

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 30, 2023**

CAPITAL SOUTHWEST CORPORATION

(Exact Name Of Registrant As Specified In Charter)

Texas
(State or Other Jurisdiction of Incorporation)

814-00061
(Commission File Number)

75-1072796
(IRS Employer Identification No.)

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

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

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

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

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

Title of Each Class
Common Stock, \$0.25 par value per share

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

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

Item 7.01 Regulation FD Disclosure.

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

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

Item 9.01 Financial Statements and Exhibits

(d) Exhibits	
<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release issued by Capital Southwest Corporation on January 30, 2023
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 30, 2023

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, 2022 and Announces Increase in Total Dividends to \$0.58 per share for the Quarter Ended March 31, 2023

CSWC Reports Pre-Tax Net Investment Income of \$0.60 Per Share for Quarter Ended December 31, 2022

Dallas, Texas – January 30, 2023 – Capital Southwest Corporation (“Capital Southwest,” “CSWC” or the “Company”) (Nasdaq: CSWC), an internally managed business development company focused on providing flexible financing solutions to support the acquisition and growth of middle market businesses, today announced its financial results for the third fiscal quarter ended December 31, 2022.

Third Quarter Fiscal Year 2023 Financial Highlights

- Total Investment Portfolio: \$1.2 billion
 - Credit Portfolio of \$990.3 million:
 - 96% 1st Lien Senior Secured Debt
 - \$160.5 million in new committed credit investments
 - Weighted Average Yield on Debt Investments: 12.0%
 - Current non-accruals with a fair value of \$3.8 million, representing 0.3% of the total investment portfolio
 - Equity Portfolio of \$112.1 million, excluding investment in I-45 Senior Loan Fund (“I-45 SLF”)
 - \$3.6 million in new equity co-investments
 - CSWC Investment in I-45 SLF of \$47.6 million at fair value
 - I-45 SLF portfolio of \$161.0 million
 - Portfolio consists of 39 issuers: 94% 1st Lien Debt
 - \$104.0 million of debt outstanding at I-45 SLF as of December 31, 2022
 - I-45 SLF fund leverage of 1.75x debt to equity at fair value at quarter end
 - I-45 SLF paid a \$1.9 million quarterly dividend to CSWC; an annualized yield of 16.0%
- Pre-Tax Net Investment Income: \$18.7 million, or \$0.60 per weighted average share outstanding
- Dividends: Paid \$0.52 per share Regular Dividend and \$0.05 per share Supplemental Dividend
 - 108% LTM Pre-Tax NII Regular Dividend Coverage
 - Total Dividends for the quarter ended December 31, 2022 of \$0.57 per share
 - Undistributed Taxable Income at quarter end estimated at \$0.34 per share

- **Net Realized and Unrealized Depreciation:** \$16.4 million
 - Net realized and unrealized depreciation on investments of \$13.0 million or (1.1%) of total portfolio at fair value
 - \$8.5 million of net depreciation related to the credit portfolio
 - \$3.3 million of net depreciation related to I-45 SLF
 - \$1.2 million of net depreciation related to the equity portfolio
 - Net unrealized depreciation related to deferred tax associated with the Taxable Subsidiary of \$3.4 million
- **Balance Sheet:**
 - Cash and Cash Equivalents: \$21.7 million
 - Total Net Assets: \$561.5 million
 - Net Asset Value (“NAV”) per Share: \$16.25

In commenting on the Company’s results, Bowen Diehl, President and Chief Executive Officer, stated, “Our portfolio continued to perform well this quarter, producing \$0.60 of Pre-Tax Net Investment Income. Deal activity remained strong, as we closed new commitments of approximately \$164 million during the quarter. On the capitalization front, we continued to programmatically raise equity through both our equity ATM program and an underwritten public equity offering, raising \$104.3 million in gross proceeds at 109% of the prevailing NAV per share during the quarter. Over the past twelve months, we have raised over \$203 million in equity capital and reduced our regulatory leverage from 1.23x to 0.91x as of the current quarter end. Finally, in consideration of the performance of our portfolio, improvements in our operating leverage, and rising market interest rates, the Board of Directors has declared an increase in our regular quarterly dividend to \$0.53 per share. Based on the strength of our balance sheet, liquidity position, leverage profile, and the current interest rate environment, we feel confident in our ability to continue to grow Pre-Tax Net Investment Income. In addition, given the excess earnings being generated by our floating rate debt portfolio, our Board of Directors has also declared a supplemental dividend of \$0.05 per share for the March quarter. While future dividend declarations are at the discretion of our Board of Directors, it is our intent to continue to distribute quarterly supplemental dividends for the foreseeable future while base rates remain materially above long-term historical averages. Future supplemental dividends will also continue to be supported by realizations in our equity co-investment portfolio.”

Third Quarter Fiscal Year Investment Activities

Originations

During the quarter ended December 31, 2022, the Company originated \$164.0 million in new commitments, consisting of investments in five new portfolio companies totaling \$122.4 million and add-on commitments in twelve portfolio companies totaling \$41.6 million. New portfolio company investment transactions that closed during the quarter ended December 31, 2022 are summarized as follows:

Gains Intermediate, LLC, \$15.0 million 1st Lien Senior Secured Debt, \$17.0 million Delayed Draw Term Loan, \$2.5 million Revolving Loan: Gains Intermediate is a provider of both tech-enabled education and coaching services to business owners and professionals in the gym industry and a marketer of premium supplement products.

FM Sylvan, Inc., \$15.0 million 1st Lien Senior Secured Debt, \$10.0 million Revolving Loan: FM Sylvan is a mechanical contractor offering a comprehensive suite of services including pipe fabrication and installation, millwright and rigging, electrical and general contracting services and boiler/chiller installation and repair.

Exact Borrower, LLC, \$18.9 million 1st Lien Senior Secured Debt, \$2.5 million Delayed Draw Term Loan, \$2.5 million Revolving Loan, \$0.4 million Promissory Note, \$0.6 million Common Equity: Exact Borrower is a software-enabled, digital performance marketing agency focused on providing large average order value sales leads of high intent consumers.

New Skinny Mixes, LLC, \$13.0 million 1st Lien Senior Secured Debt, \$4.0 million Revolving Loan, \$3.0 million Delayed Draw Term Loan: New Skinny Mixes is a branded provider of zero and low-calorie flavoring syrups for coffee and cocktail mixes.

Acacia BuyerCo V LLC, \$5.0 million 1st Lien Senior Secured Debt, \$10.0 million Delayed Draw Term Loan, \$2.0 million Revolving Loan, \$1.0 million Common Equity: Acacia BuyerCo is an Atlassian Platinum and Enterprise Solution Partner that delivers a comprehensive suite of services that enable its customers to adopt, maintain and optimize their Atlassian toolsets.

Prepayments and Exits

During the quarter ended December 31, 2022, the Company received full prepayment on one debt investment totaling \$11.5 million and proceeds from the sale of one equity investment totaling \$0.9 million.

Blaschak Anthracite Corporation: Proceeds of \$11.5 million, generating an IRR of 17.3%.

California Pizza Kitchen, Inc.: Proceeds of \$0.9 million; inclusive of previously exited debt investment, generated a cumulative IRR of (3.1)%.

Third Fiscal Quarter 2023 Operating Results

For the quarter ended December 31, 2022, Capital Southwest reported total investment income of \$32.8 million, compared to \$26.8 million in the prior quarter. The increase in investment income was primarily attributable to an increase in average debt investments outstanding and an increase in the weighted average yield on investments.

For the quarter ended December 31, 2022, total operating expenses (excluding interest expense) were \$6.2 million, compared to \$5.2 million in the prior quarter. The increase in expenses was primarily attributable to an increase in accrued bonus compensation in the current quarter.

For the quarter ended December 31, 2022, interest expense was \$7.9 million as compared to \$6.6 million in the prior quarter. The increase was primarily attributable to an increase in average debt outstanding and an increase in the weighted average interest rate on total debt.

For the quarter ended December 31, 2022, total pre-tax net investment income was \$18.7 million, compared to \$15.0 million in the prior quarter.

During the quarter ended December 31, 2022, Capital Southwest recorded total net realized and unrealized losses on investments of \$16.4 million, compared to \$5.0 million in the prior quarter. For the quarter ended December 31, 2022, this included net realized and unrealized losses on debt investments of \$8.5 million, net unrealized losses on I-45 SLF of \$3.3 million, net realized and unrealized losses on equity investments of \$1.2 million, and \$3.4 million of net unrealized depreciation related to deferred tax associated with the Taxable Subsidiary. The net increase in net assets resulting from operations was \$2.9 million for the quarter, compared to \$9.5 million in the prior quarter.

The Company's NAV at December 31, 2022 was \$16.25 per share, as compared to \$16.53 at September 30, 2022. The decrease in NAV per share from the prior quarter is primarily due to net realized and unrealized losses on investments, partially offset by the issuance of common stock at a premium to NAV per share through both an underwritten public equity offering and the Equity ATM Program (as described below).

Liquidity and Capital Resources

At December 31, 2022, Capital Southwest had approximately \$21.7 million in unrestricted cash and money market balances, \$225.0 million of total debt outstanding on the Credit Facility (as defined below), \$139.0 million, net of unamortized debt issuance costs, of the 4.50% Notes due January 2026 outstanding, \$147.1 million, net of unamortized debt issuance costs, of the 3.375% Notes due October 2026 and \$100.6 million, net of unamortized debt issuance costs, of SBA Debentures (as defined below) outstanding. As of December 31, 2022, Capital Southwest had \$174.4 million in available borrowings under the Credit Facility. The regulatory debt to equity ratio at the end of the quarter was 0.91 to 1.

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

The Company has an "at-the-market" offering (the "Equity ATM Program"), pursuant to which the Company may offer and sell, from time to time through sales agents, shares of its common stock having an aggregate offering price of up to

\$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. On August 2, 2022, the Company increased the maximum amount of shares of its common stock to be sold through the Equity ATM Program to \$650,000,000 from \$250,000,000.

During the quarter ended December 31, 2022, the Company sold 3,264,878 shares of its common stock under the Equity ATM Program at a weighted-average price of \$17.86 per share, raising \$58.3 million of gross proceeds. Net proceeds were \$57.4 million after commissions to the sales agents on shares sold. Cumulative to date, the Company has sold 15,087,106 shares of its common stock under the Equity ATM Program at a weighted-average price of \$20.91, raising \$315.5 million of gross proceeds. Net proceeds were \$310.3 million after commissions to the sales agents on shares sold. As of December 31, 2022, the Company has \$334.5 million available under the Equity ATM Program.

In August 2016, CSWC entered into a senior secured credit facility (the "Credit Facility") to provide additional liquidity to support its investment and operational activities. 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 (as amended or otherwise modified from time to time, 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 May 11, 2022, CSWC entered into Amendment No. 2 (the "Amendment") to the Credit Agreement. The Amendment changed the benchmark interest rate from LIBOR to Term SOFR. In addition, on May 11, 2022, CSWC entered into an Incremental Commitment Agreement, pursuant to which the total commitments under the Credit Agreement increased from \$335 million to \$380 million.

On November 16, 2022, CSWC entered into an Incremental Assumption Agreement that increased the total commitments under the accordion feature of the Credit Agreement by \$20 million, which increased total commitments from \$380 million to \$400 million. The \$20 million increase was provided by one existing lender and one new lender, bringing the total bank syndicate to eleven participants.

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 that have interest payable semi-annually and a ten-year maturity. The interest rate is fixed shortly after issuance at a market-driven spread over U.S. Treasury Notes with ten-year maturities. Current statutes and regulations permit SBIC I to borrow up to \$175 million in SBA Debentures with at least \$87.5 million in regulatory capital, subject to SBA approval. On November 22, 2022, SBIC I received an additional leverage commitment in the amount of \$50 million to be issued on or prior to September 30, 2027, bringing total leverage commitments from the SBA to \$130 million.

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, 2022, I-45 SLF had \$104.0 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 will cease purchasing its common stock under the share repurchase program upon the earlier of, among other things: (1) the date on which the aggregate purchase price for all shares equals \$20 million including, without limitation, all applicable fees, costs and expenses; or (2) upon written notice by the Company to the broker that the share repurchase agreement is terminated. During the quarter ended December 31, 2022, the Company did not repurchase any shares of the Company's common stock under the share repurchase program.

Regular Dividend of \$0.53 Per Share and Supplemental Dividend of \$0.05 Per Share for Quarter Ended March 31, 2023

On January 25, 2023, the Board declared a total dividend of \$0.58 per share for the quarter ended March 31, 2023, comprised of a Regular Dividend of \$0.53 per share and a Supplemental Dividend of \$0.05 per share.

The Company's dividend will be payable as follows:

Regular Dividend

Amount Per Share: \$0.53
Ex-Dividend Date: March 14, 2023
Record Date: March 15, 2023
Payment Date: March 31, 2023

Supplemental Dividend

Amount Per Share: \$0.05
Ex-Dividend Date: March 14, 2023
Record Date: March 15, 2023
Payment Date: March 31, 2023

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

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

Third Quarter 2023 Earnings Results Conference Call and Webcast

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

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, 2022 to be filed with the Securities and Exchange Commission and Capital Southwest's Third Fiscal Quarter 2023 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 \$1.2 billion in investments at fair value as of December 31, 2022. Capital Southwest is a middle market lending firm focused on supporting the acquisition and growth of middle market businesses with \$5 million to \$35 million investments across the capital structure, including first lien, second lien and non-control equity co-investments. As a public company with a permanent capital base, Capital Southwest has the flexibility to be creative in its financing solutions and to invest to support the growth of its portfolio companies over long periods of time.

Forward-Looking Statements

This press release contains historical information and forward-looking statements with respect to the business and investments of Capital Southwest, including, but not limited to, the statements about Capital Southwest's future performance and financial condition, the timing, form and amount of any distributions or supplemental dividends in the future, our ability to grow pre-tax net investment income, and our ability to realize gains from our equity investments. Capital Southwest's board of directors has not yet declared any supplemental dividends for subsequent quarters and would only do so, in its sole discretion. No assurance can be provided that any future supplemental dividends will be declared by Capital Southwest's board of directors. 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; the impact of the rising interest rate environment on Capital Southwest's business and its portfolio companies; the impact of supply chain constraints and labor difficulties on Capital Southwest's portfolio companies; elevated levels of inflation and its impact on Capital Southwest's portfolio companies and the industries in which it invests; regulatory changes; tax treatment and general economic and business conditions; our ability to operate our wholly owned subsidiary, SBIC I, as an SBIC; and uncertainties associated with the 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; and 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.

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, 2022 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. Sarner, Chief Financial Officer
214-884-3829

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

	December 31, 2022 (Unaudited)	March 31, 2022
Assets		
Investments at fair value:		
Non-control/Non-affiliate investments (Cost: \$907,535 and \$721,392, respectively)	\$ 929,089	\$ 747,132
Affiliate investments (Cost: \$176,177 and \$140,911, respectively)	173,332	131,879
Control investments (Cost: \$76,000 and \$76,000, respectively)	47,625	57,603
Total investments (Cost: \$1,159,712 and \$938,303, respectively)	1,150,046	936,614
Cash and cash equivalents	21,686	11,431
Receivables:		
Dividends and interest	16,352	12,106
Escrow	362	1,344
Other	3,203	2,238
Income tax receivable	238	158
Debt issuance costs (net of accumulated amortization of \$5,364 and \$4,573, respectively)	3,996	4,038
Other assets	6,274	6,028
Total assets	<u>\$ 1,202,157</u>	<u>\$ 973,957</u>
Liabilities		
SBA Debentures (Par value: \$104,000 and \$40,000, respectively)	\$ 100,582	\$ 38,352
January 2026 Notes (Par value: \$140,000 and \$140,000, respectively)	138,967	138,714
October 2026 Notes (Par value: \$150,000 and \$150,000, respectively)	147,078	146,522
Credit facility	225,000	205,000
Other liabilities	14,568	14,808
Accrued restoration plan liability	2,639	2,707
Income tax payable	409	1,240
Deferred tax liability	11,427	5,747
Total liabilities	<u>640,670</u>	<u>553,090</u>
Commitments and contingencies (Note 10)		
Net Assets		
Common stock, \$0.25 par value: authorized, 40,000,000 shares; issued, 36,898,546 shares at December 31, 2022 and 27,298,032 shares at March 31, 2022	9,225	6,825
Additional paid-in capital	616,590	448,235
Total distributable (loss) earnings	(40,391)	(10,256)
Treasury stock - at cost, 2,339,512 shares	(23,937)	(23,937)
Total net assets	<u>561,487</u>	<u>420,867</u>
Total liabilities and net assets	<u>\$ 1,202,157</u>	<u>\$ 973,957</u>
Net asset value per share (34,559,034 shares outstanding at December 31, 2022 and 24,958,520 shares outstanding at March 31, 2022)	<u>\$ 16.25</u>	<u>\$ 16.86</u>

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

(In thousands, except shares and per share data)

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Investment income:				
Interest income:				
Non-control/Non-affiliate investments	\$ 24,411	\$ 14,805	\$ 59,791	\$ 42,873
Affiliate investments	3,228	2,116	8,227	4,774
Payment-in-kind interest income:				
Non-control/Non-affiliate investments	830	614	1,796	1,717
Affiliate investments	671	200	1,776	951
Dividend income:				
Non-control/Non-affiliate investments	478	—	1,555	1,570
Affiliate investments	—	9	101	9
Control investments	1,904	1,705	5,439	4,862
Fee income:				
Non-control/Non-affiliate investments	1,067	2,591	2,924	4,005
Affiliate investments	110	267	362	413
Control investments	25	—	75	—
Other income	42	4	62	12
Total investment income	<u>32,766</u>	<u>22,311</u>	<u>82,108</u>	<u>61,186</u>
Operating expenses:				
Compensation	3,381	3,353	7,177	7,083
Share-based compensation	992	849	2,873	2,848
Interest	7,937	4,655	20,050	15,015
Professional fees	666	607	2,325	1,956
General and administrative	1,111	1,010	3,396	2,968
Total operating expenses	<u>14,087</u>	<u>10,474</u>	<u>35,821</u>	<u>29,870</u>
Income before taxes	18,679	11,837	46,287	31,316
Federal income, excise and other taxes	217	68	468	283
Deferred taxes	(963)	(130)	(488)	365
Total income tax (benefit) provision	<u>(746)</u>	<u>(62)</u>	<u>(20)</u>	<u>648</u>
Net investment income	<u>\$ 19,425</u>	<u>\$ 11,899</u>	<u>\$ 46,307</u>	<u>\$ 30,668</u>
Realized (loss) gain				
Non-control/Non-affiliate investments	\$ (6,267)	\$ 4,017	\$ (6,114)	\$ 6,561
Affiliate investments	(4,724)	140	(11,027)	140
Income tax (provision) benefit	(95)	(1,442)	(260)	(1,442)
Total net realized (loss) gain on investments, net of tax	<u>(11,086)</u>	<u>2,715</u>	<u>(17,401)</u>	<u>5,259</u>
Net unrealized (depreciation) appreciation on investments				
Non-control/Non-affiliate investments	(2,244)	3,165	(4,186)	12,558
Affiliate investments	3,563	(3,849)	6,187	(4,700)
Control investments	(3,272)	(2,049)	(9,978)	(2,769)
Income tax (provision) benefit	(3,437)	679	(6,012)	(783)
Total net unrealized (depreciation) appreciation on investments, net of tax	<u>(5,390)</u>	<u>(2,054)</u>	<u>(13,989)</u>	<u>4,306</u>
Net realized and unrealized (losses) gains on investments	<u>(16,476)</u>	<u>661</u>	<u>(31,390)</u>	<u>9,565</u>
Realized loss on extinguishment of debt	<u>—</u>	<u>—</u>	<u>—</u>	<u>(17,087)</u>
Net increase (decrease) in net assets from operations	<u>\$ 2,949</u>	<u>\$ 12,560</u>	<u>\$ 14,917</u>	<u>\$ 23,146</u>
Pre-tax net investment income per share - basic and diluted	<u>\$ 0.60</u>	<u>\$ 0.51</u>	<u>\$ 1.64</u>	<u>\$ 1.40</u>
Net investment income per share - basic and diluted	<u>\$ 0.62</u>	<u>\$ 0.51</u>	<u>\$ 1.64</u>	<u>\$ 1.37</u>
Net increase (decrease) in net assets from operations - basic and diluted	<u>\$ 0.09</u>	<u>\$ 0.54</u>	<u>\$ 0.53</u>	<u>\$ 1.03</u>
Weighted average shares outstanding - basic and diluted	<u>31,381,360</u>	<u>23,432,522</u>	<u>28,304,309</u>	<u>22,393,935</u>



Capital Southwest Corporation

Q3 2023 Earnings Presentation

January 31, 2023

8333 Douglas Avenue, Suite 1100 | Dallas, Texas 75225 | 214.238.5700 | capitalsouthwest.com

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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; the impact of rising interest rates on Capital Southwest's business and its portfolio companies; the impact of supply chain constraints and labor difficulties on our portfolio companies; elevated levels of inflation and its impact on Capital Southwest's portfolio companies and the industries in which it invests; regulatory changes; tax treatment and general economic and business conditions; our ability to operate our wholly owned subsidiary, Capital Southwest SBIC I, LP, as a small business investment company ("SBIC"); and 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, and 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.
- 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, 2022 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
- April 2021: received SBIC license from the U.S. Small Business Administration
- 24 employees based in Dallas, Texas
- Total Balance Sheet Assets of \$1.2 B as of December 31, 2022
- Manage I-45 Senior Loan Fund (“I-45 SLF”) in partnership with Main Street Capital (NYSE: “MAIN”)

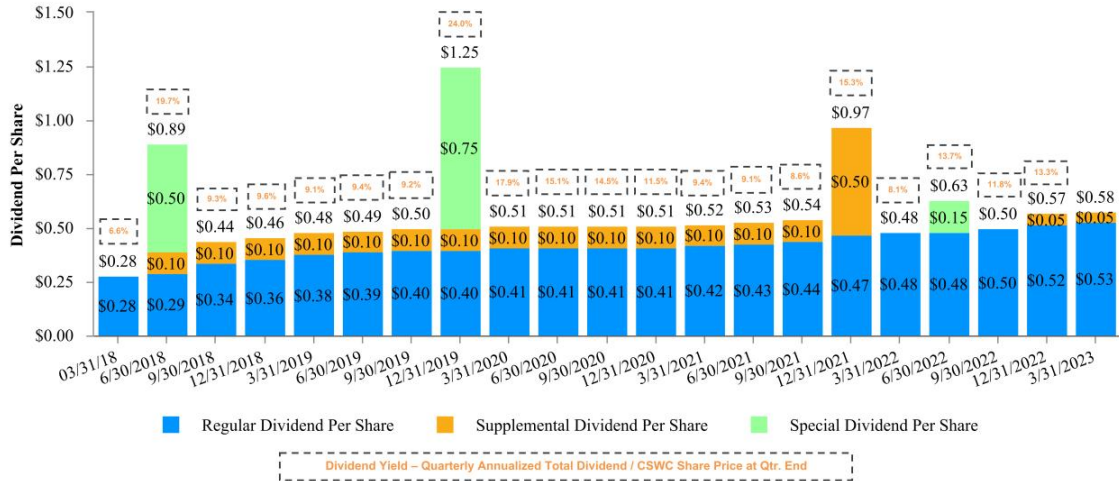
Q3 2023 Highlights

Financial Highlights

- Q3 2023 Pre-Tax Net Investment Income (“NII”) of \$18.7 MM or \$0.60 per share
- Paid \$0.52 per share Regular Dividend and \$0.05 per share Supplemental Dividend for the quarter ended December 31, 2022
 - Increased Regular Dividend to \$0.53 per share for the quarter ending March 31, 2023, an increase of 1.9% compared to the prior quarter
 - Declared Supplemental Dividend of \$0.05 per share for the quarter ending March 31, 2023
- Investment Portfolio at Fair Value increased to \$1.2 B from \$1.1 B in prior quarter
 - \$164.0 MM in total new committed investments to five new portfolio companies and twelve existing portfolio companies
 - \$12.4 MM in total proceeds from one debt prepayment and one equity sale
 - Exits during the quarter generated a weighted average IRR of 10.1%
- Raised \$104.3 MM in gross equity proceeds at a weighted average price of \$17.99, or 109% of the prevailing NAV per share
 - Raised \$58.3 MM through Equity ATM Program
 - Raised \$46.0 MM through underwritten public equity offering
- Regulatory Debt to Equity decreased to 0.91x from 1.11x in prior quarter
- Increased Credit Facility by \$20 MM, bringing total commitments to \$400 MM
- \$174.4 MM available on Credit Facility and \$21.7 MM in cash and cash equivalents as of quarter end

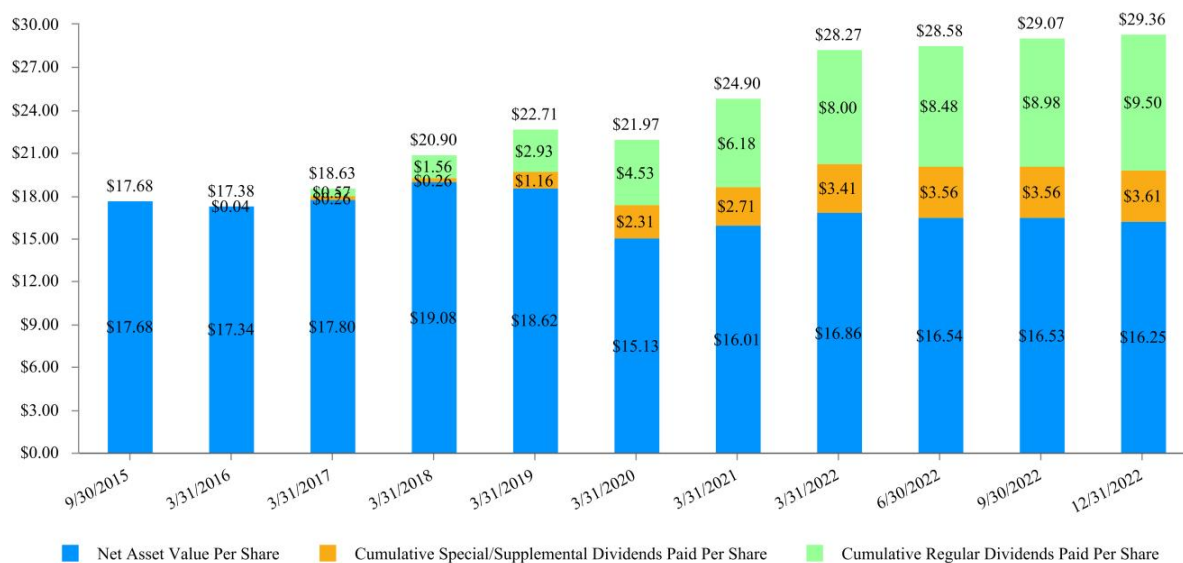
Track Record of Consistent Dividends Continues

- In the last twelve months ended 12/31/2022, CSWC generated \$2.14 per share in Pre-Tax NII and paid out \$1.98 per share in Regular Dividends
- Cumulative Pre-Tax NII Regular Dividend Coverage of 107% since the 2015 Spin-Off
- Total of \$3.66 per share Special and Supplemental Dividends declared since the 2015 Spin-Off
- Estimated Undistributed Taxable Income ("UTI") of \$0.34 per share as of December 31, 2022



History of Value Creation

Total Value (Net Asset Value + Cumulative Dividends Paid) Increase of \$11.68 per share at 9/30/2022 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 \$35 MM
- Both sponsored and non-sponsored deals
- Securities include first lien, unitranche, and second lien
- Frequently make equity co-investments alongside CSWC debt

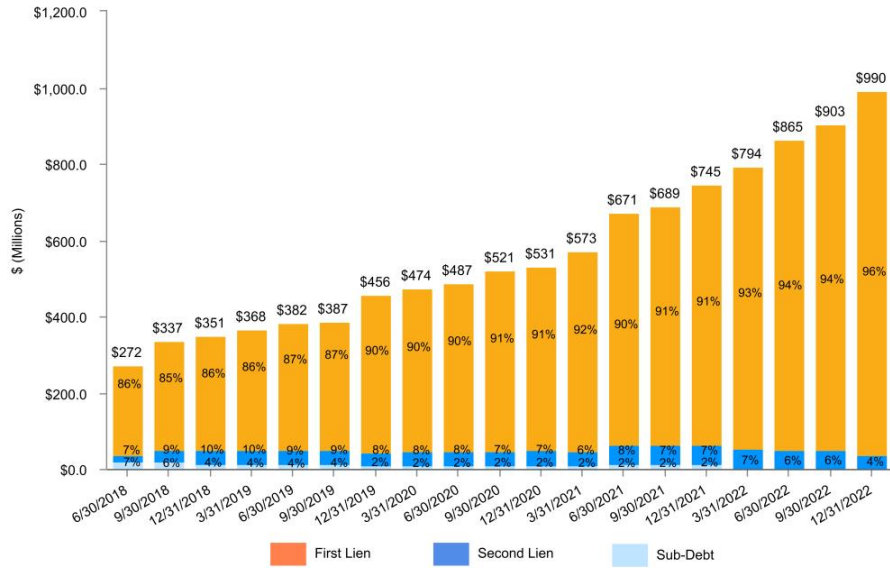
OPPORTUNISTIC: Upper Middle Market (“UMM”): Syndicated or Club, First and Second Lien

- Companies typically have in excess of \$20 MM in EBITDA
- Typical leverage of 3.0x – 5.5x Debt to EBITDA through CSWC debt position
- Hold sizes generally \$5 MM to \$20 MM
- Floating rate first and second lien debt securities
- 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

96% of Credit Portfolio in first lien senior secured loans as of 12/31/22

Credit Portfolio Heavily Weighted to First Lien



Q3 2023 Originations

\$164.0 MM in total new committed investments to five new portfolio companies and twelve existing portfolio companies

- \$108.3 MM funded at close

Portfolio Originations		Q3 2023				
Name	Industry	Type	Total Debt Funded at Close (\$000s)	Total Equity Funded at Close (\$000s)	Unfunded Commitments at Close (\$000s)	Debt Yield to Maturity
Gains Intermediate, LLC	Business Services	First Lien	\$15,000	\$—	\$19,500	12.67%
FM Sylvan, Inc.	Industrial Services	First Lien	\$15,000	\$—	\$10,000	12.20%
Exact Borrower, LLC	Media & Marketing	First Lien / Senior Subordinated / Equity	\$19,285	\$615	\$5,000	12.60%
New Skinny Mixes, LLC	Food, Agriculture & Beverage	First Lien	\$13,000	\$—	\$7,000	13.08%
Acacia BuyerCo V	Software & IT Services	First Lien / Equity	\$5,000	\$1,000	\$12,000	11.67%
Flip Electronics	Technology Products & Components	First Lien	\$14,091	\$—	\$—	12.67%
Air Conditioning Specialist, Inc.	Consumer Services	First Lien / Equity	\$10,330	\$82	\$—	12.42%
Muenster Milling Company, LLC	Food, Agriculture & Beverage	First Lien / Equity	\$3,800	\$1,000	\$2,000	11.92%
Acceleration Partners	Media & Marketing	First Lien	\$4,675	\$—	\$—	13.34%
Spectrum of Hope	Healthcare Services	First Lien	\$4,090	\$—	\$—	12.67%

Q3 2023 Originations (Cont.)

Portfolio Originations		Q3 2023				
Name	Industry	Type	Total Debt Funded at Close (\$000s)	Total Equity Funded at Close (\$000s)	Unfunded Commitments at Close (\$000s)	Debt Yield to Maturity
Other Equity Co-Investments	Various	Equity	\$—	\$855	\$—	N/A
DR Sub, LLC	Healthcare Services	First Lien	\$488	\$—	\$—	21.87%
STATinMED, LLC	Healthcare Services	First Lien	\$—	\$—	\$239	14.67%
Total / Wtd. Avg			\$104,759	\$3,552	\$55,739	12.61%

Track Record of CSWC Exits Continues

\$12.4 MM in total proceeds from two portfolio company exits

- During the quarter, CSWC exited one debt investment and one equity investment, generating total proceeds of \$12.4 MM and a weighted average IRR of 10.1%
- Cumulative IRR of 14.6% on 67 portfolio company exits generating \$775.4 MM in proceeds since launch of credit strategy in January 2015

Portfolio Exits		Q3 2023				
Name	Industry	Type	Net Proceeds (\$000s)	Realized Gain / (Loss) (\$000s)	IRR	
Blaschak	Commodities & mining	Second Lien	\$11,527	\$44	17.3%	
California Pizza Kitchen	Restaurants	Equity	\$920	\$(401)	(3.11)% ⁽¹⁾	
Total / Wtd. Avg			\$12,447	\$(357)	10.1%	

(1) IRR calculation inclusive of previously exited debt investment

CSWC Investment Portfolio Composition

Maintaining appropriate portfolio leverage while receiving attractive risk-adjusted returns

Investment Portfolio - Statistics		
(in \$000's)	9/30/2022	12/31/2022
	Total CSWC Portfolio	Total CSWC Portfolio
Number of Portfolio Companies	78	81
Total Cost	\$988,644	\$1,083,712
Total Fair Value	\$1,006,034	\$1,102,421
Average Hold Size Debt Investments (at Fair Value)	\$12,906	\$13,382
Average Hold Size Equity Investments (at Fair Value)	\$2,230	\$2,336
% First Lien Investments (at Fair Value)	84.8%	86.5%
% Second Lien Investments (at Fair Value)	5.0%	3.2%
% Subordinated Debt Investments (at Fair Value)	0.0%	0.1%
% Equity (at Fair Value) ⁽¹⁾	10.2%	10.2%
Wtd. Avg. Yield on Debt Investments ⁽²⁾	10.6%	12.0%
Wtd. Avg. Yield on Total Investments ⁽³⁾	10.3%	11.7%
Wtd. Avg. EBITDA of Issuer (\$MM's) ⁽⁴⁾	\$22.1	\$22.1
Wtd. Avg. Leverage through CSWC Security ⁽⁵⁾	4.1x	3.6x

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

(1) At December 31, 2022 and September 30, 2022, we had equity ownership in approximately 59% and 59%, respectively, of our investments

(2) The weighted-average annual effective yields were computed using the effective interest rates during the quarter for all debt investments at cost as of December 31, 2022, including accretion of original issue discount but excluding fees payable upon repayment of the debt instruments

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

(4) Includes CSWC debt investments only. Weighted average EBITDA metric is calculated using investment cost basis weighting. For quarters ended December 31, 2022 and September 30, 2022, nine portfolio companies and six portfolio companies, respectively, are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful

(5) Includes CSWC debt investments only. Calculated as the amount of each portfolio company's debt (including CSWC's position and debt senior or pari passu to CSWC's position, but excluding debt subordinated to CSWC's position) in the capital structure divided by each portfolio company's adjusted EBITDA. Weighted average leverage is calculated using investment cost basis weighting. For quarters ended December 31, 2022 and September 30, 2022, nine portfolio companies and six portfolio companies, respectively, are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful

Quarter-over-Quarter Investment Rating Migration

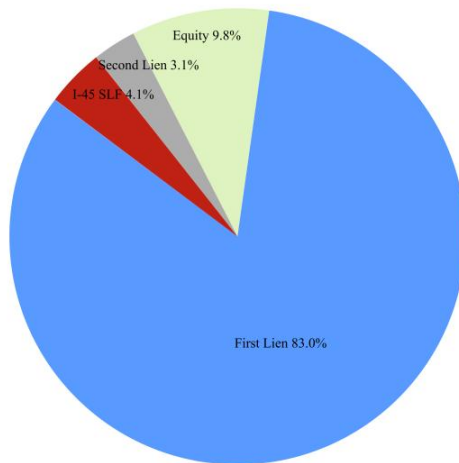
Approximately 95% of all debt investments are currently rated a "1" or "2" as credit portfolio continues to demonstrate strong performance

Investment Rating	9/30/2022			Investment Rating Upgrades			Investment Rating Downgrades			12/31/2022		
	# 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	\$105.0	11.6%	1	\$11.5	1.2%	—	\$—	—%	7	\$118.0	11.9%
2	74	\$770.4	85.3%	—	\$—	—%	—	\$—	—%	77	\$824.0	83.2%
3	7	\$27.8	3.1%	—	\$—	—%	3	\$29.6	3.0%	6	\$48.0	4.9%
4	2	\$0.3	—%	—	\$—	—%	2	\$0.0	—%	3	\$0.3	—%
Wtd. Avg. Investment Rating (at Cost)	1.95									1.96		

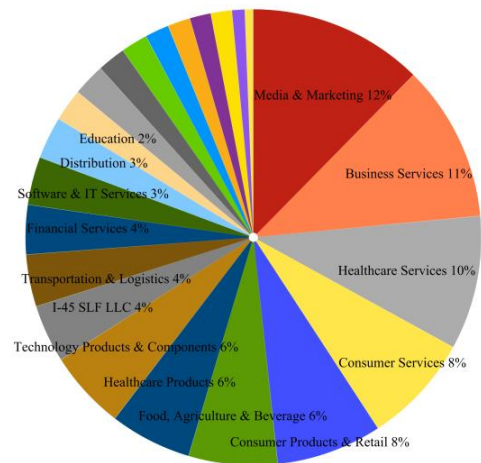
CSWC Portfolio Mix as of December 31, 2022 at Fair Value

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

Current Investment Portfolio (By Type)



Current Investment Portfolio (By Industry)



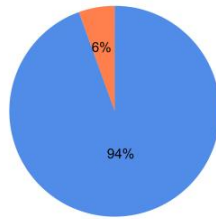
(Note 1) I-45 SLF consists of 94% first lien senior secured debt

(Note 2) Equity represents equity co-investments across 48 portfolio companies

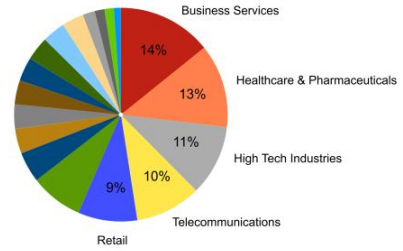
I-45 SLF Portfolio Overview

I-45 SLF loan portfolio of \$161.0 MM is 94% first lien senior secured debt with average hold size of 2.6% 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)	3/31/2022	6/30/2022	9/30/2022	12/31/2022
Total Investments at Fair Value	\$176,704	\$173,509	\$168,610	\$160,998
Fund Leverage (Debt to Equity) at Fair Value	1.59x	1.70x	1.73x	1.75x
Number of Issuers	42	39	39	39
Wtd. Avg. Issuer EBITDA ⁽¹⁾	\$71,857	\$78,190	\$81,162	\$81,865
Avg. Investment Size as a % of Portfolio	2.4%	2.6%	2.6%	2.6%
Wtd. Avg. Net Leverage on Investments ⁽¹⁾⁽²⁾	4.2x	4.7x	4.4x	4.5x
Wtd. Avg. Spread to LIBOR / SOFR	6.2%	6.1%	6.3%	6.3%
Wtd. Avg. Duration (Yrs)	3.6	3.5	3.3	2.9

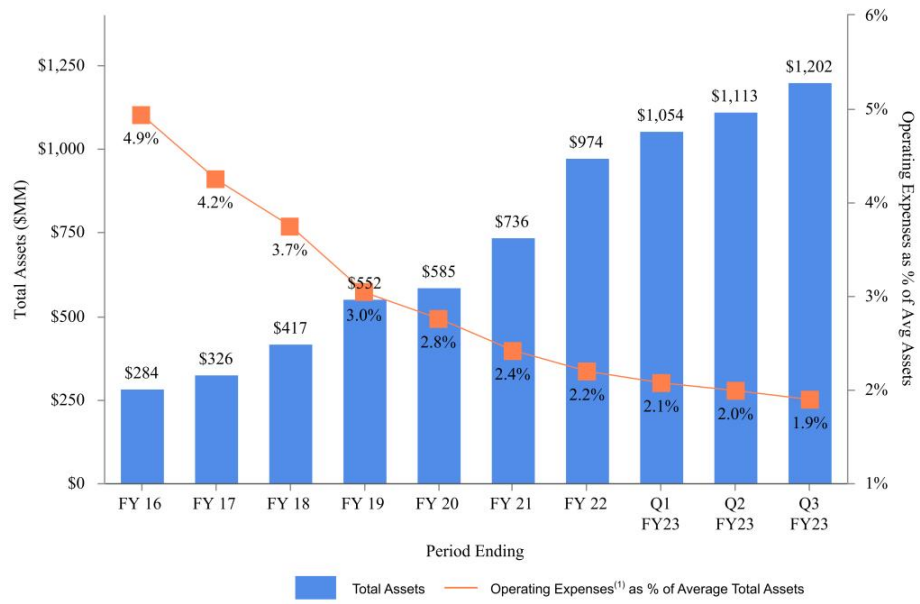
(1) For the quarter ended December 31, 2022, three portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful
 (2) Through I-45 SLF security

Income Statement

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 3/31/22	Quarter Ended 6/30/22	Quarter Ended 9/30/22	Quarter Ended 12/31/22
Investment Income				
Interest Income	\$17,611	\$18,260	\$22,119	\$27,639
PIK Interest Income	543	687	1,384	1,501
Dividend Income	1,961	2,186	2,527	2,382
Fees and Other Income	915	1,410	769	1,244
Total Investment Income	\$21,030	\$22,543	\$26,799	\$32,766
Expenses				
Cash Compensation	\$1,755	\$1,542	\$2,254	\$3,381
Share Based Compensation	737	821	1,060	992
General & Administrative	1,643	2,066	1,878	1,777
Total Expenses (excluding Interest)	\$4,135	\$4,429	\$5,192	\$6,150
Interest Expense	\$4,909	\$5,484	\$6,629	\$7,937
Pre-Tax Net Investment Income	\$11,986	\$12,630	\$14,978	\$18,679
Gains / Losses and Taxes				
Net Realized and Unrealized Gains (Losses)	\$7,736	\$(9,928)	\$(4,986)	\$(16,476)
Realized Loss on Disposal of Fixed Assets	(86)	—	—	—
Income Tax (Expense) / Benefit	33	(192)	(534)	746
Net increase in Net Assets Resulting from Operations	\$19,669	\$2,510	\$9,458	\$2,949
Weighted Average Diluted Shares Outstanding	24,202	25,514	27,988	31,381
Pre-Tax NII Per Diluted Weighted Average Share	\$0.50	\$0.50	\$0.54	\$0.60
Net Increase in Net Assets Per Dil. Wtd. Average Share	\$0.82	\$0.10	\$0.34	\$0.09

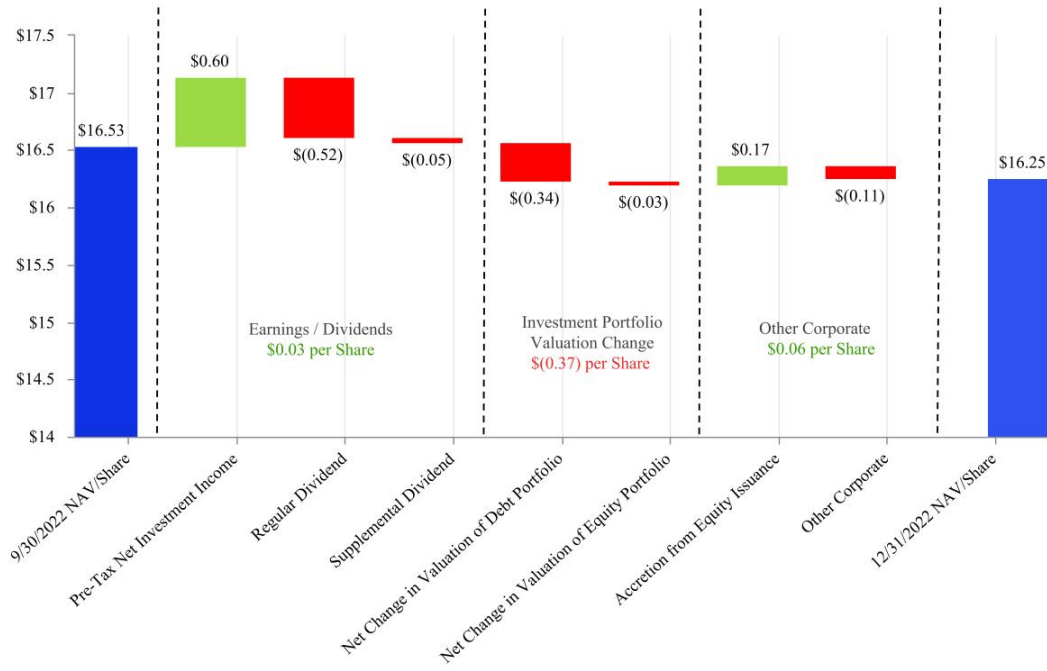
Operating Leverage Trend

Continue to realize operating efficiencies of internally managed structure



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

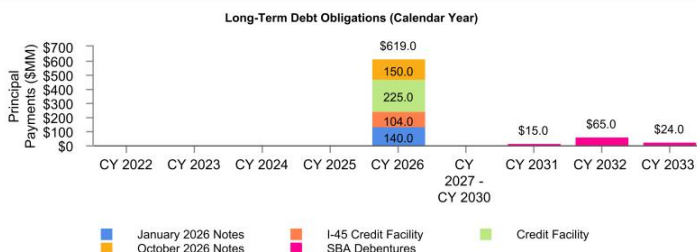
NAV per Share Bridge for Quarter Ended 12/31/2022



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	\$104.0 MM	\$46.0 MM
Credit Facility	\$400.0 MM	Term SOFR + 2.15% ⁽³⁾	August 2026	\$225.0 MM	\$174.4 MM ⁽⁴⁾
October 2026 Notes ⁽⁵⁾	\$150.0 MM	3.375%	October 2026	\$150.0 MM	N/A
SBA Debentures	\$130.0 MM	3.89% ⁽⁶⁾	September 2031 ⁽⁷⁾	\$104.0 MM	\$26.0 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) Additional 0.10% adjustment for 1-month SOFR loans, and 0.15% adjustment for 3-month SOFR loans

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

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

(6) Weighted average interest rate of all pooled and unpooled SBA Debentures for the three months ended December 31, 2022

(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 3/31/22	Quarter Ended 6/30/22	Quarter Ended 9/30/22	Quarter Ended 12/31/22
Assets				
Portfolio Investments	\$936,614	\$1,006,640	\$1,056,931	\$1,150,046
Cash & Cash Equivalents	11,431	18,770	30,238	21,686
Other Assets	25,912	28,549	26,002	30,425
Total Assets	\$973,957	\$1,053,959	\$1,113,171	\$1,202,157
Liabilities				
SBA Debentures	\$38,352	\$77,461	\$77,553	\$100,582
January 2026 Notes	138,714	138,798	138,883	138,967
October 2026 Notes	146,522	146,708	146,893	147,078
Credit Facility	205,000	215,000	240,000	225,000
Other Liabilities	24,502	23,007	34,118	29,043
Total Liabilities	\$553,090	\$600,974	\$637,447	\$640,670
Shareholders Equity				
Net Asset Value	\$420,867	\$452,985	\$475,724	\$561,487
Net Asset Value per Share	\$16.86	\$16.54	\$16.53	\$16.25
Regulatory Debt to Equity	1.16x	1.10x	1.11x	0.91x

Portfolio Statistics

Continuing to build a well performing credit portfolio

<i>(In Thousands)</i>	Quarter Ended 3/31/22	Quarter Ended 6/30/22	Quarter Ended 9/30/22	Quarter Ended 12/31/22
Portfolio Statistics				
Fair Value of Debt Investments	\$793,834	\$865,432	\$903,451	\$990,298
Average Debt Investment Hold Size	\$12,213	\$12,727	\$12,906	\$13,382
Fair Value of Debt Investments as a % of Par	97%	97%	96%	96%
% of Investment Portfolio on Non-Accrual (at Fair Value)	1.5%	1.6%	0.9%	0.3%
Weighted Average Investment Rating ⁽¹⁾	1.92	1.98	1.95	1.96
Weighted Average Yield on Debt Investments	9.30%	9.31%	10.59%	11.97%
Total Fair Value of Portfolio Investments	\$936,614	\$1,006,640	\$1,056,931	\$1,150,046
Weighted Average Yield on all Portfolio Investments	9.01%	9.11%	10.29%	11.70%
Investment Mix (Debt vs. Equity) ⁽²⁾⁽³⁾	90% / 10%	91% / 9%	91% / 9%	90% / 10%

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

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

(3) At Fair Value

Investment Income Detail

Constructing a portfolio of investments with recurring cash yield

(In Thousands)	Quarter Ended 3/31/22	Quarter Ended 6/30/22	Quarter Ended 9/30/22	Quarter Ended 12/31/22
Investment Income Breakdown				
Cash Interest	\$16,785	\$17,414	\$21,173	\$26,619
Cash Dividends	1,962	2,186	2,527	2,382
PIK Income	543	687	1,384	1,501
Amortization of purchase discounts and fees	828	848	963	1,062
Management/Admin Fees	259	264	329	310
Prepayment Fees & Other Income	653	1,144	423	892
Total Investment Income	\$21,030	\$22,543	\$26,799	\$32,766
Key Metrics				
Cash Income as a % of Investment Income	93%	93%	91%	92%
% of Total Investment Income that is Recurring	96%	95%	98%	97%

Key Financial Metrics

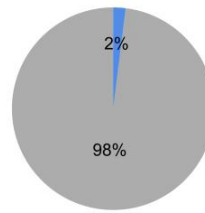
Strong Pre-Tax Net Investment Income and Dividend Yield driven by net portfolio growth and investment performance

	Quarter Ended 3/31/22	Quarter Ended 6/30/22	Quarter Ended 9/30/22	Quarter Ended 12/31/22
Key Financial Metrics				
Pre-Tax Net Investment Income Per Wtd Avg Diluted Share	\$0.50	\$0.50	\$0.54	\$0.60
Pre-Tax Net Investment Income Return on Equity (ROE) ⁽¹⁾	12.24%	11.74%	12.94%	14.40%
Realized Earnings Per Wtd Avg Diluted Share	\$0.52	\$0.58	\$0.21	\$0.27
Realized Earnings Return on Equity (ROE) ⁽¹⁾	12.86%	13.72%	5.02%	6.43%
Earnings Per Wtd Avg Diluted Share	\$0.81	\$0.10	\$0.34	\$0.09
Earnings Return on Equity (ROE) ⁽¹⁾	20.08%	2.33%	8.17%	2.27%
Regular Dividends per Share	\$0.48	\$0.48	\$0.50	\$0.52
Supplemental / Special Dividends per Share	\$0.00	\$0.15	\$0.00	\$0.05
Total Dividends per Share	\$0.48	\$0.63	\$0.50	\$0.57

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

Interest Rate Sensitivity

Fixed vs. Floating Credit Portfolio Exposure ⁽¹⁾



■ Fixed ■ Floating

Change in Base Interest Rates	Illustrative Annual NII Change (\$'s)	Illustrative Annual NII Change (Per Share)
(100 bps)	(8,240,645)	(0.22)
(75 bps)	(6,180,483)	(0.17)
(50 bps)	(4,120,322)	(0.11)
(25 bps)	(2,060,161)	(0.06)
25 bps	2,060,161	0.06
50 bps	4,120,322	0.11
75 bps	6,180,483	0.17
100 bps	8,240,645	0.22

(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 12/31/2022, adjusted only for changes in Base Interest Rate. Base Interest Rate used in this analysis is 3-Month LIBOR of 4.77% at 12/31/2022. 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 Director Bowen S. Diehl</p> <p>Independent Directors David R. Brooks Christine S. Battist 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. Sarner <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>8333 Douglas Avenue 11th Floor Dallas, TX 75225 http://www.capitalsouthwest.com</p>	<p>Investor Relations</p> <p>Michael S. Sarner Capital Southwest 214-884-3829 msarner@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>

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