.5 million Common Equity: SIB Holdings offers spend management and contract optimization solutions across a wide range of industries to help reduce their fixed overhead costs.

Spotlight AR, LLC, \$7.5 million 1st Lien Senior Secured Debt, \$2.0 million Revolving Loan, \$0.8 million Common Equity: Spotlight is a provider of specialty analyst relations leveraging a proprietary software platform to unify the complexities of analyst relations processes and deliver expertise to its technology and services customers.

Everest Transportation Systems, LLC, \$7.5 million 1st Lien Senior Secured Debt, \$1.7 million Delayed Draw Term Loan: Everest Transportation Systems is a freight brokerage business that acts as an intermediary between large and medium shippers (with goods to move) and a fragmented base of carriers (with trucks to move goods).

ISI Enterprises, LLC, \$5.0 million 1st Lien Senior Secured Debt, \$2.0 million Revolving Loan, \$1.0 million Preferred Equity: ISI Enterprises is a provider of managed services catering to the US Defense Industrial Base that need to comply with the National Industrial Security Program Operating Manual and Cybersecurity Maturity Model Certification regulations.

Prepayments and Exits

During the quarter ended December 31, 2021, the Company received full prepayments on eleven debt investments totaling \$151.9 million and proceeds from the sale of one equity investment totaling \$6.5 million.

VTX Holdings, Inc. (dba Vertex One): Proceeds of \$21.6 million, generating an IRR of 13.9%.

ICS Distribution, LLC (dba Relevant Rental Solutions): Proceeds of \$20.5 million, generating an IRR of 13.6%.

Clickbooth.com, LLC: Proceeds of \$18.2 million, generating an IRR of 11.9%.

KMS, Inc.: Proceeds of \$16.0 million, generating an IRR of 9.4%.

Broad Sky Networks LLC: Proceeds of \$15.8 million, generating an IRR of 13.6%.

ASC Ortho Management Company, LLC: Proceeds of \$15.0 million, generating an IRR of 12.1%.

ESCP DTFS, Inc. (dba Industrial Specialty Services): Proceeds of \$11.7 million, generating an IRR of 12.3%.

Capital Pawn Holdings, LLC: Proceeds of \$8.9 million, generating an IRR of 12.1%.

Adams Publishing Group, LLC: Proceeds of \$8.6 million, generating an IRR of 11.2%.

Sonobi, Inc.: Proceeds of \$8.5 million, generating an IRR of 13.7%.

Chemistry Rx Holdings, LLC: Proceeds of \$7.1 million, generating an IRR of 14.8%.

Danforth Advisors, LLC: Proceeds of \$6.5 million from sale of equity investment, generating an IRR of 99.2%.

Third Fiscal Quarter 2022 Operating Results

For the quarter ended December 31, 2021, Capital Southwest reported total investment income of \$22.3 million, compared to \$20.3 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 prepayment fees received from portfolio companies.

For the quarter ended December 31, 2021, total operating expenses (excluding interest expense) were \$5.8 million, compared to \$4.9 million in the prior quarter. The increase in expenses was primarily attributable to an increase in bonus accrual based on the Company's anticipated year end performance.

For the quarter ended December 31, 2021, interest expense was \$4.7 million as compared to \$5.4 million in the prior quarter. The decrease was primarily due to the redemption of the \$140 million in aggregate principal amount of the October 2024 Notes (as defined below), which had an interest rate of 5.375%, and the issuance of the \$150 million in aggregate principal amount of the October 2026 Notes (as defined below), which have an interest rate of 3.375%.

For the quarter ended December 31, 2021, total pre-tax net investment income was \$11.8 million, compared to \$10.0 million in the prior quarter.

For the quarter ended December 31, 2021, Capital Southwest had a tax benefit of \$0.1 million as compared to a tax provision of \$0.3 million in the previous quarter. The decrease was primarily related to activity in our Taxable Subsidiary.

During the quarter ended December 31, 2021, Capital Southwest recorded total net realized and unrealized gains on investments of \$0.7 million, compared to \$2.8 million in the prior quarter. For the quarter ended December 31, 2021, this included net realized and unrealized gains on equity investments of \$4.8 million, net realized and unrealized losses on debt investments of \$2.1 million and net unrealized losses on I-45 SLF LLC of \$2.0 million. The net increase in net assets resulting from operations was \$12.6 million for the quarter, compared to a net decrease in net assets of \$4.6 million in the prior quarter.

The Company's NAV at December 31, 2021 was \$16.19 per share, as compared to \$16.36 at September 30, 2021. The decrease in NAV per share from the prior quarter is due to the supplemental dividend of \$0.50 per share paid to shareholders during the quarter, offset by net realized and unrealized appreciation on investments and the issuance of common stock at a premium to NAV per share under the Equity ATM Program (as described below).

Liquidity and Capital Resources

At December 31, 2021, Capital Southwest had approximately \$18.7 million in unrestricted cash and money market balances, \$190.0 million of total debt outstanding on the Credit Facility, \$138.6 million, net of unamortized debt issuance costs, of the 4.50% Notes due January 2026 outstanding, \$146.4 million, net of unamortized debt issuance costs, of the October 2026 Notes and \$28.0 million, net of unamortized debt issuance costs, of SBA Debentures (as defined below) outstanding. As of December 31, 2021, Capital Southwest had \$141.7 million in available borrowings under the Credit Facility and \$11.0 million in undrawn SBA Debenture commitments. The regulatory debt to equity ratio at the end of the quarter was 1.23 to 1.

The Company has an "at-the-market" offering (the "Equity ATM Program") 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 \$100,000,000. On May 26, 2021, the Company (i) increased the maximum amount of shares of its common stock to be sold through the Equity ATM Program to \$250,000,000 from \$100,000,000 and (ii) reduced the commission paid to the sales agents for the Equity ATM Program to 1.5% from 2.0% of the gross sales price of shares of the Company's common stock sold through the sales agents pursuant to the Equity ATM Program on and after May 26, 2021.

During the quarter ended December 31, 2021, the Company sold 616,156 shares of its common stock under the Equity ATM Program at a weighted-average price of \$25.97 per share, raising \$16.0 million of gross proceeds. Net proceeds were \$15.8 million after commissions to the sales agents on shares sold. Cumulative to date, the Company has sold 7,140,363 shares of its common stock under the Equity ATM Program at a weighted-average price of \$22.17, raising \$158.3 million of gross proceeds. Net proceeds were \$155.5 million after commissions to the sales agents on shares sold. As of December 31, 2021, the Company has \$91.7 million available under the Equity ATM Program.

In August 2021, the Company issued \$100.0 million in aggregate principal amount of 3.375% Notes due 2026 (the "Existing October 2026 Notes"). The Existing October 2026 Notes were issued at a price of 99.418% of the aggregate principal amount of the Existing October 2026 Notes, resulting in a yield-to-maturity of 3.5%. In November 2021, the

Company issued an additional \$50.0 million in aggregate principal amount of the October 2026 Notes (the "Additional October 2026 Notes" together with the Existing October 2026 Notes, the "October 2026 Notes"). The Additional October 2026 Notes were issued at a price of 99.993% of the aggregate principal amount, resulting in a yield-to-maturity of approximately 3.375% at issuance. The Additional October 2026 Notes are treated as a single series with the Existing October 2026 Notes under the indenture and had the same terms as the Existing October 2026 Notes. The October 2026 Notes mature on October 1, 2026 and may be redeemed in whole or in part at any time prior to July 1, 2026, at par plus a "make-whole" premium, and thereafter at par. The October 2026 Notes bear interest at a rate of 3.375% per year, payable semi-annually in arrears on April 1 and October 1 of each year, beginning on April 1, 2022. The October 2026 Notes are the direct unsecured obligations of the Company and rank pari passu with our other outstanding and future unsecured unsubordinated indebtedness and are effectively or structurally subordinated to all of our existing and future secured indebtedness, including borrowings under our Credit Facility and the SBA Debentures.

In August 2016, CSWC entered into a senior secured credit facility (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Facility") to provide additional liquidity to support its investment and operational activities. The Credit Facility contains an accordion feature that allows CSWC to increase the total commitments under the Credit Facility up to \$400 million from new and existing lenders on the same terms and conditions as the existing commitments. On August 9, 2021, CSWC entered into the Second Amended and Restated Senior Secured Revolving Credit Agreement (the "Credit Agreement"). Prior to the Credit Agreement, (1) borrowings under the Credit Facility accrued interest on a per annum basis at a rate equal to the applicable LIBOR rate plus 2.50% with no LIBOR floor, and (2) the total borrowing capacity was \$340 million with commitments from a diversified group of eleven lenders. The Credit Agreement (1) decreased the total borrowing capacity under the Credit Facility to \$335 million with commitments from a diversified group of ten lenders, (2) reduced the interest rate on borrowings to LIBOR plus 2.15% with no LIBOR floor and removed conditions related thereto as previously set forth in the Amended and Restated Senior Secured Revolving Credit Agreement, and (3) extended the end of the Credit Facility's revolver period from December 21, 2022 to August 9, 2025 and extended the final maturity from December 21, 2023 to August 9, 2026. The Credit Agreement also modified certain covenants in the Credit Facility, including, among other things, to increase the minimum obligors' net worth test from \$180 million to \$200 million. CSWC pays unused commitment fees of 0.50% to 1.00% per annum, based on utilization, on the unused lender commitments under the Credit Facility.

On April 20, 2021, our wholly owned subsidiary, Capital Southwest SBIC I, LP ("SBIC I"), received a license from 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 which 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. On May 25, 2021, SBIC I received a leverage commitment from the SBA in the amount of \$40.0 million to be issued on or prior to September 30, 2025.

In November 2015, I-45 SLF entered into a senior secured credit facility led by Deutsche Bank. The I-45 credit facility has total commitments outstanding of \$150 million from a group of four bank lenders, which is scheduled to mature in March 2026. Borrowings under the I-45 credit facility bear interest at a rate equal to LIBOR plus 2.15%. As of December 31, 2021, I-45 SLF had \$109.5 million in borrowings outstanding under its 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 shall 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 December 31, 2021, the Company did not repurchase any shares of the Company's common stock under the share repurchase program.

Declared Dividend of \$0.48 Per Share for Quarter Ended March 31, 2022

On January 26, 2022, the Board declared a quarterly dividend of \$0.48 per share for the quarter ended March 31, 2022.

The Company's dividend will be payable as follows:

Quarterly Dividend

Amount Per Share: \$0.48
Ex-Dividend Date: March 14, 2022
Record Date: March 15, 2022
Payment Date: March 31, 2022

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.

Third Quarter 2022 Earnings Results Conference Call and Webcast

Capital Southwest has scheduled a conference call on Tuesday, February 1, 2022, at 11:00 a.m. Eastern Time to discuss the third quarter 2022 financial results. You may access the call by dialing (866) 502-8274 and using the Conference ID 4575014 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, or by using <http://edge.media-server.com/mmc/p/gtr5rdsv>.

A telephonic replay will be available through February 8, 2022 by dialing (855) 859-2056 and using the Conference ID 4575014. 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, 2021 to be filed with the Securities and Exchange Commission and Capital Southwest's Third Fiscal Quarter 2022 Earnings Presentation to be posted on the Investor Relations section of Capital Southwest's website at www.capitalsouthwest.com.

About Capital Southwest

Capital Southwest Corporation (Nasdaq: CSWC) is a Dallas, Texas-based, internally managed business development company with approximately \$877 million in investments at fair value as of December 31, 2021. Capital Southwest is a middle market lending firm focused on supporting the acquisition and growth of middle market businesses with \$5 million to \$30 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. 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; regulatory changes; tax treatment and general economic and business conditions; our ability to operate our wholly owned subsidiary, SBIC I, as an SBIC; and uncertainties associated with the continued impact from the COVID-19 pandemic, including its impact on the global and U.S. capital markets and the global and U.S. economy, the length and duration of the COVID-19 outbreak in the United States as well as worldwide and the magnitude of the economic impact of that outbreak; the effect of the COVID-19 pandemic on our business prospects and the operational and financial performance of our portfolio companies, including our ability and their ability to achieve their respective objectives, and the effects of the disruptions caused by the COVID-19 pandemic on our ability to continue to effectively manage our business.

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, 2021 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)

	December 31, 2021 (Unaudited)	March 31, 2021
Assets		
Investments at fair value:		
Non-control/Non-affiliate investments (Cost: \$673,871 and \$540,556, respectively)	\$ 691,229	\$ 546,028
Affiliate investments (Cost: \$136,929 and \$90,201, respectively)	127,947	85,246
Control investments (Cost: \$76,000 and \$72,800, respectively)	57,589	57,158
Total investments (Cost: \$886,800 and \$703,557, respectively)	876,765	688,432
Cash and cash equivalents	18,668	31,613
Receivables:		
Dividends and interest	8,966	10,533
Escrow	1,344	1,150
Other	274	171
Income tax receivable	33	155
Debt issuance costs (net of accumulated amortization of \$4,340 and \$3,582, respectively)	4,271	2,246
Other assets	2,234	1,284
Total assets	\$ 912,555	\$ 735,584
Liabilities		
SBA Debentures (Par value: \$29,000 and \$0, respectively)	\$ 27,965	\$ —
October 2024 Notes (Par value: \$0 and \$125,000, respectively)	—	122,879
January 2026 Notes (Par value: \$140,000 and \$140,000, respectively)	138,630	138,425
October 2026 Notes (Par value: \$150,000 and \$0, respectively)	146,357	—
Credit facility	190,000	120,000
Other liabilities	13,392	11,655
Accrued restoration plan liability	2,853	2,979
Income tax payable	1,527	50
Deferred tax liability	4,494	3,345
Total liabilities	525,218	399,333
Commitments and contingencies (Note 10)		
Net Assets		
Common stock, \$0.25 par value: authorized, 40,000,000 shares; issued, 26,265,215 shares at December 31, 2021 and 23,344,836 shares at March 31, 2021	6,566	5,836
Additional paid-in capital	424,250	356,447
Total distributable (loss) earnings	(19,542)	(2,095)
Treasury stock - at cost, 2,339,512 shares	(23,937)	(23,937)
Total net assets	387,337	336,251
Total liabilities and net assets	\$ 912,555	\$ 735,584
Net asset value per share (23,925,703 shares outstanding at December 31, 2021 and 21,005,324 shares outstanding at March 31, 2021)	\$ 16.19	\$ 16.01

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

(In thousands, except shares and per share data)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	2021	2020
Investment income:				
Interest income:				
Non-control/Non-affiliate investments	\$ 14,805	\$ 11,306	\$ 42,873	\$ 31,010
Affiliate investments	2,116	1,774	4,774	5,715
Control investments	—	—	—	—
Payment-in-kind interest income:				
Non-control/Non-affiliate investments	614	980	1,717	3,224
Affiliate investments	200	627	951	1,265
Control investments	—	—	—	—
Dividend income:				
Non-control/Non-affiliate investments	—	1,235	1,570	1,589
Affiliate investments	9	—	9	—
Control investments	1,705	1,681	4,862	5,144
Fee income:				
Non-control/Non-affiliate investments	2,591	1,394	4,005	2,817
Affiliate investments	267	40	413	107
Control investments	—	—	—	—
Other income	4	3	12	18
Total investment income	<u>22,311</u>	<u>19,040</u>	<u>61,186</u>	<u>50,889</u>
Operating expenses:				
Compensation	3,353	2,444	7,083	6,125
Share-based compensation	849	771	2,848	2,236
Interest	4,655	4,528	15,015	13,253
Professional fees	607	538	1,956	1,691
General and administrative	1,010	787	2,968	2,339
Total operating expenses	<u>10,474</u>	<u>9,068</u>	<u>29,870</u>	<u>25,644</u>
Income before taxes	11,837	9,972	31,316	25,245
Federal income, excise and other taxes	68	195	283	587
Deferred taxes	(130)	1,260	365	1,003
Total income tax provision (benefit)	<u>(62)</u>	<u>1,455</u>	<u>648</u>	<u>1,590</u>
Net investment income	<u>\$ 11,899</u>	<u>\$ 8,517</u>	<u>\$ 30,668</u>	<u>\$ 23,655</u>
Realized gain (loss)				
Non-control/Non-affiliate investments	\$ 4,017	\$ (127)	\$ 6,561	\$ (5,325)
Affiliate investments	140	—	140	(1,628)
Control investments	—	—	—	—
Income tax provision	(1,442)	—	(1,442)	—
Total net realized gain (loss) on investments, net of tax	<u>2,715</u>	<u>(127)</u>	<u>5,259</u>	<u>(6,953)</u>
Net unrealized (depreciation) appreciation on investments				
Non-control/Non-affiliate investments	3,165	5,593	12,558	16,417
Affiliate investments	(3,849)	245	(4,700)	(1,012)
Control investments	(2,049)	2,152	(2,769)	11,075
Income tax benefit (provision)	679	(719)	(783)	(1,968)
Total net unrealized (depreciation) appreciation on investments, net of tax	<u>(2,054)</u>	<u>7,271</u>	<u>4,306</u>	<u>24,512</u>
Net realized and unrealized gains on investments	661	7,144	9,565	17,559
Realized loss on extinguishment of debt	—	(262)	(17,087)	(548)
Net increase (decrease) in net assets from operations	<u>\$ 12,560</u>	<u>\$ 15,399</u>	<u>\$ 23,146</u>	<u>\$ 40,666</u>
Pre-tax net investment income per share - basic and diluted	<u>\$ 0.51</u>	<u>\$ 0.52</u>	<u>\$ 1.40</u>	<u>\$ 1.36</u>
Net investment income per share - basic and diluted	<u>\$ 0.51</u>	<u>\$ 0.45</u>	<u>\$ 1.37</u>	<u>\$ 1.27</u>
Net increase (decrease) in net assets from operations - basic and diluted	<u>\$ 0.54</u>	<u>\$ 0.80</u>	<u>\$ 1.03</u>	<u>\$ 2.18</u>
Weighted average shares outstanding - basic and diluted	<u>23,432,522</u>	<u>19,134,824</u>	<u>22,393,935</u>	<u>18,629,463</u>



Capital Southwest Corporation

Q3 2022 Earnings Presentation

February 1, 2022

5400 Lyndon B. Johnson Freeway, Suite 1300 | Dallas, Texas 75240 | 214.238.5700 | capitalsouthwest.com

Important Notices

- These materials and any presentation of which they form a part are neither an offer to sell, nor a solicitation of an offer to purchase, any securities of Capital Southwest.
- These materials and the presentations of which they are a part, and the summaries contained herein, do not purport to be complete and no obligation to update or otherwise revise such information is being assumed. Nothing shall be relied upon as a promise or representation as to the future performance of Capital Southwest. Such information is qualified in its entirety by reference to the more detailed discussions contained elsewhere in Capital Southwest's public filings with the Securities and Exchange Commission (the "SEC").
- There is no guarantee that any of the estimates, targets or projections illustrated in these materials and any presentation of which they form a part will be achieved. Any references herein to any of the Capital Southwest's past or present investments or its past or present performance, have been provided for illustrative purposes only. It should not be assumed that these investments were or will be profitable or that any future investments by Capital Southwest will be profitable or will equal the performance of these investments.
- The information contained herein has been derived from financial statements and other documents provided by the portfolio companies unless otherwise stated.
- Past performance is not indicative of future results. In addition, there can be no assurance that unrealized investments will be realized at the expected multiples shown as actual realized returns will depend on, among other factors, future operating results of each of Capital Southwest's current portfolio companies, the value of the assets and economic conditions at the time of disposition, any related transaction costs, and the timing and manner of sale, all of which may differ from the assumptions on which Capital Southwest's expected returns are based. In many instances, Capital Southwest will not determine the timing or manner of sale of its portfolio companies.
- Capital Southwest has filed a registration statement (which contains the prospectus) with the SEC for any offering to which this communication may relate and may file one or more prospectus supplements to the prospectus in the future. Before you invest in any of Capital Southwest's securities, you should read the registration statement and the applicable prospectus and prospectus supplement(s), including the information incorporated by reference therein, in order to fully understand all of the implications and risks of an offering of Capital Southwest's securities. You should also read other documents Capital Southwest has filed with the SEC for more complete information about Capital Southwest and any offering of its securities. You may get these documents for free by visiting EDGAR on the SEC's website at www.sec.gov. Alternatively, Capital Southwest will arrange to send you any applicable prospectus and prospectus supplement(s) if you request such materials by calling us at (214) 238-5700. These materials are also made available, free of charge, on our website at www.capitalsouthwest.com. Information contained on our website is not incorporated by reference into this communication.

Forward-Looking Statements

- 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; 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 uncertainties associated with the continued impact from the COVID-19 pandemic, including its impact on the global and U.S. capital markets and the global and U.S. economy, the length and duration of the COVID-19 outbreak in the United States as well as worldwide and the magnitude of the economic impact of that outbreak, the effect of the COVID-19 pandemic on our business prospects and the operational and financial performance of our portfolio companies, including our and their ability to achieve their respective objectives, and the effects of the disruptions caused by the COVID-19 pandemic on our ability to continue to effectively manage our business.
- 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, 2021 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

Bowen S. Diehl

President and Chief Executive Officer

Michael S. Sarnier

Chief Financial Officer

Chris Rehberger

VP Finance / Treasurer

CSWC Company Overview

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
- September 2015: completed tax free spin off of CSW Industrials ("Spin Off") (NASDAQ: "CSWI")
- April 2021: received SBIC license from the U.S. Small Business Administration
- 24 employees based in Dallas, Texas
- Total Balance Sheet Assets of \$913 MM as of December 31, 2021
- Manage I-45 Senior Loan Fund ("I-45 SLF") in partnership with Main Street Capital (NYSE: "MAIN")

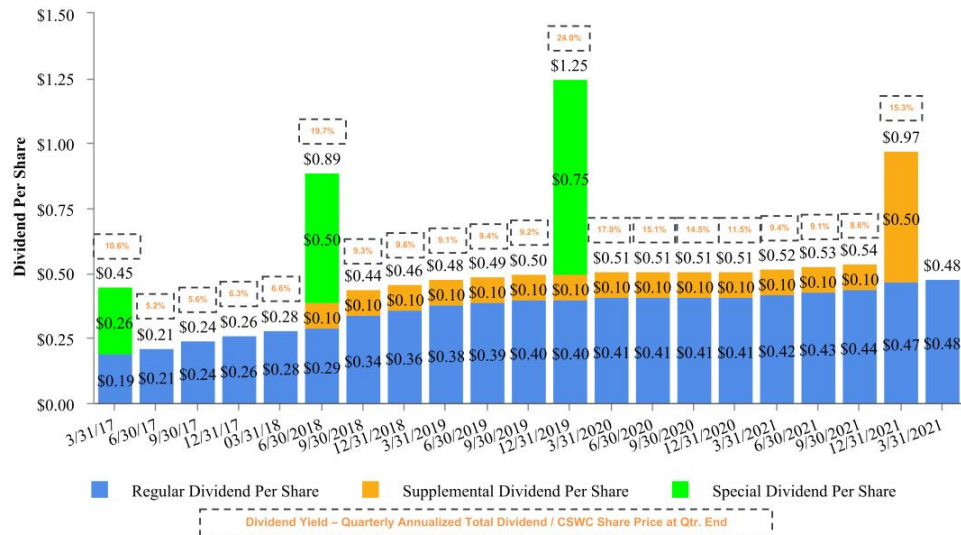
Q3 2022 Highlights

Financial Highlights

- Q3 2022 Pre-Tax Net Investment Income ("NII") of \$11.8 MM or \$0.51 per share
 - Paid \$0.47 per share Regular Dividend
 - Paid \$0.50 per share Supplemental Dividend
- Increased Regular Dividend to \$0.48 per share for the quarter ending March 31, 2022, an increase of 2.1% compared to the prior quarter
- Investment Portfolio at Fair Value increased to \$877 MM from \$818 MM in prior quarter
 - \$268.3 MM in total new committed investments, of which \$213.5 MM was funded at close
 - \$158.4 MM in total proceeds from eleven debt prepayments and one equity exit
 - Danforth equity exit generated a realized gain of \$5.6 MM and an IRR of 99.2%
- Completed add-on of \$50 MM in aggregate principal of 3.375% Notes due October ("October 2026 Notes") in November 2021
- Raised \$16.0 MM in gross proceeds through Equity ATM Program during the quarter
 - Sold shares at weighted-average price of \$25.97 per share, or 159% of the prevailing NAV per share
- \$141.7 MM available on Credit Facility, \$11.0 MM available on initial SBA leverage commitment to SBIC I, and \$18.7 MM in cash and cash equivalents as of quarter end

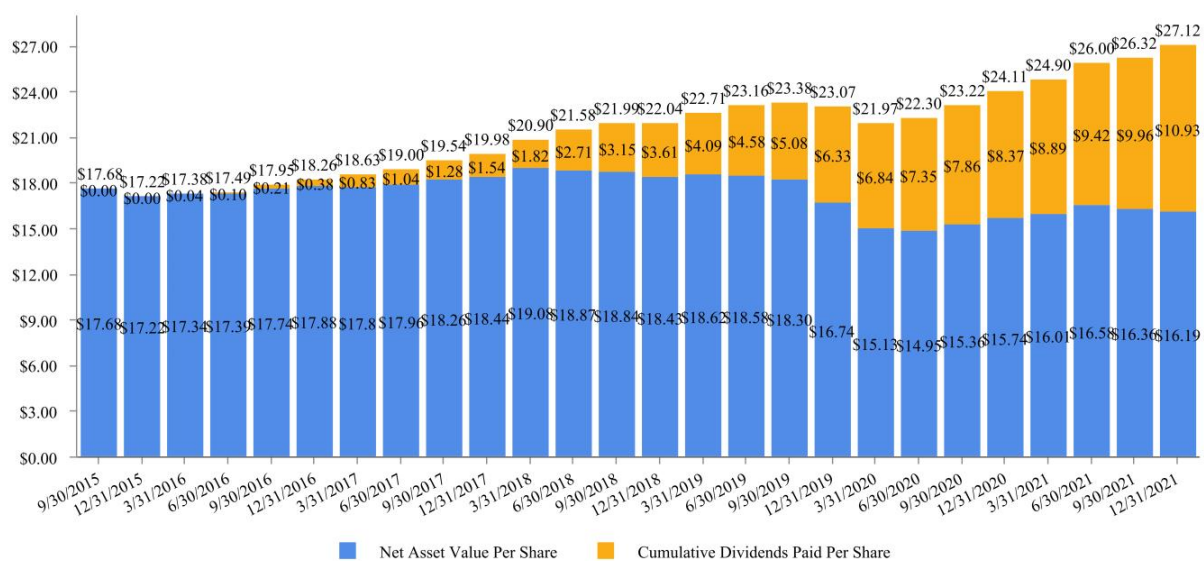
Track Record of Consistent Dividends Continues

- In the last twelve months ended 12/31/2021, CSWC generated \$1.84 per share in Pre-Tax NII and paid out \$1.76 per share in Regular Dividends
- Cumulative Pre-Tax NII Regular Dividend Coverage of 107% since the 2015 Spin-Off
- Total Special and Supplemental Dividends of \$3.41 per share since the 2015 Spin-Off
- Undistributed Taxable Income ("UTI") of \$0.32 per share as of December 31, 2021



History of Value Creation

Total Value (Net Asset Value + Cumulative Dividends Paid) Increase of \$9.44 per share at 12/31/2021 from 9/30/2015 Spin-off of CSWI



Investment Strategy

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 \$30 MM
- Both Sponsored and Non-sponsored deals
- Securities include first lien, unitranche, and second lien
- Frequently make equity co-investments alongside CSWC debt

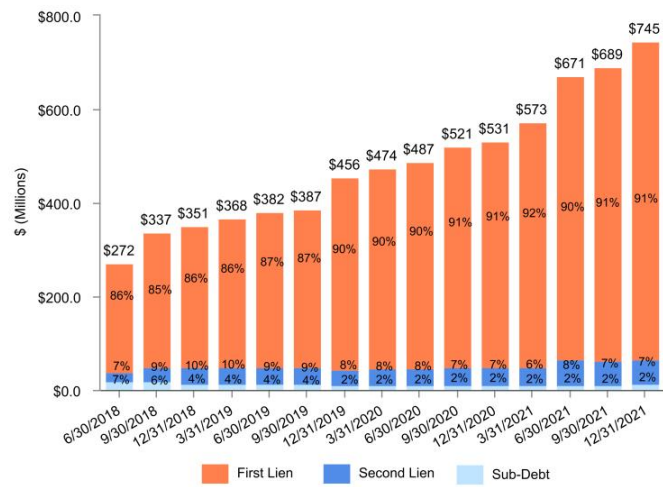
OPPORTUNISTIC: Upper Middle Market (“UMM”): Syndicated or Club, First and Second Lien

- Companies typically have in excess of \$20 MM in EBITDA
- Typical leverage of 3.0x – 5.5x Debt to EBITDA through CSWC debt position
- Hold sizes generally \$5 MM to \$15 MM
- Securities include first and second lien debt securities
- More liquid assets relative to LMM investments
- Provides flexibility to invest/divest opportunistically based on market conditions and liquidity position

Credit Portfolio Heavily Weighted Towards First Lien Investments

91% of Credit Portfolio as of 12/31/2021 in first lien senior secured loans

Credit Portfolio Heavily Weighted to First Lien



Q3 2022 Originations

\$268.3 MM in total new committed investments to fourteen new portfolio companies and twelve existing portfolio companies

- \$213.5 MM funded at close

Portfolio Originations		Q3 2022				
Name	Industry	Type	Total Debt Funded at Close (\$000s)	Total Equity Funded at Close (\$000s)	Unfunded Commitments at Close (\$000s)	Debt Yield to Maturity
Winter Services Operations, LLC	Business services	First Lien	\$20,000	\$—	\$8,889	8.50%
National Credit Care, LLC	Consumer services	First Lien	\$22,500	\$—	\$—	8.88%
Catbird NYC, LLC	Consumer products & retail	First Lien / Equity	\$16,000	\$1,500	\$4,125	9.15%
KMS, Inc.	Distribution	First Lien	\$16,000	\$—	\$4,571	8.69%
South Coast Terminals, LLC	Specialty chemicals	First Lien	\$18,065	\$—	\$1,935	7.96%
ArborWorks, LLC	Environmental Services	First Lien / Equity	\$13,540	\$100	\$2,460	8.88%
Mercury Acquisition 2021, LLC (dba Tele-Town Hall)	Telecommunications	First Lien / Second Lien	\$15,800	\$—	\$—	10.65%
The Producto Group, LLC	Industrial products	First Lien / Equity	\$13,770	\$1,500	\$—	10.90%
Lash OpCo, LLC	Consumer products & retail	First Lien	\$6,500	\$—	\$7,481	8.88%
Infolinks Media Buyco, LLC	Media, marketing & entertainment	First Lien / Equity	\$7,750	\$588	\$2,662	7.80%

Q3 2022 Originations

Portfolio Originations		Q3 2022				
Name	Industry	Type	Total Debt Funded at Close (\$000s)	Total Equity Funded at Close (\$000s)	Unfunded Commitments at Close (\$000s)	Debt Yield to Maturity
SIB Holdings, LLC	Business services	First Lien / Equity	\$7,427	\$500	\$2,573	7.43%
Air Conditioning Specialist, Inc.	Consumer services	First Lien / Equity	\$9,000	\$500	\$1,000	8.95%
Spotlight AR, LLC	Business services	First Lien / Equity	\$7,500	\$750	\$2,000	8.88%
Cityvet, Inc.	Healthcare services	First Lien	\$—	\$—	\$10,000	9.42%
Klein Hersh, LLC	Business services	First Lien	\$9,875	\$—	\$—	8.25%
Everest Transportation Systems, LLC	Transportation and logistics	First Lien	\$9,167	\$—	\$—	9.63%
ISI Enterprises, LLC	Software & IT services	First Lien / Equity	\$5,000	\$1,000	\$2,000	8.88%
NinjaTrader, Inc.	Financial services	First Lien	\$3,900	\$—	\$3,036	7.78%
Zenfolio Inc.	Business services	First Lien	\$4,000	\$—	\$—	10.50%
Lighting Retrofit International, LLC (dba Envocore)	Environmental Services	First Lien	\$—	\$—	\$1,042	8.00%
Well-Foam, Inc.	Energy services (upstream)	First Lien	\$—	\$—	\$1,000	10.40%
GS Operating, LLC	Distribution	First Lien	\$800	\$—	\$—	8.50%
VTX Holdings, Inc. (dba Vertex One)	Software & IT services	Equity	\$—	\$200	\$—	N/A
Roseland Management, LLC	Healthcare services	Equity	\$—	\$136	\$—	N/A
LGM Pharma, LLC	Healthcare products	Subordinated Debt	\$88	\$—	\$—	25.00%
Delphi Behavioral Health Group, LLC	Healthcare services	First Lien	\$70	\$—	\$—	13.00%
Total / Wtd. Avg			\$206,752	\$6,774	\$54,774 ⁽¹⁾	8.97%

(1) Unfunded Commitments consist of \$32.2 MM in delayed draw term loans, \$22.1 MM in revolvers, and \$0.5 MM in unfunded equity

Track Record of CSWC Exits Continues

\$158.4 MM in total proceeds from twelve portfolio company exits

- During the quarter, CSWC exited eleven debt investments and one equity investment, generating total proceeds of \$158.4 MM and an IRR of 16.2%
- Cumulative IRR of 14.6% on 56 portfolio company exits generating \$637.6 MM in proceeds since launch of credit strategy in January 2015

Portfolio Exits		Q3 2022				
Name	Industry	Type	Net Proceeds (\$000s)	Realized Gain (\$000s)	IRR	
VTX Holdings, Inc. (dba Vertex One)	Software & IT services	First Lien - Last Out	\$21,575	\$316	13.9%	
ICS Distribution, LLC (dba Relevant Rental Solutions)	Industrial services	First Lien - Last Out	\$20,500	\$315	13.6%	
Clickbooth.com, LLC	Media, marketing & entertainment	First Lien	\$18,169	\$194	12.0%	
KMS, Inc.	Distribution	First Lien - First Out	\$16,000	\$—	9.4%	
Broad Sky Networks, LLC	Telecommunications	First Lien	\$15,788	\$288	13.6%	
ASC Ortho Management Company, LLC	Healthcare services	First Lien / Second Lien	\$15,012	\$114	12.1%	
ESCP DTFS, Inc. (dba Industrial Specialty Services)	Industrial services	First Lien	\$11,700	\$150	12.3%	
Capital Pawn Holdings, LLC	Consumer products & retail	First Lien	\$8,854	\$11	12.1%	
Adams Publishing Group, LLC	Media, marketing & entertainment	First Lien	\$8,647	\$91	11.2%	
Sonobi, Inc.	Media, marketing & entertainment	First Lien	\$8,500	\$140	13.7%	
Chemistry Rx Holdings, LLC	Specialty chemicals	First Lien	\$7,096	\$123	14.8%	
Danforth Advisors, LLC	Business services	Equity	\$6,517	\$5,642	99.2%	
Total / Weighted Average			\$158,358	\$7,384	16.2%	

CSWC Investment Portfolio Composition

Maintaining conservative portfolio leverage while receiving attractive risk-adjusted returns

Investment Portfolio - Statistics		Q3 2022	
		9/30/2021	12/31/2021
		Total CSWC Portfolio	Total CSWC Portfolio
<i>(In Thousands)</i>			
Number of Portfolio Companies		63	70
Total Cost		\$749,521	\$810,800
Total Fair Value		\$758,580	\$819,176
Average Hold Size Debt Investments (at Fair Value)		\$11,685	\$11,820
Average Hold Size Equity Investments (at Fair Value)		\$2,231	\$1,910
% First Lien Investments (at Fair Value)		82.4%	82.9%
% Second Lien Investments (at Fair Value)		6.8%	6.5%
% Subordinated Debt Investments (at Fair Value)		1.6%	1.5%
% Equity (at Fair Value)		9.1%	9.1%
Wtd. Avg. Yield ⁽²⁾		9.7%	9.5%
Wtd. Avg. EBITDA of Issuer (\$MM's) ⁽³⁾		\$17.4	\$19.6
Wtd. Avg. Leverage through CSWC Security ⁽⁴⁾		4.1x	3.9x

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

(1) At December 31, 2021 and September 30, 2021, we had equity ownership in approximately 56% and 49%, 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 December 31, 2021, including accretion of original issue discount but excluding fees payable upon repayment of the debt instruments. As of December 31, 2021, there were three investments on non-accrual status. As of September 30, 2021, there were three investments on non-accrual status. Weighted-average annual effective yield is not a return to shareholders and is higher than what an investor in shares in our common stock will realize on its investment because it does not reflect our expenses or any sales load paid by an investor

(3) Includes CSWC debt investments only. Weighted average EBITDA metric is calculated using investment cost basis weighting. For the quarter ended December 31, 2021, three portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful. For the quarter ended September 30, 2021, three portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful

(4) 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. Management uses this metric as a guide to evaluate relative risk of its position in each portfolio debt investment. For the quarter ended December 31, 2021, three portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful. For the quarter ended September 30, 2021, three portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful



Credit Portfolio Investment Rating Migration

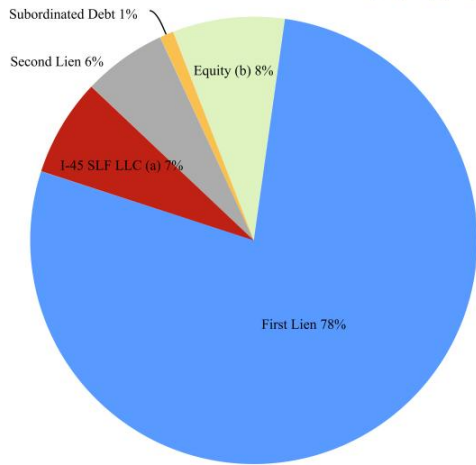
Four loans upgraded and no loans downgraded during the quarter

Investment Rating	9/30/2021			Investment Rating Upgrades			Investment Rating Downgrades			12/31/2021		
	# 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	8	\$112.5	15.8%	2	\$29.5	4.0%	0	\$0.0	—%	8	\$129.5	17.4%
2	53	\$515.8	73.7%	2	\$24.1	3.2%	0	\$0.0	—%	60	\$580.6	78.0%
3	6	\$58.9	9.7%	0	\$0.0	—%	0	\$0.0	—%	5	\$34.4	4.6%
4	1	\$2.3	0.8%	0	\$0.0	—%	0	\$0.0	—%	1	\$0.2	0.0%
Wtd. Avg. Investment Rating (at Cost)	1.96									1.90		

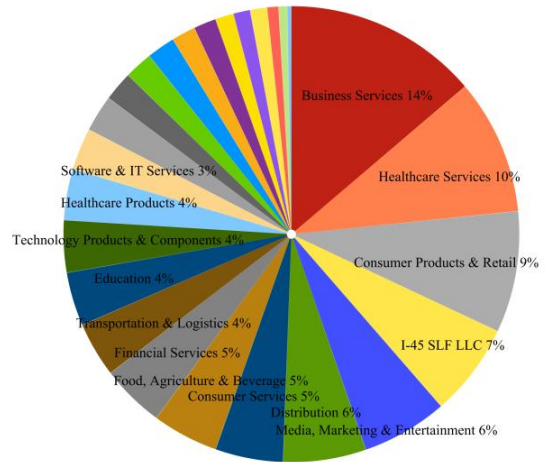
CSWC Portfolio Mix as of 12/31/2021 at Fair Value

Current Investment Portfolio of \$877 MM continues to be diverse across industries

Current Investment Portfolio (By Type)



Current Investment Portfolio (By Industry)

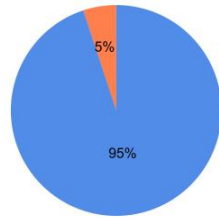


(a) I-45 SLF consists of 95% first lien senior secured debt
 (b) Equity represents equity co-investments across 39 portfolio companies

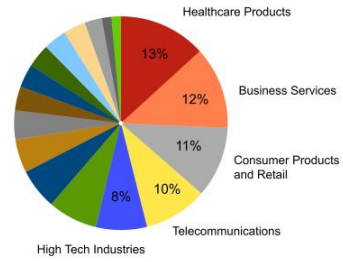
I-45 Portfolio Overview

I-45 loan portfolio of \$180.0 MM is 95% first lien senior secured debt with average hold size of 2.4% 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)	3/31/2021	6/30/2021	9/30/2021	12/31/2021
Total Investments at Fair Value	\$164,351	\$169,610	\$169,042	\$180,052
Fund Leverage (Debt to Equity) at Fair Value	1.27x	1.40x	1.30x	1.52x
Number of Issuers	36	38	38	42
Wtd. Avg. Issuer EBITDA	\$77,649	\$77,851	\$75,025	\$72,800
Avg. Investment Size as a % of Portfolio	2.8%	2.6%	2.6%	2.4%
Wtd. Avg. Net Leverage on Investments ⁽¹⁾	4.4x	4.8x	4.7x	5.0x
Wtd. Avg. Spread to LIBOR	6.0%	6.0%	5.9%	6.2%
Wtd. Avg. Duration (Yrs)	3.0	3.0	3.7	3.7

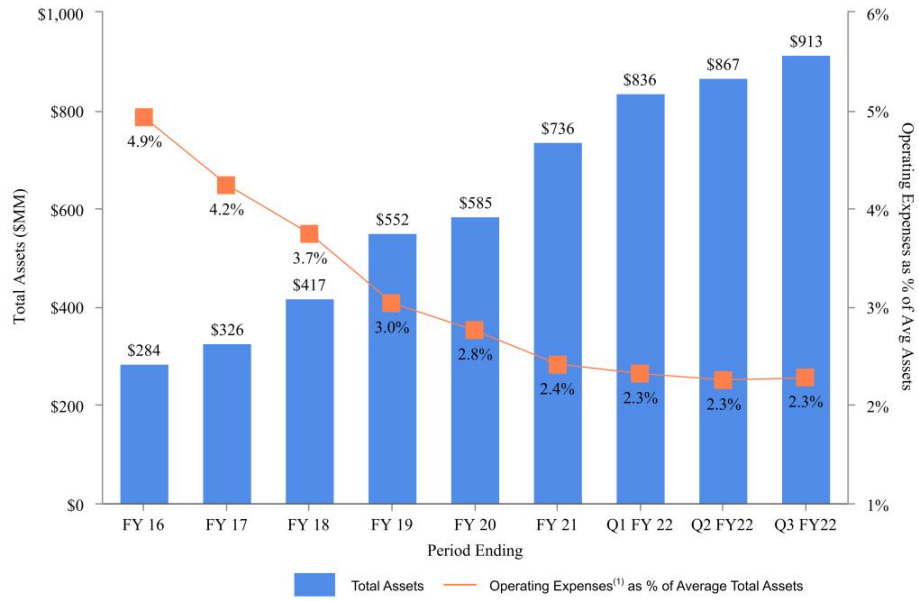
(1) Through I-45 security

Income Statement

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 3/31/21	Quarter Ended 6/30/21	Quarter Ended 9/30/21	Quarter Ended 12/31/21
Investment Income				
Interest Income	\$12,282	\$14,626	\$16,100	\$16,921
PIK Interest Income	2,796	975	879	814
Dividend Income	1,661	2,657	2,070	1,714
Fees and Other Income	434	321	1,247	2,862
Total Investment Income	\$17,173	\$18,579	\$20,296	\$22,311
Expenses				
Cash Compensation	\$1,631	\$1,432	\$2,298	\$3,353
Share Based Compensation	708	1,076	923	849
General & Administrative	1,278	1,677	1,630	1,617
Total Expenses (excluding Interest)	\$3,617	\$4,185	\$4,851	\$5,819
Interest Expense	\$4,688	\$4,955	\$5,405	\$4,655
Pre-Tax Net Investment Income	\$8,868	\$9,439	\$10,040	\$11,837
Gains / Losses and Taxes				
Net Realized and Unrealized Gains on Investments	\$2,660	\$6,099	\$2,805	\$661
Realized Losses on Extinguishment of Debt	(459)	—	(17,087)	—
Income Tax (Expense) / Benefit	(852)	(396)	(314)	62
Net increase (decrease) in Net Assets Resulting from Operations	\$10,217	\$15,142	\$(4,556)	\$12,560
Weighted Average Diluted Shares Outstanding	20,376	21,202	22,534	23,433
Pre-Tax NII Per Diluted Weighted Average Share	\$0.44	\$0.45	\$0.45	\$0.51

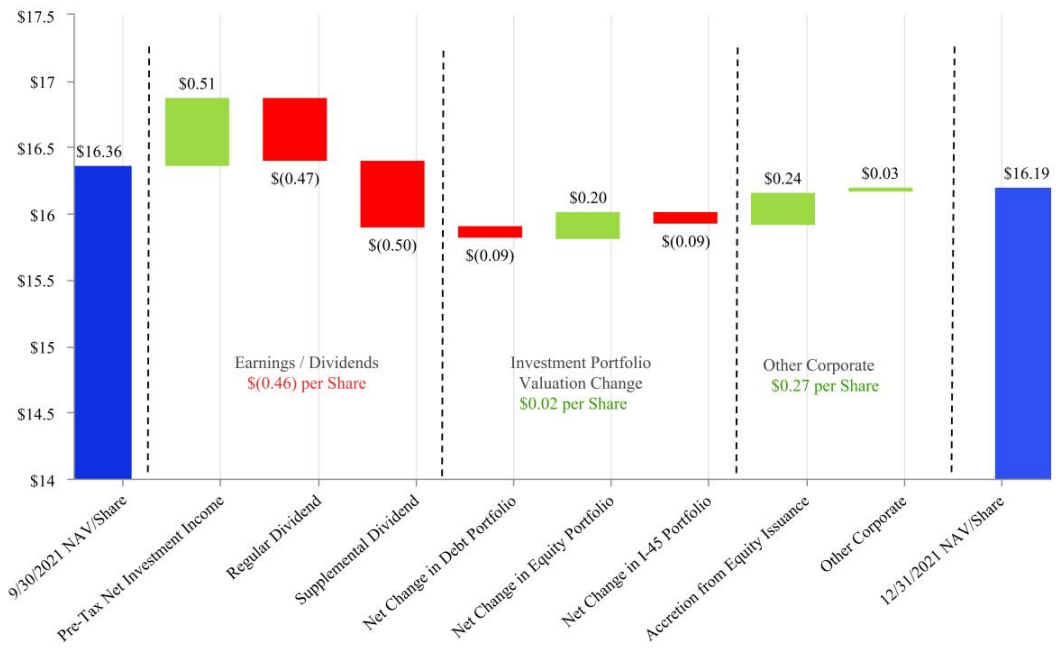
Operating Leverage Trend

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

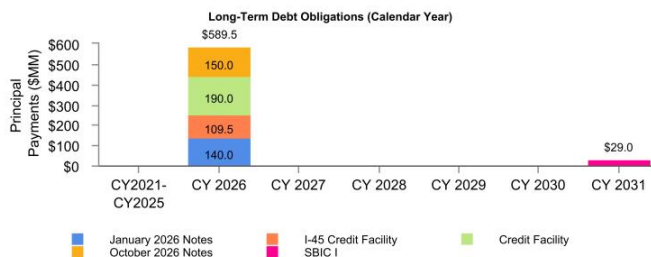
NAV per Share Bridge from Quarter Ended 9/30/2021



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 ⁽¹⁾	\$140.0 MM	4.50%	January 2026	\$140.0 MM	N/A
I-45 Credit Facility ⁽²⁾	\$150.0 MM	L + 2.15%	March 2026	\$109.5 MM	\$40.5 MM
Credit Facility ⁽³⁾	\$335.0 MM	L + 2.15%	August 2026	\$190.0 MM	\$141.7 MM ⁽⁴⁾
October 2026 Notes ⁽⁵⁾	\$150.0 MM	3.375%	October 2026	\$150.0 MM	N/A
SBA Debentures	\$40.0 MM	1.43% ⁽⁶⁾	September 2031 ⁽⁷⁾	\$29.0 MM	\$11.0 MM ⁽⁸⁾



(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 LLC with a joint venture partner

(3) The Credit Facility has an accordion feature that allows for an increase in total commitments up to \$400 MM

(4) Net of \$3.3 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 non-pooled SBA Debentures for the three months ended December 31, 2021

(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 3/31/21	Quarter Ended 6/30/21	Quarter Ended 9/30/21	Quarter Ended 12/31/21
Assets				
Portfolio Investments	\$688,432	\$798,647	\$818,218	\$876,765
Cash & Cash Equivalents	31,613	16,543	26,840	18,668
Other Assets	15,539	20,858	21,764	17,122
Total Assets	\$735,584	\$836,048	\$866,822	\$912,555
Liabilities				
SBA Debentures	\$—	\$—	\$16,709	\$27,965
October 2024 Notes	122,879	123,041	—	—
January 2026 Notes	138,425	138,504	138,545	138,630
October 2026 Notes	—	—	97,264	146,357
Credit Facility	120,000	190,000	215,000	190,000
Other Liabilities	18,029	16,408	17,359	22,266
Total Liabilities	\$399,333	\$467,953	\$484,877	\$525,218
Shareholders Equity				
Net Asset Value	\$336,251	\$368,095	\$381,945	\$387,337
Net Asset Value per Share	\$16.01	\$16.58	\$16.36	\$16.19
Regulatory Debt to Equity	1.13x	1.23x	1.18x	1.23x

Portfolio Statistics

Continuing to build a well performing credit portfolio

<i>(In Thousands)</i>	Quarter Ended 3/31/21	Quarter Ended 6/30/21	Quarter Ended 9/30/21	Quarter Ended 12/31/21
Portfolio Statistics				
Fair Value of Debt Investments	\$572,614	\$671,257	\$689,421	\$744,681
Average Debt Investment Hold Size	\$11,228	\$11,377	\$11,490	\$11,820
Fair Value of Debt Investments as a % of Par	97%	97%	97%	97%
% of Investment Portfolio on Non-Accrual (at Fair Value)	—%	1.8%	3.0%	1.6%
Weighted Average Investment Rating ⁽¹⁾	2.00	1.96	1.96	1.90
Weighted Average Yield on Debt Investments	10.76%	10.04%	9.66%	9.48%
Total Fair Value of Portfolio Investments	\$688,432	\$798,647	\$818,218	\$876,765
Weighted Average Yield on all Portfolio Investments	10.22%	10.12%	9.60%	9.35%
Investment Mix (Debt vs. Equity) ⁽²⁾⁽³⁾	92% / 8%	91% / 9%	91% / 9%	91% / 9%

(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 Senior Loan Fund

(3) At Fair Value

Investment Income Detail

Constructing a portfolio of investments with recurring cash yield

(In Thousands)	Quarter Ended 3/31/21	Quarter Ended 6/30/21	Quarter Ended 9/30/21	Quarter Ended 12/31/21
Investment Income Breakdown				
Cash Interest	\$11,668	\$13,939	\$15,370	\$16,164
Cash Dividends	1,660	2,657	2,069	1,714
PIK Income	2,796	975	879	814
Amortization of purchase discounts and fees	616	688	731	758
Management/Admin Fees	234	227	327	340
Prepayment Fees & Other Income	199	93	920	2,520
Total Investment Income	\$17,173	\$18,579	\$20,296	\$22,310
Key Metrics				
Cash Income as a % of Investment Income	80%	91%	92%	93%
% of Total Investment Income that is Recurring	99%	96%	95%	89%

Key Financial Metrics

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

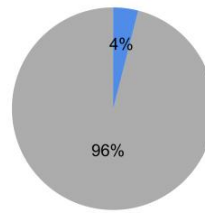
	Quarter Ended 3/31/21	Quarter Ended 6/30/21	Quarter Ended 9/30/21	Quarter Ended 12/31/21
Key Financial Metrics				
Pre-Tax Net Investment Income Per Wtd Avg Diluted Share	\$0.44	\$0.45	\$0.45	\$0.51
Pre-Tax Net Investment Income Return on Equity (ROE) ⁽¹⁾	11.06%	11.12%	10.75%	12.35%
Realized Earnings Per Wtd Avg Diluted Share	\$0.29	\$0.38	\$(0.17)	\$0.62
Realized Earnings Return on Equity (ROE) ⁽¹⁾	7.45%	9.53%	(4.14)% ⁽²⁾	15.25%
Earnings Per Wtd Avg Diluted Share	\$0.50	\$0.71	\$(0.20)	\$0.54
Earnings Return on Equity (ROE) ⁽¹⁾	12.74%	17.84%	(4.88)% ⁽²⁾	13.11%
Regular Dividends per Share	\$0.42	\$0.43	\$0.44	\$0.47
Supplemental/Special Dividends per Share	\$0.10	\$0.10	\$0.10	\$0.50
Total Dividends per Share	\$0.52	\$0.53	\$0.54	\$0.97

(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

(2) Realized Earnings and Earnings include (\$17.1) MM or (\$0.76) per weighted average diluted share for realized losses on extinguishment of debt in the 9/30/21 quarter

Interest Rate Sensitivity

Fixed vs. Floating Credit Portfolio Exposure ⁽¹⁾



■ Fixed ■ Floating

Change in Base Interest Rates	Illustrative Annual NII Change (\$'s)	Illustrative Annual NII Change (Per Share)
(25 bps)	535,329	0.02
25 bps	(639,947)	(0.03)
50 bps	(1,279,894)	(0.05)
75 bps	(1,824,168)	(0.08)
100 bps	(887,763)	(0.04)
125 bps	349,572	0.01
150 bps	1,606,072	0.07

(1) Portfolio Exposure includes I-45 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 12/31/2021, adjusted only for changes in Base Interest Rate. Base Interest Rate used in this analysis is 3-Month LIBOR of 0.21% at 12/31/2021. 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

<p>Board of Directors</p> <p>Inside Directors Bowen S. Diehl</p> <p>Independent Directors David R. Brooks Christine S. Battist T. Duane Morgan Jack D. Furst William R. Thomas Ramona Rogers-Windsor</p>	<p>Senior Management</p> <p>Bowen S. Diehl <i>President & Chief Executive Officer</i></p> <p>Michael S. Sarnier <i>Chief Financial Officer, Secretary & Treasurer</i></p> <p>Joshua S. Weinstein <i>Senior Managing Director</i></p>	<p>Fiscal Year End March 31</p>
<p>Corporate Offices & Website</p> <p>5400 Lyndon B. Johnson Freeway 13th Floor Dallas, TX 75240 http://www.capitalsouthwest.com</p>	<p>Investor Relations</p> <p>Michael S. Sarnier Capital Southwest 214-884-3829 msarnier@capitalsouthwest.com</p>	<p>Independent Auditor</p> <p>RSM US LLP Chicago, IL</p>
	<p>Securities Listing</p> <p>Nasdaq: "CSWC" (Common Stock)</p>	<p>Corporate Counsel</p> <p>Eversheds Sutherland (US) LLP</p>
		<p>Transfer Agent</p> <p>American Stock Transfer & Trust Company, LLC 800-937-5449 www.amstock.com</p>

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
B. Riley Securities	Sarkis Sherbetchyan	Direct: 310-689-5221
Hovde Group	Bryce Rowe	Direct: 804-318-0969
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



