

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): **November 1, 2021**

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 November 1, 2021, 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 November 2, 2021. 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 November 1, 2021
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: November 1, 2021

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

Capital Southwest Announces Financial Results for Second Fiscal Quarter Ended September 30, 2021

CSWC Reports Pre-Tax Net Investment Income of \$0.45 Per Share for Quarter Ended September 30, 2021 and Affirms \$0.97 Total Dividends to be paid for the Quarter Ended December 31, 2021

Dallas, Texas – November 1, 2021 – Capital Southwest Corporation (“Capital Southwest,” “CSWC” or the “Company”) (Nasdaq: CSWC), an internally managed business development company focused on providing flexible financing solutions to support the acquisition and growth of middle market businesses, today announced its financial results for the second fiscal quarter ended September 30, 2021.

Second Quarter Fiscal Year 2022 Financial Highlights

- **Total Investment Portfolio:** \$818.2 million
 - **Credit Portfolio** of \$689.4 million:
 - 91% 1st Lien Senior Secured Debt
 - \$111.7 million in new committed credit investments
 - Weighted Average Yield on Debt Investments: 9.7%
 - Three credit investments currently on non-accrual with a fair value of \$24.2 million, representing 3.0% of the total investment portfolio
 - **Equity Portfolio** of \$69.2 million, excluding investment in I-45 Senior Loan Fund (“I-45 SLF”)
 - \$1.2 million in new equity co-investments
 - **CSWC Investment in I-45 SLE** of \$59.6 million at fair value
 - I-45 SLF portfolio of \$169.0 million
 - Portfolio consists of 38 issuers: 95% 1st Lien Debt
 - \$97.0 million of debt outstanding at I-45 SLF as of September 30, 2021
 - I-45 SLF fund leverage of 1.30x debt to equity at fair value at quarter end
 - I-45 SLF paid a \$1.6 million quarterly dividend to CSWC; an annualized yield of 10.5%
- **Pre-Tax Net Investment Income:** \$10.0 million, or \$0.45 per weighted average diluted share
- **Dividends:** Paid \$0.44 per share Regular Dividend, \$0.10 per share Supplemental Dividend
 - 109% LTM Pre-Tax NII Regular Dividend Coverage
 - Total Dividends for the quarter ended September 30, 2021 of \$0.54 per share
 - Undistributed Taxable Income at quarter end estimated at \$0.69 per share
- **Net Realized and Unrealized Appreciation on Investments:** \$2.8 million
 - \$4.5 million of net appreciation related to the equity portfolio
 - \$0.1 million of net depreciation related to the credit portfolio
 - \$1.6 million of net depreciation related to I-45 SLF LLC

- **Realized Loss on Extinguishment of Debt:** \$17.1 million
 - Redeemed \$125 million in aggregate principal amount of the 5.375% Notes due 2024 (the "October 2024 Notes")
 - Realized loss relating to the October 2024 Notes redemption consists of "make-whole" premium of \$15.2 million and the write off of related unamortized debt issuance costs of \$1.9 million
- **Balance Sheet:**
 - Cash and Cash Equivalents: \$26.8 million
 - Total Net Assets: \$381.9 million
 - Net Asset Value ("NAV") per Share: \$16.36

In commenting on the Company's results, Bowen Diehl, President and Chief Executive Officer, stated, "Our portfolio continued to perform well this quarter, producing \$0.45 of Pre-Tax Net Investment Income and \$2.8 million in net unrealized and realized gains. Deal activity continues to be robust, as we closed new commitments of approximately \$113 million during the quarter. On the capitalization front, we continued to programmatically raise equity through our equity ATM program, raising \$30.3 million in gross proceeds at 160% of the prevailing NAV per share during the quarter. Additionally, we raised \$100 million in new institutional unsecured bonds with a coupon of 3.375% and utilized the net proceeds to repay existing institutional unsecured bonds with a coupon of 5.375%. Furthermore, we amended our Credit Facility, decreasing our interest rate to LIBOR + 2.15% from LIBOR + 2.50%. Our SBIC subsidiary also drew \$17.5 million of our initial \$40 million leverage commitment from the Small Business Administration (the "SBA") during the quarter, \$15 million of which was pooled in September 2021 at an all-in 10-year fixed rate of 1.58%. 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 were the primary catalyst for our decision to increase the regular dividend by \$0.03 this quarter from \$0.44 per share to \$0.47 per share. We believe this considerable increase in earnings power enhances our market capitalization on a dividend yield basis, and allows us to pass the cost of capital savings directly to our shareholders in the form of increased dividends."

Second Quarter Fiscal Year Investment Activities

Originations

During the quarter ended September 30, 2021, the Company originated investments in six new portfolio companies and four existing portfolio companies, totaling \$112.9 million in capital commitments. New portfolio company investment transactions that occurred during the quarter ended September 30, 2021 are summarized as follows:

Roof Opco, LLC, \$11.0 million 1st Lien Senior Secured Debt, \$12.2 million Delayed Draw Term Loan, \$3.0 million Revolving Loan: Roof Opco is comprised of two re-roofing companies, a residentially-focused roofer operating across nine markets in the Midwest and a DFW-based re-roofer operating across the southern market.

Muenster Milling Company, LLC, \$12.0 million 1st Lien Senior Secured Debt, \$6.0 million Delayed Draw Term Loan, \$5.0 million Revolving Loan: Muenster Milling is a manufacturer of pet food and animal feed.

Well-Foam Inc., \$18.0 million 1st Lien Senior Secured Debt, \$3.5 million Revolving Loan: Well-Foam provides well completion and production-related services for oil and gas operators in the Permian basin.

Systec Corporation (dba Inspire Automation), \$9.0 million 1st Lien Senior Secured Debt, \$3.0 million Delayed Draw Term Loan, \$2.0 million Revolving Loan: Systec Corporation and Automatan LLC, collectively Inspire Automation, is a provider of manufacturing systems and services to the corrugated and box making industry.

Wall Street Prep, Inc., \$11.0 million 1st Lien Senior Secured Debt, \$1.0 million Revolving Loan, \$1.0 million Preferred Equity: Wall Street Prep is a provider of financial training to investment banks, universities and other financial services companies.

LLFlex, LLC, \$11.0 million 1st Lien Senior Secured Debt: LLFlex specializes in providing metal-based laminates for packaging and industrial solutions for the consumer, cable, and building and construction industries.

Prepayments and Exits

During the quarter ended September 30, 2021, the Company received proceeds on the sale of two equity investments totaling \$3.7 million and full prepayments on six debt investments totaling \$57.2 million.

Landpoint Holdco, Inc.: Proceeds of \$18.5 million, generating an IRR of 13.0%.

Vistar Media Inc.: Debt proceeds of \$11.4 million and equity proceeds of \$1.4 million, generating an IRR of 16.1%.

Electronic Transaction Consultants LLC: Debt proceeds of \$10.0 million and equity proceeds of \$2.3 million, generating an IRR of 30.6%.

Ian, Evan, & Alexander Corporation (dba EverWatch): Proceeds of \$9.2 million, generating an IRR of 13.8%.

Driven, Inc.: Proceeds of \$5.8 million, generating an IRR of 13.5%.

California Pizza Kitchen, Inc.: Proceeds of \$2.3 million, generating an IRR of 15.0%.

Second Fiscal Quarter 2022 Operating Results

For the quarter ended September 30, 2021, Capital Southwest reported total investment income of \$20.3 million, compared to \$18.6 million in the prior quarter. The increase in investment income was primarily attributable to an increase in average debt investments outstanding, offset by a decrease in dividend income due to a non-recurring distribution received from a portfolio company during the prior quarter.

For the quarter ended September 30, 2021, total operating expenses (excluding interest expense) were \$4.9 million, compared to \$4.2 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 September 30, 2021, interest expense was \$5.4 million as compared to \$5.0 million in the prior quarter. The increase was primarily due to an increase in average debt outstanding.

For the quarter ended September 30, 2021, total pre-tax net investment income was \$10.0 million, compared to \$9.4 million in the prior quarter.

For the quarter ended September 30, 2021, Capital Southwest had tax expense of \$0.3 million as compared to \$0.4 million in the previous quarter.

During the quarter ended September 30, 2021, Capital Southwest recorded total net realized and unrealized gains on investments of \$2.8 million, compared to \$6.1 million in the prior quarter. For the quarter ended September 30, 2021, this included net realized and unrealized gains on equity investments of \$4.5 million, net realized and unrealized losses on debt investments of \$0.1 million and net unrealized losses on I-45 SLF LLC of \$1.6 million. For the quarter ended September 30, 2021, Capital Southwest recorded a realized loss on the extinguishment of debt of \$17.1 million. The net decrease in net assets resulting from operations was \$4.6 million for the quarter, compared to a net increase in net assets of \$15.1 million in the prior quarter.

The Company's NAV at September 30, 2021 was \$16.36 per share, as compared to \$16.58 at June 30, 2021. The decrease in NAV per share from the prior quarter is primarily due to a realized loss on extinguishment of debt, 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 September 30, 2021, Capital Southwest had approximately \$26.8 million in unrestricted cash and money market balances, \$215.0 million of total debt outstanding on the Credit Facility, \$138.5 million, net of unamortized debt issuance costs, of the January 2026 Notes (as defined below) outstanding, \$97.3 million, net of unamortized debt issuance costs, of the October 2026 Notes (as defined below) and \$17.5 million of SBA Debentures (as defined below) outstanding. As of September 30, 2021, Capital Southwest had \$116.7 million in available borrowings under the Credit Facility and \$22.5 million in undrawn SBA Debenture commitments. The regulatory debt to equity ratio at the end of the quarter was 1.18 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 September 30, 2021, the Company sold 1,141,269 shares of its common stock under the Equity ATM Program at a weighted-average price of \$26.59 per share, raising \$30.3 million of gross proceeds. Net proceeds were \$29.9 million after commissions to the sales agents on shares sold. Cumulative to date, the Company has sold 6,524,207 shares of its common stock under the Equity ATM Program at a weighted-average price of \$21.81, raising \$142.3 million of gross proceeds. Net proceeds were \$139.7 million after commissions to the sales agents on shares sold. As of September 30, 2021, the Company has \$107.7 million available under the Equity ATM Program.

On September 24, 2021, the Company redeemed \$125,000,000 in aggregate principal amount of the issued and outstanding October 2024 Notes. The October 2024 Notes were redeemed at 100% of their principal amount, plus (i) the accrued and unpaid interest thereon, through, but excluding the redemption date, and (ii) a "make-whole" premium. Accordingly, the Company recognized a realized loss on extinguishment of debt, equal to the write-off of the related unamortized debt issuance costs of \$1.8 million and the "make-whole" premium of \$15.2 million during the three months ended September 30, 2021.

In December 2020, the Company issued \$75.0 million in aggregate principal amount of 4.50% Notes due 2026 (the "Existing January 2026 Notes"). In February 2021, the Company issued an additional \$65.0 million in aggregate principal amount of the January 2026 Notes (the "Additional January 2026 Notes" together with the Existing January 2026 Notes, the "January 2026 Notes"). The Additional January 2026 Notes were issued at a price of 102.11% of the aggregate principal amount of the Additional January 2026 Notes, resulting in a yield-to-maturity of approximately 4.0% at issuance. The total net proceeds from the offering of the January 2026 Notes was \$138.6 million, before offering expenses payable by us. The January 2026 Notes mature on January 31, 2026 and may be redeemed in whole or in part at any time prior to October 31, 2025, at par plus a "make-whole" premium, and thereafter at par. The January 2026 Notes bear interest at a rate of 4.50% per year, payable semi-annually on January 31 and July 31 of each year, beginning on July 31, 2021. The January 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 2021, the Company issued \$100.0 million in aggregate principal amount of 3.375% Notes due 2026 (the "October 2026 Notes"). The October 2026 Notes were issued at a price of 99.418% of the aggregate principal amount of the October 2026 Notes, resulting in a yield-to-maturity of approximately 3.5% at issuance. 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 September 30, 2021, I-45 SLF had \$97 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 September 30, 2021, the Company did not repurchase any shares of the Company's common stock under the share repurchase program.

Previously Declared Dividend of \$0.97 Per Share for Quarter Ended December 31, 2021

On September 2, 2021, the Board declared total dividends of \$0.97 per share for the quarter ended December 31, 2021, comprised of a Regular Dividend of \$0.47 per share and a Final Supplemental Dividend of \$0.50 per share.

The Company's dividend will be payable as follows:

Regular Quarterly Dividend

Amount Per Share: \$0.47
Ex-Dividend Date: December 14, 2021
Record Date: December 15, 2021
Payment Date: December 31, 2021

Final Supplemental Dividend

Amount Per Share: \$0.50
Ex-Dividend Date: December 14, 2021
Record Date: December 15, 2021
Payment Date: December 31, 2021

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

Capital Southwest maintains a dividend reinvestment plan ("DRIP") that provides for the reinvestment of dividends on behalf of its registered stockholders who hold their shares with Capital Southwest's transfer agent and registrar, American Stock Transfer and Trust Company. Under the DRIP, if the Company declares a dividend, registered

stockholders who have opted into the DRIP by the dividend record date will have their dividend automatically reinvested into additional shares of Capital Southwest common stock.

Second Quarter 2022 Earnings Results Conference Call and Webcast

Capital Southwest has scheduled a conference call on Tuesday, November 2, 2021, at 11:00 a.m. Eastern Time to discuss the second quarter 2022 financial results. You may access the call by dialing (866) 502-8274 and using the Conference ID 7789087 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/4mokwr6i>.

A telephonic replay will be available through November 9, 2021 by dialing (855) 859-2056 and using the Conference ID 7789087. 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 September 30, 2021 to be filed with the Securities and Exchange Commission and Capital Southwest's Second 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 \$818 million in investments at fair value as of September 30, 2021. Capital Southwest is a middle market lending firm focused on supporting the acquisition and growth of middle market businesses with \$5 million to \$25 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)

	September 30, 2021 (Unaudited)	March 31, 2021
Assets		
Investments at fair value:		
Non-control/Non-affiliate investments (Cost: \$658,003 and \$540,556, respectively)	\$ 672,869	\$ 546,028
Affiliate investments (Cost: \$91,518 and \$90,201, respectively)	85,711	85,246
Control investments (Cost: \$76,000 and \$72,800, respectively)	59,638	57,158
Total investments (Cost: \$825,521 and \$703,557, respectively)	818,218	688,432
Cash and cash equivalents	26,840	31,613
Receivables:		
Dividends and interest	12,212	10,533
Escrow	975	1,150
Other	2,327	171
Income tax receivable	149	155
Debt issuance costs (net of accumulated amortization of \$4,108 and \$3,582, respectively)	4,500	2,246
Other assets	1,601	1,284
Total assets	\$ 866,822	\$ 735,584
Liabilities		
SBA Debentures (Par value: \$17,500 and \$0, respectively)	\$ 16,709	\$ —
October 2024 Notes (Par value: \$0 and \$125,000, respectively)	—	122,879
January 2026 Notes (Par value: \$140,000 and \$140,000, respectively)	138,545	138,425
October 2026 Notes (Par value: \$100,000 and \$0, respectively)	97,264	—
Credit facility	215,000	120,000
Other liabilities	9,045	11,655
Accrued restoration plan liability	2,895	2,979
Income tax payable	117	50
Deferred tax liability	5,302	3,345
Total liabilities	484,877	399,333
Commitments and contingencies (Note 10)		
Net Assets		
Common stock, \$0.25 par value: authorized, 40,000,000 shares; issued, 25,680,551 shares at September 30, 2021 and 23,344,836 shares at March 31, 2021	6,420	5,836
Additional paid-in capital	414,901	356,447
Total distributable (loss) earnings	(15,439)	(2,095)
Treasury stock - at cost, 2,339,512 shares	(23,937)	(23,937)
Total net assets	381,945	336,251
Total liabilities and net assets	\$ 866,822	\$ 735,584
Net asset value per share (23,341,039 shares outstanding at September 30, 2021 and 21,005,324 shares outstanding at March 31, 2021)	\$ 16.36	\$ 16.01

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

(In thousands, except shares and per share data)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Investment income:				
Interest income:				
Non-control/Non-affiliate investments	\$ 14,752	\$ 10,401	\$ 28,068	\$ 19,704
Affiliate investments	1,348	1,720	2,658	3,941
Control investments	—	—	—	—
Payment-in-kind interest income:				
Non-control/Non-affiliate investments	466	1,478	1,103	2,244
Affiliate investments	413	283	751	638
Control investments	—	—	—	—
Dividend income:				
Non-control/Non-affiliate investments	510	171	1,570	354
Affiliate investments	—	—	—	—
Control investments	1,560	1,689	3,157	3,463
Interest income from cash and cash equivalents	1	4	2	7
Fees and other income	1,246	939	1,566	1,498
Total investment income	<u>20,296</u>	<u>16,685</u>	<u>38,875</u>	<u>31,849</u>
Operating expenses:				
Compensation	2,298	1,961	3,730	3,681
Share-based compensation	923	853	1,999	1,465
Interest	5,405	4,397	10,360	8,725
Professional fees	648	583	1,349	1,153
General and administrative	982	787	1,958	1,552
Total operating expenses	<u>10,256</u>	<u>8,581</u>	<u>19,396</u>	<u>16,576</u>
Income before taxes	10,040	8,104	19,479	15,273
Federal income, excise and other taxes	15	169	215	378
Deferred taxes	299	(384)	495	(243)
Total income tax expense (benefit)	<u>314</u>	<u>(215)</u>	<u>710</u>	<u>135</u>
Net investment income	<u>\$ 9,726</u>	<u>\$ 8,319</u>	<u>\$ 18,769</u>	<u>\$ 15,138</u>
Realized gain (loss)				
Non-control/Non-affiliate investments	\$ 3,496	\$ 349	\$ 2,544	\$ (5,198)
Affiliate investments	—	(1,628)	—	(1,628)
Control investments	—	—	—	—
Total net realized gain (loss) on investments, net of tax	<u>3,496</u>	<u>(1,279)</u>	<u>2,544</u>	<u>(6,826)</u>
Net unrealized appreciation (depreciation) on investments				
Non-control/Non-affiliate investments	2,363	3,919	9,393	10,824
Affiliate investments	(393)	1,710	(851)	(1,257)
Control investments	(1,634)	4,732	(720)	8,923
Income tax (provision) benefit	(1,027)	(725)	(1,462)	(1,249)
Total net unrealized appreciation (depreciation) on investments, net of tax	<u>(691)</u>	<u>9,636</u>	<u>6,360</u>	<u>17,241</u>
Net realized and unrealized gains on investments	<u>2,805</u>	<u>8,357</u>	<u>8,904</u>	<u>10,415</u>
Realized loss on extinguishment of debt	<u>(17,087)</u>	<u>(286)</u>	<u>(17,087)</u>	<u>(286)</u>
Net (decrease) increase in net assets from operations	<u>\$ (4,556)</u>	<u>\$ 16,390</u>	<u>\$ 10,586</u>	<u>\$ 25,267</u>

Pre-tax net investment income per share - basic and diluted	\$ 0.45	\$ 0.44	\$ 0.89	\$ 0.83
Net investment income per share – basic and diluted	\$ 0.43	\$ 0.45	\$ 0.86	\$ 0.82
Net (decrease) increase in net assets from operations – basic and diluted	\$ (0.20)	\$ 0.88	\$ 0.48	\$ 1.37
Weighted average shares outstanding – basic	22,534,443	18,600,443	21,871,805	18,375,402
Weighted average shares outstanding – diluted	22,534,443	18,600,443	21,871,805	18,375,402



Capital Southwest Corporation

Q2 2022 Earnings Presentation

November 2, 2021

5400 Lyndon B. Johnson Freeway, Suite 1300 | Dallas, Texas 75240 | 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; 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 \$867 MM as of September 30, 2021
- Manage I-45 Senior Loan Fund ("I-45 SLF") in partnership with Main Street Capital (NYSE: "MAIN")

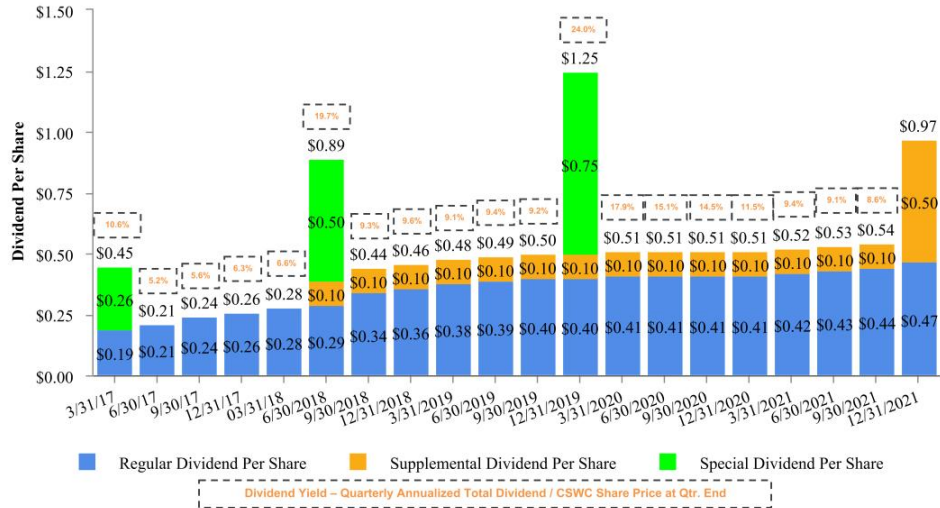
Q2 2022 Highlights

Financial Highlights

- Q2 2022 Pre-Tax Net Investment Income ("NII") of \$10.0 MM or \$0.45 per share
- Paid \$0.44 per share Regular Dividend and \$0.10 per share Supplemental Dividend for the quarter ended September 30, 2021
 - Increased Regular Dividend to \$0.47 per share and declared \$0.50 per share Supplemental Dividend for the quarter ending December 31, 2021
- Investment Portfolio at Fair Value increased to \$818 MM from \$799 MM in prior quarter
 - \$112.9 MM in total new committed investments, of which \$77.2 MM was funded at close
 - \$60.9 MM in total proceeds from six debt prepayments and two equity exits
 - \$2.8 MM net realized and unrealized appreciation on the portfolio
- Completed amendment to our Credit Facility, extending maturity to August 2026 and decreasing interest rate to LIBOR + 2.15% from LIBOR + 2.50%
- Issued \$100 MM in aggregate principal of 3.375% Notes due October ("October 2026 Notes")
 - 5.375% Notes due 2024 ("October 2024 Notes") paid off in full (\$125 MM aggregate principal) in conjunction with issuance of October 2026 Notes
- Raised \$30.3 MM in gross proceeds through Equity ATM Program during the quarter
 - Sold shares at weighted-average price of \$26.59 per share, or 160% of the prevailing NAV per share
- \$116.7 MM available on Credit Facility, \$22.5 MM available on SBA leverage commitment to SBIC I, and \$26.8 MM in cash and cash equivalents as of quarter end

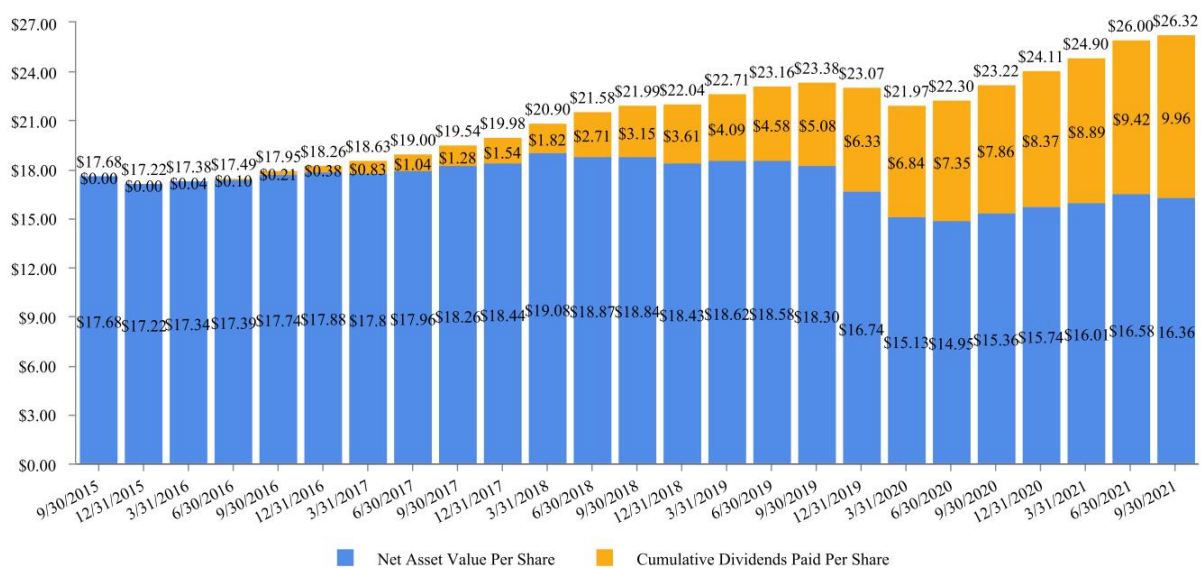
Track Record of Consistent Dividends Continues

- In the last twelve months ended 9/30/2021, CSWC generated \$1.85 per share in Pre-Tax NII and paid out \$1.70 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 \$0.69 per share as of September 30, 2021



History of Value Creation

Total Value (Net Asset Value + Cumulative Dividends Paid) Increase of \$8.64 per share at 9/30/2021 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 \$30 MM with hold sizes generally \$10 MM to \$25 MM
- Both Sponsored and Non-sponsored deals
- Securities include first lien, unitranche, and second lien
- Frequently make equity co-investments alongside CSWC debt

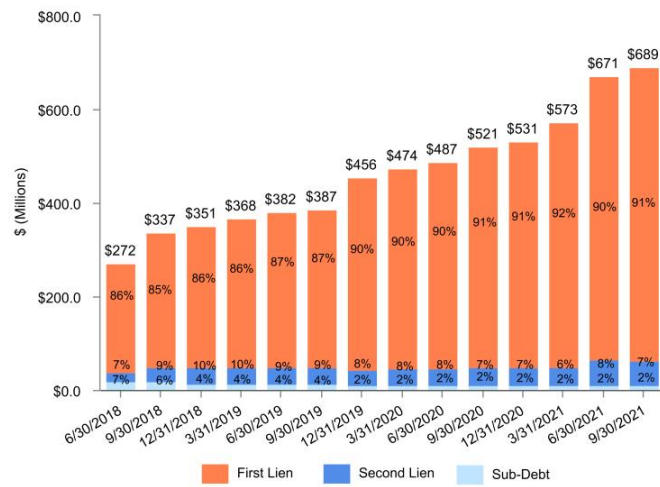
OPPORTUNISTIC: Upper Middle Market (“UMM”): Syndicated or Club, First and Second Lien

- 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
- 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

91% of Credit Portfolio as of 9/30/2021 in first lien senior secured loans

Credit Portfolio Heavily Weighted to First Lien



Q2 2022 Originations

\$112.9 MM in total new committed investments to six new portfolio companies and four existing portfolio companies

- \$77.2 MM funded at close

Portfolio Originations		Q2 2022						
Name	Industry	Type	Total Debt Funded at Close (\$000s)	Total Equity Funded at Close (\$000s)	Unfunded Commitments at Close (\$000s)	Debt Spread	Debt Yield to Maturity	
Roof Opco, LLC	Consumer services	First Lien	\$11,000	\$—	\$15,278	6.00%	7.50%	
Muenster Milling Company, LLC	Food, agriculture & beverage	First Lien	\$12,000	\$—	\$11,000	7.25%	9.15%	
Well Foam, Inc.	Energy services (upstream)	First Lien	\$18,000	\$—	\$3,500	8.50%	10.40%	
System Corporation (DBA Inspire Automation)	Business services	First Lien	\$9,000	\$—	\$5,000	7.50%	9.42%	
Wall Street Prep, Inc	Education	First Lien	\$11,000	\$1,000	\$1,000	7.00%	8.88%	
LLFlex, LLC	Containers & packaging	First Lien	\$11,000	\$—	\$—	9.00%	11.05%	
USA Debusk, LLC	Industrial services	First Lien	\$3,793	\$—	\$—	5.75%	7.78%	
Dynamic Communities, LLC	Business services	Senior Subordinated Debt	\$149	\$—	\$—	25.00%	25.00%	
Broad Sky Networks, LLC	Telecommunications	Equity	\$—	\$132	\$—	N/A	N/A	
Central Medical Supply LLC	Healthcare services	Equity	\$—	\$101	\$—	N/A	N/A	
Total / Weighted Average			\$75,942	\$1,233	\$35,778⁽¹⁾	7.57%	9.44%	

(1) Unfunded Commitments consist of \$14.6 MM in revolving loans and \$21.2 in delayed draw term loans

Track Record of CSWC Exits Continues

\$60.9 MM in total proceeds from six portfolio company exits

- During the quarter, CSWC exited six debt investments and two equity investments, generating total proceeds of \$60.9 MM and an IRR of 17.5%
- Cumulative IRR of 15.2% on 45 portfolio company exits generating \$461.6 MM in proceeds since launch of credit strategy in January 2015

Portfolio Exits		Q2 2022			
Name	Industry	Type	Net Proceeds (\$000s)	Realized Gain (\$000s)	IRR
Landpoint, LLC	Business Services	First Lien	\$18,510	\$272	13.00%
Vistar Media Inc.	Media, marketing & entertainment	First Lien / Equity	\$12,833	\$1,329	16.14%
Electronic Transaction Consultants, LLC	Software & IT services	First Lien / Equity	\$12,278	\$1,471	30.60%
Ian, Evan and Alexander (DBA EverWatch)	Aerospace & defense	First Lien	\$9,229	\$186	13.80%
Driven, Inc.	Business Services	First Lien	\$5,760	\$72	13.47%
California Pizza Kitchen, Inc.	Restaurants	First Lien	\$2,332	\$17	14.97%
Total / Weighted Average			\$60,942	\$3,347	17.45%

CSWC Investment Portfolio Composition

Maintaining conservative portfolio leverage while receiving attractive risk-adjusted returns

Investment Portfolio - Statistics Q2 2022		
	6/30/2021	9/30/2021
(In Thousands)	Total CSWC Portfolio	Total CSWC Portfolio
Number of Portfolio Companies	61	63
Total Cost	\$730,286	\$749,521
Total Fair Value	\$737,375	\$758,580
Average Hold Size (at Fair Value)	\$12,088	\$12,041
% First Lien Investments (at Fair Value)	82.2%	82.4%
% Second Lien Investments (at Fair Value)	7.2%	6.8%
% Subordinated Debt Investments (at Fair Value)	1.6%	1.6%
% Equity (at Fair Value)	9.0%	9.1%
Wtd. Avg. Yield ⁽²⁾	10.0%	9.7%
Wtd. Avg. EBITDA of Issuer (\$MM's) ⁽³⁾	\$17.1	\$17.4
Wtd. Avg. Leverage through CSWC Security ⁽⁴⁾	4.2x	4.1x

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

(1) At September 30, 2021 and June 30, 2021, we had equity ownership in approximately 49% and 51%, respectively, of our investments

(2) The weighted-average annual effective yields were computed using the effective interest rates during the quarter for all debt investments at cost as of September 30, 2021, including accretion of original issue discount but excluding fees payable upon repayment of the debt instruments. As of September 30, 2021, there were three investments on non-accrual status. As of June 30, 2021, there were two 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) Weighted average EBITDA metric is calculated using investment cost basis weighting. 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. For the quarter ended June 30, 2021, four 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 September 30, 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 June 30, 2021, four 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

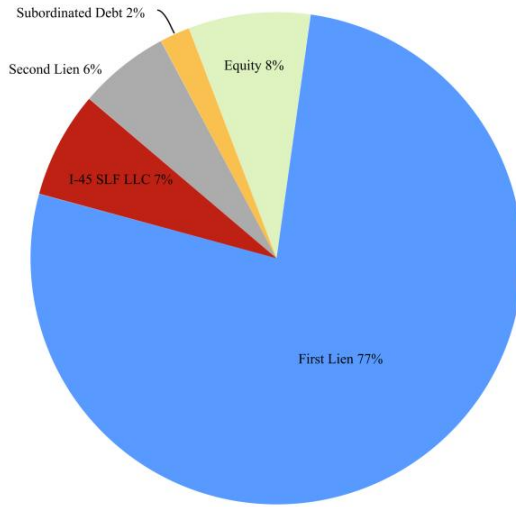
Two loans upgraded and two loans downgraded during the quarter

Investment Rating	6/30/2021			Investment Rating Upgrades			Investment Rating Downgrades			9/30/2021		
	# 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	7	\$90.7	13.5%	2	\$27.9	4.0%	0	\$0.0	—%	8	\$112.5	15.8%
2	57	\$528.0	78.7%	0	\$0.0	—%	0	\$0.0	—%	53	\$515.8	73.7%
3	6	\$52.5	7.8%	0	\$0.0	—%	1	\$10.6	1.5%	6	\$58.9	9.7%
4	0	\$0.0	—%	0	\$0.0	—%	1	\$2.3	0.3%	1	\$2.3	0.8%
Wtd. Avg. Investment Rating (at Cost)	1.96									1.96		

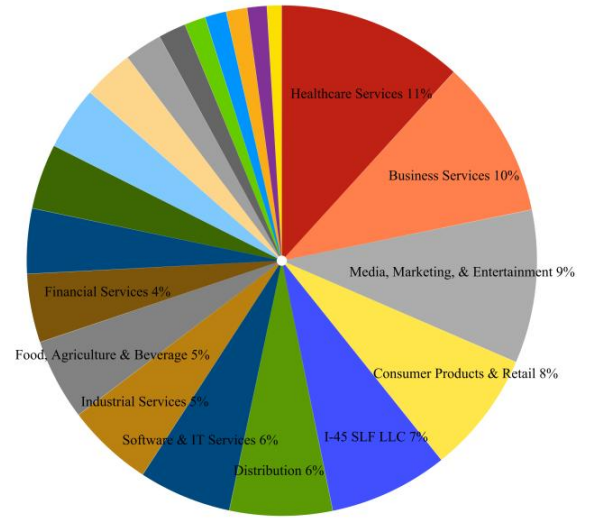
CSWC Portfolio Mix as of 9/30/2021 at Fair Value

Current Investment Portfolio of \$818 MM continues to be diverse across industries

Current Investment Portfolio (By Type)



Current Investment Portfolio (By Industry)

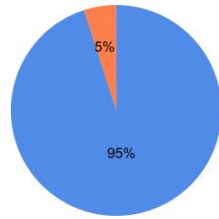


Note: I-45 SLF consists of 95% first lien senior secured debt

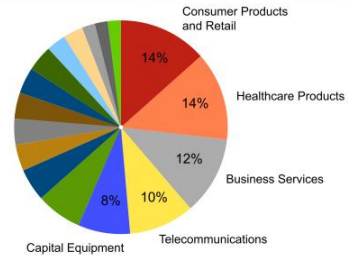
I-45 Portfolio Overview

I-45 loan portfolio of \$169.0 MM is 95% 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)	12/31/2020	3/31/2021	6/30/2021	9/30/2021
Total Investments at Fair Value	\$159,598	\$164,351	\$169,610	\$169,042
Fund Leverage (Debt to Equity) at Fair Value	1.07x	1.27x	1.40x	1.30x
Number of Issuers	38	36	38	38
Wtd. Avg. Issuer EBITDA	\$73,384	\$77,649	\$77,851	\$75,025
Avg. Investment Size as a % of Portfolio	2.6%	2.8%	2.6%	2.6%
Wtd. Avg. Net Leverage on Investments ⁽¹⁾	4.7x	4.4x	4.8x	4.7x
Wtd. Avg. Spread to LIBOR	6.1%	6.0%	6.0%	5.9%
Wtd. Avg. Duration (Yrs)	3.1	3.0	3.0	3.7

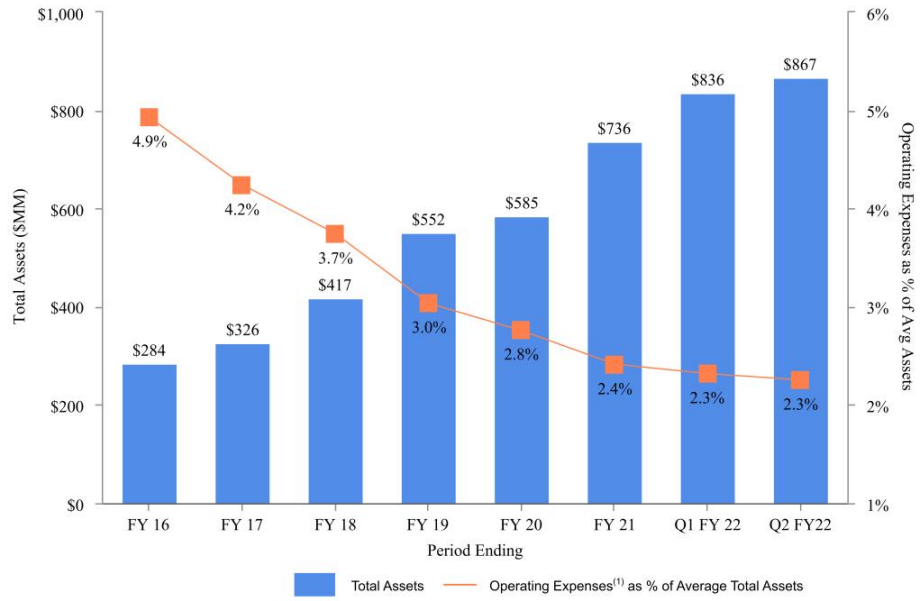
(1) Through I-45 security

Income Statement

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 12/31/20	Quarter Ended 3/31/21	Quarter Ended 6/30/21	Quarter Ended 9/30/21
Investment Income				
Interest Income	\$13,079	\$12,282	\$14,626	\$16,100
PIK Interest Income	1,608	2,796	975	879
Dividend Income	2,916	1,661	2,657	2,070
Fees and Other Income	1,437	434	321	1,247
Total Investment Income	\$19,040	\$17,173	\$18,579	\$20,296
Expenses				
Cash Compensation	\$2,444	\$1,631	\$1,432	\$2,298
Share Based Compensation	771	708	1,076	923
General & Administrative	1,325	1,278	1,677	1,630
Total Expenses (excluding Interest)	\$4,540	\$3,617	\$4,185	\$4,851
Interest Expense	\$4,528	\$4,688	\$4,955	\$5,405
Pre-Tax Net Investment Income	\$9,972	\$8,868	\$9,439	\$10,040
Gains / Losses and Taxes				
Net Realized and Unrealized Gains on Investments	\$7,144	\$2,660	\$6,099	\$2,805
Realized Losses on Extinguishment of Debt	(262)	(459)	—	(17,087)
Income Tax Expense	(1,455)	(852)	(396)	(314)
Net increase (decrease) in Net Assets Resulting from Operations	\$15,399	\$10,217	\$15,142	\$(4,556)
Weighted Average Diluted Shares Outstanding	19,135	20,376	21,202	22,534
Pre-Tax NII Per Diluted Weighted Average Share	\$0.52	\$0.44	\$0.45	\$0.45

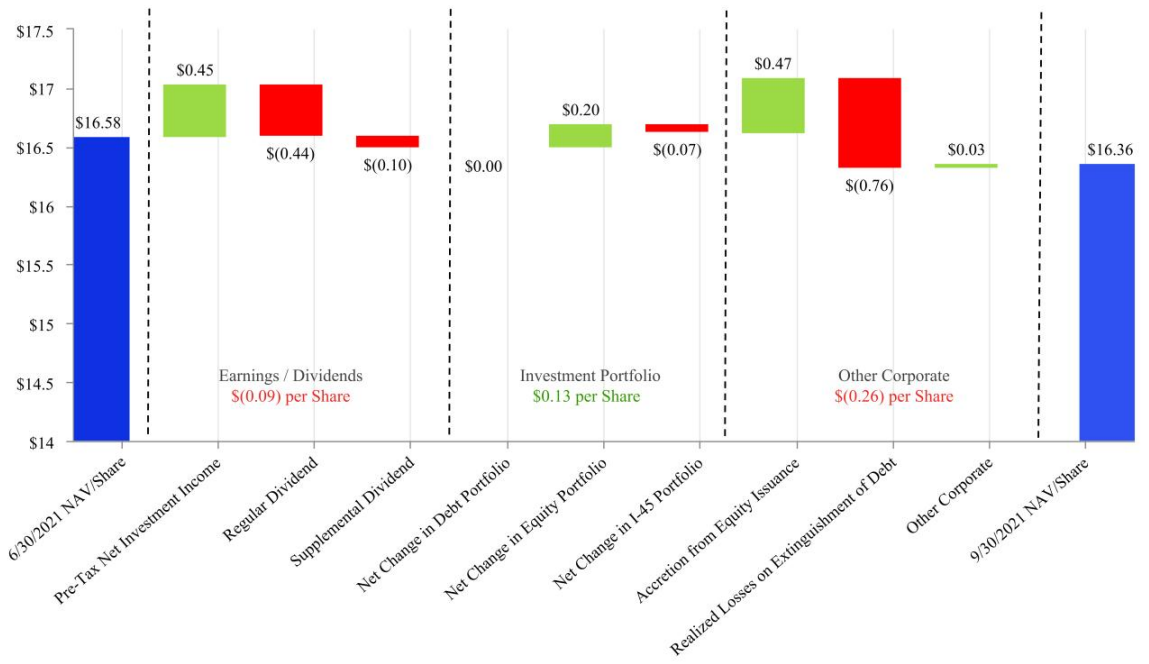
Operating Leverage Trend

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 6/30/2021



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	\$97.0 MM	\$53.0 MM
Credit Facility ⁽³⁾	\$335.0 MM	L + 2.15%	August 2026	\$215.0 MM	\$116.7 MM ⁽⁴⁾
October 2026 Notes ⁽⁵⁾	\$100.0 MM	3.375%	October 2026	\$100.0 MM	N/A
SBA Debentures	\$40.0 MM	0.85% ⁽⁶⁾	September 2031 ⁽⁷⁾	\$17.5 MM	\$22.5 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 September 30, 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 12/31/20	Quarter Ended 3/31/21	Quarter Ended 6/30/21	Quarter Ended 9/30/21
Assets				
Portfolio Investments	\$648,773	\$688,432	\$798,647	\$818,218
Cash & Cash Equivalents	43,724	31,613	16,543	26,840
Other Assets	16,337	15,539	20,858	21,764
Total Assets	\$708,834	\$735,584	\$836,048	\$866,822
Liabilities				
SBA Debentures	\$—	\$—	\$—	\$16,709
December 2022 Notes	36,689	—	—	—
October 2024 Notes	122,775	122,879	123,041	—
January 2026 Notes	73,410	138,425	138,504	138,545
October 2026 Notes	—	—	—	97,264
Credit Facility	150,000	120,000	190,000	215,000
Other Liabilities	13,310	18,029	16,408	17,359
Total Liabilities	\$396,184	\$399,333	\$467,953	\$484,877
Shareholders Equity				
Net Asset Value	\$312,650	\$336,251	\$368,095	\$381,945
Net Asset Value per Share	\$15.74	\$16.01	\$16.58	\$16.36
Regulatory Debt to Equity	1.22x	1.13x	1.23x	1.18x

Portfolio Statistics

Continuing to build a well performing credit portfolio

<i>(In Thousands)</i>	Quarter Ended 12/31/20	Quarter Ended 3/31/21	Quarter Ended 6/30/21	Quarter Ended 9/30/21
Portfolio Statistics				
Fair Value of Debt Investments	\$531,103	\$572,614	\$671,257	\$689,421
Average Debt Investment Hold Size	\$11,300	\$11,228	\$11,377	\$11,490
Fair Value of Debt Investments as a % of Par	96%	97%	97%	97%
% of Investment Portfolio on Non-Accrual (at Fair Value)	0.1%	0.0%	1.8%	3.0%
Weighted Average Investment Rating ⁽¹⁾	2.01	2.00	1.96	1.96
Weighted Average Yield on Debt Investments	10.64%	10.76%	10.04%	9.66%
Total Fair Value of Portfolio Investments	\$648,773	\$688,432	\$798,647	\$818,218
Weighted Average Yield on all Portfolio Investments	11.20%	10.22%	10.12%	9.60%
Investment Mix (Debt vs. Equity) ⁽²⁾⁽³⁾	91% / 9%	92% / 8%	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 12/31/20	Quarter Ended 3/31/21	Quarter Ended 6/30/21	Quarter Ended 9/30/21
Investment Income Breakdown				
Cash Interest	\$12,413	\$11,668	\$13,939	\$15,370
Cash Dividends	2,916	1,660	2,657	2,069
PIK Income	1,608	2,796	975	879
Amortization of purchase discounts and fees	667	616	688	731
Management/Admin Fees	199	234	227	327
Prepayment Fees & Other Income	1,237	199	93	920
Total Investment Income	\$19,040	\$17,173	\$18,579	\$20,296
Key Metrics				
Cash Income as a % of Investment Income	88%	80%	91%	92%
% of Total Investment Income that is Recurring	92%	99%	96%	95%

Key Financial Metrics

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

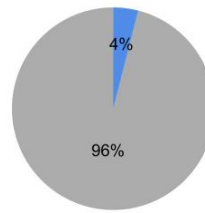
	Quarter Ended 12/31/20	Quarter Ended 3/31/21	Quarter Ended 6/30/21	Quarter Ended 9/30/21
Key Financial Metrics				
Pre-Tax Net Investment Income Per Wtd Avg Diluted Share	\$0.52	\$0.44	\$0.45	\$0.45
Pre-Tax Net Investment Income Return on Equity (ROE) ⁽¹⁾	13.57%	11.06%	11.12%	10.75%
Realized Earnings Per Wtd Avg Diluted Share	\$0.42	\$0.29	\$0.38	\$(0.17)
Realized Earnings Return on Equity (ROE) ⁽¹⁾⁽²⁾	11.06%	7.45%	9.53%	(4.14)%
Earnings Per Wtd Avg Diluted Share	\$0.80	\$0.50	\$0.71	\$(0.20)
Earnings Return on Equity (ROE) ⁽¹⁾⁽²⁾	20.96%	12.74%	17.84%	(4.88)%
Regular Dividends per Share	\$0.41	\$0.42	\$0.43	\$0.44
Supplemental/Special Dividends per Share	\$0.10	\$0.10	\$0.10	\$0.10
Total Dividends per Share	\$0.51	\$0.52	\$0.53	\$0.54

(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

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)	354,564	0.02
25 bps	(681,172)	(0.03)
50 bps	(1,362,344)	(0.06)
75 bps	(2,000,089)	(0.09)
100 bps	(1,856,097)	(0.08)
125 bps	(1,019,327)	(0.04)
150 bps	(139,669)	(0.01)

(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 9/30/2021, adjusted only for changes in Base Interest Rate. Base Interest Rate used in this analysis is 3-Month LIBOR of 0.13% at 9/30/2021. 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

Board of Directors
Inside Directors Bowen S. Diehl
Independent Directors David R. Brooks Christine S. Battist T. Duane Morgan Jack D. Furst William R. Thomas Ramona Rogers-Windsor

Senior Management
Bowen S. Diehl <i>President & Chief Executive Officer</i>
Michael S. Sarnar <i>Chief Financial Officer, Secretary & Treasurer</i>
Joshua S. Weinstein <i>Senior Managing Director</i>

Fiscal Year End
March 31

Independent Auditor
RSM US LLP Chicago, IL

Corporate Counsel
Eversheds Sutherland (US) LLP

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Securities Listing
Nasdaq: "CSWC" (Common Stock)

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