

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): **August 3, 2020**

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	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, \$0.25 par value per share	CSWC	The Nasdaq Global Select Market
5.95% Notes due 2022	CSWCL	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 August 3, 2020, Capital Southwest Corporation (the "Company") issued a press release, a copy of which has been furnished as Exhibit 99.1 hereto.

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

Item 7.01 Regulation FD Disclosure.

The Company expects to hold a conference call with analysts and investors on August 4, 2020. A copy of the investor presentation slides to be used by the Company on such conference call is furnished as Exhibit 99.2 to this Form 8-K and incorporated herein by reference.

The information set forth under this Item 7.01, including Exhibit 99.2, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release issued by Capital Southwest Corporation on August 3, 2020
99.2	Investor presentation slides

Capital Southwest Announces Financial Results for First Fiscal Quarter Ended June 30, 2020

CSWC Reports Pre-Tax Net Investment Income of \$0.40 Per Share

Dallas, Texas – August 3, 2020 – 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 first fiscal quarter ended June 30, 2020.

First Quarter Fiscal Year 2021 Financial Highlights

- **Total Investment Portfolio:** \$587.2 million
 - **Credit Portfolio** of \$487.2 million:
 - 90% 1st Lien Senior Secured Debt
 - \$28.8 million in new committed credit investments
 - Weighted Average Yield on Debt Investments: 10.1%
 - No new credit investments placed on non-accrual during the quarter
 - Three Upper Middle Market 1st Lien Senior Secured Debt investments currently on non-accrual with a fair value of \$11.3 million, representing 1.9% of the total investment portfolio
 - **Equity Portfolio** of \$43.2 million, excluding investment in I-45 Senior Loan Fund (“I-45 SLF”)
 - \$1.3 million in new committed equity co-investments
 - **CSWC Investment in I-45 SLF** of \$56.8 million at fair value
 - I-45 SLF portfolio of \$172.6 million
 - Portfolio consists of 42 issuers: 96% 1st Lien Debt and 4% 2nd Lien Debt
 - \$107 million of debt outstanding at I-45 SLF as of June 30, 2020
 - I-45 SLF fund leverage of 1.51x debt to equity at fair value at quarter end
 - I-45 SLF paid a \$1.8 million quarterly dividend to CSWC, an annualized yield of 12.5%
- **Pre-Tax Net Investment Income:** \$7.2 million, or \$0.40 per weighted average diluted share
- **Dividends:** Paid \$0.41 per share Regular Dividend, \$0.10 per share Supplemental Dividend
 - 102% LTM Pre-Tax NII Regular Dividend Coverage
 - Total Dividends for the quarter ended June 30, 2020 of \$0.51 per share
- **Net Realized and Unrealized Portfolio Appreciation:** \$2.1 million
 - \$4.7 million of net appreciation related to the upper middle market portfolio, including I-45 SLF
 - \$2.6 million of net depreciation related to the lower middle market portfolio
- **Balance Sheet:**
 - Cash and Cash Equivalents: \$15.0 million
 - Total Net Assets: \$277.9 million
 - Net Asset Value (“NAV”) per Share: \$14.95

In commenting on the Company's results, Bowen Diehl, President and Chief Executive Officer, stated, "This quarter we started to see some stabilization in both the Upper and Lower Middle Market portfolios. We saw very few draws on revolver commitments to our portfolio companies, several repayments of previous revolver draws associated with the shelter in place directives, limited amendments and waivers in the portfolio and recorded net appreciation of \$2.1 million this quarter. From an investment rating perspective, our portfolio experienced two upgrades and zero downgrades, as well as no new non-accruing loans recorded during the quarter. We recently announced a \$0.51 per share dividend for the quarter ended September 30, 2020, which was flat from the prior quarter. We continued to be active in the capital markets, having raised \$5.7 million in equity capital under our existing at-the-market program in June. We were also able to significantly broaden our sources of capital and strengthen our balance sheet over the long term, having received a 'green light' letter from the U.S. Small Business Administration. We are hopeful to have our formal license application reviewed and approved by the end of this calendar year, which will allow us to access \$175 million in cost effective debt capital to deploy in our lower middle market strategy. This is clearly a major milestone for Capital Southwest and one that we are very proud to have been able to accomplish."

First Quarter Fiscal Year Investment Activities

During the quarter ended June 30, 2020, the Company originated investments in two new portfolio companies and five follow-on investments in existing portfolio companies, all totaling \$30.0 million in capital commitments. New portfolio company investment transactions that occurred during the quarter ended June 30, 2020 are summarized as follows:

Central Medical Supply LLC, \$7.5 million 1st Lien Senior Secured Debt, \$1.5 million Revolving Loan, \$1.5 million Delayed Draw Capex Term Loan, \$0.9 million Preferred Equity: Central Medical Supply Group is a provider of outsourced equipment management services for the hospice market and other healthcare providers.

Coastal Television Broadcasting Holdings LLC, \$8.9 million 1st Lien Senior Secured Debt, \$0.5 million Revolving Loan: Coastal Television Broadcasting Company is a television broadcasting company that engages in the operating of broadcasting stations in duopoly or triopoly small- to mid-size markets, primarily in Alaska and Wyoming.

First Fiscal Quarter 2021 Operating Results

For the quarter ended June 30, 2020, Capital Southwest reported total investment income of \$15.2 million, compared to \$15.0 million in the prior quarter. The increase in investment income was primarily attributable to amendment fees received from portfolio companies, partially offset by a decrease in dividend income from I-45 SLF.

For the quarter ended June 30, 2020, total operating expenses (excluding interest expense) were \$3.7 million, compared to \$3.5 million in the prior quarter. The increase in expenses was primarily due to an increase in the cash compensation accrual in the current quarter.

For the quarter ended June 30, 2020, interest expense was \$4.3 million as compared to \$4.2 million in the prior quarter. The increase was due to an increase in the average debt outstanding on the Credit Facility (as defined below) offset by a drop in LIBOR.

For the quarter ended June 30, 2020, total pre-tax net investment income was \$7.2 million, compared to \$7.4 million in the prior quarter.

For the quarter ended June 30, 2020, tax expense remained flat at \$0.4 million.

During the quarter ended June 30, 2020, Capital Southwest recorded total net realized and unrealized gains on investments of \$2.1 million, compared to total net realized and unrealized losses on investments of \$31.9 million in the prior quarter. For the quarter ended June 30, 2020, this included total net realized losses on investments of \$5.5 million and net unrealized appreciation on investments of \$7.6 million, of which \$5.4 million was the reversal of net unrealized

depreciation recognized in prior periods due to realized losses noted above. The net increase in net assets resulting from operations was \$8.9 million for the quarter, compared to a net decrease of \$25.0 million in the prior quarter.

The Company's NAV at June 30, 2020 was \$14.95 per share, as compared to \$15.13 at March 31, 2020. The decrease in NAV per share from the prior quarter is due to the issuance of restricted stock awards.

Liquidity and Capital Resources

At June 30, 2020, Capital Southwest had approximately \$15.0 million in unrestricted cash and money market balances, \$182.0 million of total debt outstanding on the Credit Facility, \$75.9 million, net of unamortized debt issuance costs, of the December 2022 Notes outstanding, and \$73.6 million, net of unamortized debt issuance costs, of the October 2024 Notes outstanding. As of June 30, 2020, Capital Southwest had \$139.6 million in available borrowings under the Credit Facility. The debt to equity ratio at the end of the quarter was 1.19 to 1.

In September 2019, the Company issued \$65.0 million in aggregate principal amount of 5.375% Notes due 2024 (the "Existing October 2024 Notes"). On October 8, 2019, the Company issued an additional \$10.0 million in aggregate principal amount of the October 2024 Notes (the "Additional October 2024 Notes" together with the Existing October 2024 Notes, the "October 2024 Notes"). The total net proceeds from the offering of the October 2024 Notes was \$73.5 million, before offering expenses payable by us. The October 2024 Notes mature on October 1, 2024 and may be redeemed in whole or in part at any time prior to July 1, 2024, at par plus a "make-whole" premium, and thereafter at par. The October 2024 Notes bear interest at a rate of 5.375% per year, payable semi-annually on April 1 and October 1 of each year, beginning on April 1, 2020.

In December 2018, the Company entered into the Amended and Restated Senior Secured Revolving Credit Agreement (the "Amended and Restated Agreement"), and a related Amended and Restated Guarantee, Pledge and Security Agreement, to amend and restate its Senior Secured Revolving Credit Facility (the "Credit Facility"). On May 23, 2019, the Company entered into an Incremental Assumption Agreement, which increased the total commitments under the Credit Facility by \$25 million. The increase was executed under the accordion feature of the Credit Facility and increased total commitments from \$270 million to \$295 million. On March 19, 2020, CSWC entered into an Incremental Assumption Agreement, which increased the total commitments under the accordion feature of the Credit Facility by \$30 million, increasing total commitments from \$295 million to \$325 million.

On March 4, 2019, the Company entered into separate equity distribution agreements with certain sales agents through which it may offer and sell, from time to time, shares of its common stock having an aggregate offering price of up to \$50,000,000 (the "Equity ATM Program"). On February 4, 2020, the Company (i) increased the maximum amount of shares of its common stock to be sold through the Equity ATM Program to \$100,000,000 from \$50,000,000 and (ii) added two additional sales agents to the Equity ATM Program. During the quarter ended June 30, 2020, the Company sold 373,177 shares of its common stock under the Equity ATM Program at a weighted-average price of \$15.38 per share, raising \$5.7 million of gross proceeds. Net proceeds were \$5.6 million after commissions to the sales agents on shares sold. Cumulative to date, the Company has sold 1,868,265 shares of its common stock under the Equity ATM Program at a weighted-average price of \$20.41, raising \$38.1 million of gross proceeds. Net proceeds were \$37.4 million after commissions to the sales agents on shares sold. As of June 30, 2020, the Company has \$61.9 million available under the Equity ATM Program.

Additionally, I-45 SLF has total commitments outstanding of \$150 million from a group of four bank lenders in its Deutsche Bank led credit facility, which is scheduled to mature in July 2022. As of June 30, 2020, I-45 SLF had \$107 million in borrowings outstanding under its credit facility.

Share Repurchase Program

On January 25, 2016, Capital Southwest announced that its Board of Directors authorized the repurchase of up to \$10.0 million of its common stock at prices below the Company's net asset value per share as reported in its most recent

financial statements. The Board authorized the share repurchase program because it believes that the Company's common stock may be undervalued from time to time due to market volatility.

On March 26, 2020, the aggregate amount of the Company's common stock purchased (inclusive of commission fees) pursuant to the share repurchase agreement met the threshold set forth in the share repurchase agreement and, as a result, the Company ceased purchasing common stock under the share repurchase program on such date. Cumulative to date, the Company has repurchased a total of 840,543 shares at an average price of \$11.85 per share, including commissions paid. Accordingly, during the quarter ended June 30, 2020, the Company did not repurchase any shares of the Company's common stock under the share repurchase program.

Declared Dividend of \$0.51 Per Share for Quarter Ended September 30, 2020

On May 28, 2020, the Board declared total dividends of \$0.51 per share for the quarter ended September 30, 2020, comprised of a Regular Dividend of \$0.41 per share and a Supplemental Dividend of \$0.10 per share.

The Company's dividend will be payable as follows:

September 30, 2020 Dividend

Amount Per Share: \$0.51
Ex-Dividend Date: September 14, 2020
Record Date: September 15, 2020
Payment Date: September 30, 2020

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.

First Quarter 2021 Earnings Results Conference Call and Webcast

Capital Southwest has scheduled a conference call on Tuesday, August 4, 2020, at 11:00 a.m. Eastern Time to discuss the first quarter 2021 financial results. You may access the call by dialing (866) 502-8274 and using the Conference ID 3599199 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/irm7dmom>.

A telephonic replay will be available through August 11, 2020 by dialing (855) 859-2056 and using the Conference ID 3599199. 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 June 30, 2020 to be filed with the Securities and Exchange Commission and Capital Southwest's First Fiscal Quarter 2021 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 \$278 million in net assets as of June 30, 2020. 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, unitranche, second lien, subordinated debt 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: whether the SBA ultimately issues the SBIC license and the timing thereof; 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; 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; 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, 2020 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)

	June 30, 2020 (Unaudited)	March 31, 2020
Assets		
Investments at fair value:		
Non-control/Non-affiliate investments (Cost: \$434,664 and \$436,463, respectively)	\$ 426,386	\$ 421,280
Affiliate investments (Cost: \$109,701 and \$94,724, respectively)	104,041	92,032
Control investments (Cost: \$80,800 and \$68,000, respectively)	56,751	39,760
Total investments (Cost: \$625,165 and \$599,187, respectively)	587,178	553,072
Cash and cash equivalents	14,986	13,744
Receivables:		
Dividends and interest	9,927	10,389
Escrow	1,150	1,643
Other	203	51
Income tax receivable	347	147
Deferred tax asset	1,298	1,402
Debt issuance costs (net of accumulated amortization of \$2,932 and \$2,720, respectively)	2,768	2,980
Other assets	1,239	1,531
Total assets	\$ 619,096	\$ 584,959
Liabilities		
December 2022 Notes (Par value: \$77,136 and \$77,136, respectively)	\$ 75,936	\$ 75,812
October 2024 Notes (Par value: \$75,000 and \$75,000, respectively)	73,575	73,484
Credit facility	182,000	154,000
Other liabilities	4,688	4,883
Accrued restoration plan liability	3,047	3,082
Income tax payable	467	513
Deferred tax liability	1,524	963
Total liabilities	341,237	312,737
Commitments and contingencies (Note 10)		
Net Assets		
Common stock, \$0.25 par value: authorized, 40,000,000 shares; issued, 20,927,652 shares at June 30, 2020 and 20,337,610 shares at March 31, 2020	5,232	5,085
Additional paid-in capital	316,939	310,846
Total distributable earnings	(20,375)	(19,772)
Treasury stock - at cost, 2,339,512 shares	(23,937)	(23,937)
Total net assets	277,859	272,222
Total liabilities and net assets	\$ 619,096	\$ 584,959
Net asset value per share (18,588,140 shares outstanding at June 30, 2020 and 17,998,098 shares outstanding at March 31, 2020)	\$ 14.95	\$ 15.13

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except shares and per share data)

	Three Months Ended	
	June 30,	
	2020	2019
Investment income:		
Interest income:		
Non-control/Non-affiliate investments	\$ 10,069	\$ 9,031
Affiliate investments	2,576	2,050
Control investments	—	265
Dividend income:		
Non-control/Non-affiliate investments	183	87
Affiliate investments	—	19
Control investments	1,774	3,913
Interest income from cash and cash equivalents	3	16
Fees and other income	559	418
Total investment income	<u>15,164</u>	<u>15,799</u>
Operating expenses:		
Compensation	1,720	2,021
Share-based compensation	612	837
Interest	4,328	3,806
Professional fees	570	626
Net pension expense	33	36
General and administrative	732	789
Total operating expenses	<u>7,995</u>	<u>8,115</u>
Income before taxes	7,169	7,684
Income tax expense	350	324
Net investment income	<u>\$ 6,819</u>	<u>\$ 7,360</u>
Realized (loss) gain		
Non-control/Non-affiliate investments	\$ (5,547)	\$ 1,049
Affiliate investments	—	1
Control investments	—	167
Total net realized (loss) gain on investments, net of tax	<u>(5,547)</u>	<u>1,217</u>
Net unrealized appreciation (depreciation) on investments		
Non-control/Non-affiliate investments	6,905	(2,972)
Affiliate investments	(2,967)	1,206
Control investments	4,191	85
Income tax (provision) benefit	(524)	(183)
Total net unrealized appreciation (depreciation) on investments, net of tax	<u>7,605</u>	<u>(1,864)</u>
Net realized and unrealized gains (losses) on investments	<u>\$ 2,058</u>	<u>\$ (647)</u>
Net increase in net assets from operations	<u>\$ 8,877</u>	<u>\$ 6,713</u>
Pre-tax net investment income per share - basic and diluted	<u>\$ 0.40</u>	<u>\$ 0.44</u>
Net investment income per share - basic and diluted	<u>\$ 0.38</u>	<u>\$ 0.42</u>
Net increase in net assets from operations - basic and diluted	<u>\$ 0.49</u>	<u>\$ 0.38</u>
Weighted average shares outstanding - basic	<u>18,147,888</u>	<u>17,535,924</u>
Weighted average shares outstanding - diluted	<u>18,147,888</u>	<u>17,535,924</u>



Capital Southwest Corporation

Q1 2021 Earnings Presentation

August 4, 2020

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

Important Notices

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

Forward-Looking Statements

- This presentation contains forward-looking statements relating to, among other things, the business, market conditions, financial condition and results of operations of Capital Southwest, the anticipated investment strategies and investments of Capital Southwest, and future market demand. Any statements that are not statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, preceded by, followed by, or include words such as "believe," "expect," "intend," "plan," "should" or similar words, phrases or expressions or the negative thereof. These statements are made on the basis of the current beliefs, expectations and assumptions of the management of Capital Southwest and speak only as of the date of this presentation. There are a number of risks and uncertainties that could cause Capital Southwest's actual results to differ materially from the forward-looking statements included in this presentation.
- These risks include risks related to: whether the SBA ultimately issues the SBIC license and the timing thereof; 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; 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; 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, 2020 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") and December 2022 Notes ("CSWCL")
- Internally Managed BDC with RIC tax treatment for U.S. federal income tax purposes
- December 2014: announced intent to spin-off industrial growth company ("CSW Industrials"; Nasdaq: "CSWI") tax free
- January 2015: launched credit investment strategy
- September 2015: completed tax free spin off of CSWI
- 22 employees based in Dallas, Texas
- Total Balance Sheet Assets of \$619 MM as of June 30, 2020
- Manage I-45 Senior Loan Fund ("I-45 SLF") in partnership with Main Street Capital (NYSE: "MAIN")

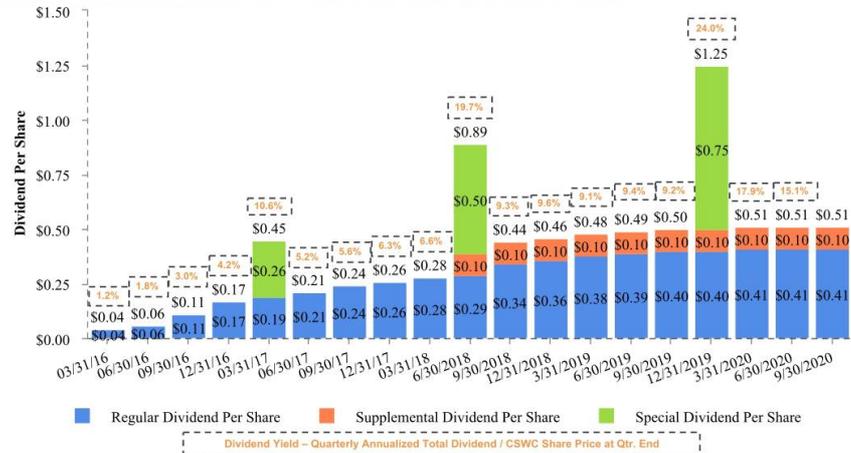
Q1 2021 Highlights

Financial Highlights

- Q1 2021 Pre-Tax Net Investment Income ("NII") of \$7.2 MM or \$0.40 per share
- Paid \$0.41 per share Regular Dividend and \$0.10 per share Supplemental Dividend for the quarter ended June 30, 2020
 - Declared \$0.41 per share Regular Dividend and \$0.10 per share Supplemental Dividend for the quarter ended September 30, 2020
- Investment Portfolio at Fair Value increased to \$587 MM from \$553 MM in prior quarter
 - \$20.8 MM committed to two new portfolio companies and \$9.2 MM committed to five existing portfolio companies
 - \$2.1 MM net unrealized appreciation on the portfolio during the quarter
- Raised \$5.7 MM in gross proceeds through Equity ATM Program during the quarter
 - Cumulatively, raised \$38.1 MM in gross proceeds at a weighted average price of \$20.41 per share since inception of the Equity ATM Program in March 2019
- \$139.6 MM available on Credit Facility and \$15.0 MM in cash and cash equivalents as of quarter end
- Received "green light" letter from the U.S. Small Business Administration inviting Capital Southwest to finalize its application to form and operate a Small Business Investment Company subsidiary

Track Record of Consistent Dividends Continues

- In the last twelve months ending 6/30/2020, CSWC generated \$1.66 per share in Pre-Tax NII and paid out \$1.62 per share in regular dividends
- Cumulative Pre-Tax NII Regular Dividend Coverage of 106% since the 2015 spin-off
- Announced Supplemental Dividend Program in June 2018
 - Expect to pay \$0.10 per share Supplemental Dividend per quarter going forward, subject to Board approval
 - Undistributed Taxable Income ("UTI") of \$1.27 per share as of June 30, 2020



History of Value Creation

Total Value (Net Asset Value + Cumulative Dividends Paid) Increase of \$4.62 at 6/30/2020 from 9/30/2015 Spin-off of CSWI



Two Pronged Investment Strategy

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

- Companies with EBITDA between \$3 MM and \$15 MM
- Typical leverage of 2.0x – 4.0x Debt to EBITDA through CSWC debt position
- Commitment size up to \$25 MM with hold sizes generally \$10 MM to \$20 MM
- Both Sponsored and Non-sponsored deals
- Securities include first lien, unitranche, second lien and subordinated debt
- Frequently make equity co-investments alongside CSWC debt

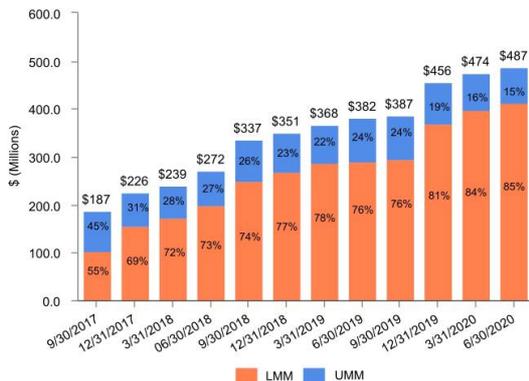
OPPORTUNISTIC: Upper Middle Market (“UMM”): Syndicated or Club, First and Second Lien

- Companies typically have in excess of \$50 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

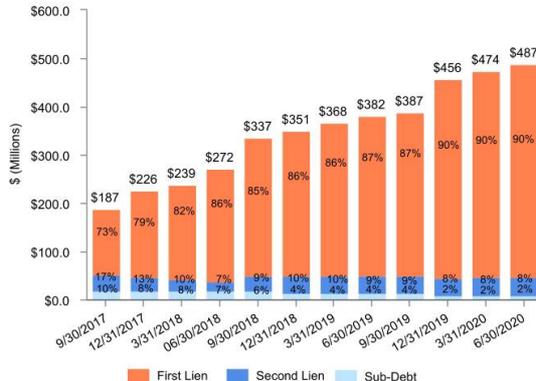
Credit Portfolio Heavily Weighted Towards LMM and First Lien Investments

LMM and First Lien Investments have increased to 85% and 90% of the credit portfolio, respectively, as of 6/30/2020

Robust LMM Credit Portfolio Growth



Credit Portfolio Heavily Weighted to First Lien



CSWC Originations

\$30.0 MM in total new committed investments, consisting of \$20.8 MM committed to new portfolio companies and \$9.2 MM committed to existing portfolio companies

Portfolio Originations		Q1 2021						
Name	Industry	Type	Market	Total Debt Funded at Close (\$000s)	Total Equity Funded at Close (\$000s)	Unfunded Commitments at Close (\$000s)	Debt Spread	Debt Yield to Maturity
Coastal Television Broadcasting Holdings	Media, Marketing, & Entertainment	First Lien	LMM	\$8,900	\$0	\$500	10.00%	13.15%
Central Medical Supply	Healthcare Services	First Lien	LMM	\$7,500	\$875	\$3,000	7.00%	9.58%
American Addiction Centers (DIP Facility)	Healthcare Services	First Lien	UMM	\$5,229	\$0	\$0	18.00%	21.00%
VTX Holdings	Software & IT Services	First Lien	LMM	\$1,500	\$398	\$0	9.15%	12.74%
AG Kings Holdings	Food, Agriculture, & Beverage	First Lien	UMM	\$0	\$0	\$1,315	8.50%	N/A
California Pizza Kitchen (Priority T/L)	Restaurants	First Lien	UMM	\$669	\$0	\$0	10.00%	14.50%
Delphi Intermediate Healthco	Healthcare Services	First Lien	UMM	\$163	\$0	\$0	10.00%	N/A
Total / Weighted Average				\$23,960	\$1,273	\$4,815	10.75%	13.76%

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

CSWC Portfolio Asset Mix by Market

Maintaining conservative portfolio leverage while receiving attractive risk adjusted returns

Investment Portfolio - Statistics Q1 2021		
(In Thousands)	Lower Middle Market ⁽¹⁾	Upper Middle Market
Number of Portfolio Companies	36	11
Total Cost	\$452,387	\$91,978
Total Fair Value	\$452,372	\$78,055
Average Hold Size (at Cost)	\$12,566	\$8,362
% First Lien Investments (at Cost)	84.4%	79.7%
% Second Lien Investments (at Cost)	5.2%	16.4%
% Subordinated Debt Investments (at Cost)	2.2%	0.0%
% Equity (at Cost)	8.2%	3.9%
Wtd. Avg. Yield ⁽²⁾	10.8%	6.8%
Wtd. Avg. EBITDA of Issuer (\$MM's) ⁽³⁾	\$8.2	\$73.1
Wtd. Avg. Leverage through CSWC Security ⁽⁴⁾	4.1x	4.4x

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

(1) At June 30, 2020, we had equity ownership in approximately 63.9% of our LMM 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 June 30, 2020, including accretion of original issue discount but excluding fees payable upon repayment of the debt instruments. As of June 30, 2020, there were three investments on non-accrual status. Weighted-average annual effective yield is not a return to shareholders and is higher than what an investor in shares in our common stock will realize on its investment because it does not reflect our expenses or any sales load paid by an investor

(3) Weighted average EBITDA metric is calculated using investment cost basis weighting. For the quarter ended June 30, 2020, two 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 June 30, 2020, two portfolio companies are excluded from this calculation due to reporting a debt to adjusted EBITDA ratio that was not meaningful

Quarter-over-Quarter Investment Rating Migration

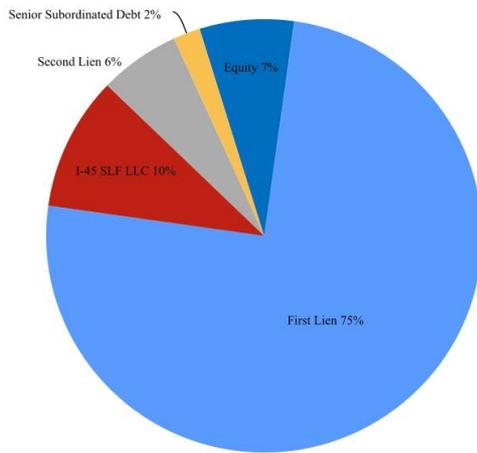
No Investment Rating Downgrades During the Quarter as Portfolio Stabilized

Investment Rating	3/31/2020			Investment Rating Upgrades			Investment Rating Downgrades			6/30/2020		
	# 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	3	\$53.5	11.3%	2	\$24.9	5.1%	0	\$0.0	—%	5	\$77.4	15.9%
2	34	\$347.1	73.2%	0	\$0.0	—%	0	\$0.0	—%	37	\$342.4	70.3%
3	9	\$59.3	12.5%	0	\$0.0	—%	0	\$0.0	—%	9	\$57.2	11.7%
4	3	\$14.5	3.0%	0	\$0.0	—%	0	\$0.0	—%	2	\$10.1	2.1%
Wtd. Avg. Investment Rating (at Cost)	2.1									2.1		

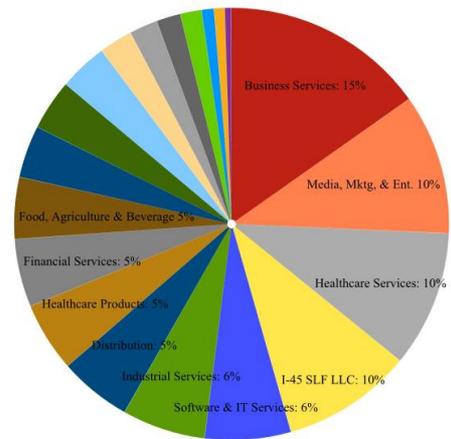
CSWC Portfolio Mix as of 06/30/20 at Fair Value

Current Investment Portfolio of \$587.2 MM continues to be diverse across industries

Current Investment Portfolio (By Type)



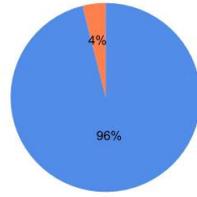
Current Investment Portfolio (By Industry)



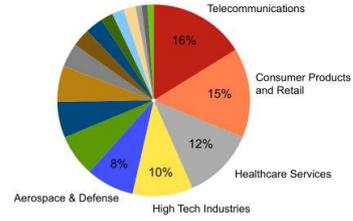
I-45 Portfolio Overview

I-45 loan portfolio of \$172.6 MM is 96% first lien with average hold size of 2.4% of the I-45 portfolio

Current I-45 Portfolio (By Type)



Current I-45 Portfolio (By Industry)



■ First Lien ■ Second Lien

I-45 Portfolio Statistics				
(In Thousands)	9/30/2019	12/31/2019	3/31/2020	6/30/2020
Total Debt Investments at Fair Value	\$214,762	\$206,208	\$170,860	\$172,551
Number of Issuers	46	46	43	42
Wtd. Avg. Issuer EBITDA	\$69,270	\$64,968	\$65,098	\$64,800
Avg. Investment Size as a % of Portfolio	2.2%	2.2%	2.3%	2.4%
Wtd. Avg. Net Leverage on Investments ⁽¹⁾⁽²⁾	4.3x	4.5x	4.6x	5.0x
Wtd. Avg. Spread to LIBOR	6.4%	6.3%	6.3%	6.3%
Wtd. Avg. Duration (Yrs)	3.9	3.8	3.5	3.3

(1) Through I-45 security

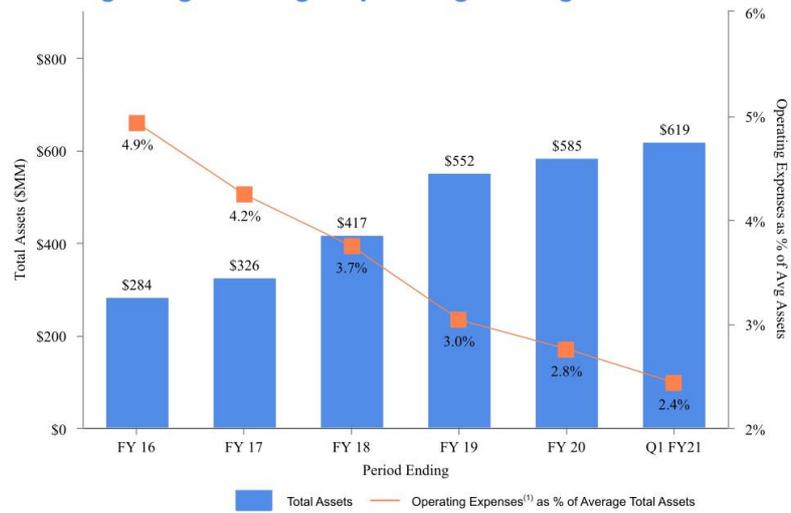
(2) One portfolio company is excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful

Income Statement

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 9/30/19	Quarter Ended 12/31/19	Quarter Ended 3/31/20	Quarter Ended 6/30/20
Investment Income				
Interest Income	\$11,237	\$11,685	\$12,650	\$12,645
Dividend Income	3,587	2,688	2,149	1,957
Fees and Other Income	394	1,611	239	562
Total Investment Income	\$15,218	\$15,984	\$15,038	\$15,164
Expenses				
Cash Compensation	\$1,708	\$2,034	\$1,547	\$1,720
Share Based Compensation	685	690	641	612
General & Administrative	1,728	1,243	1,324	1,335
Total Expenses (excluding Interest)	\$4,121	\$3,967	\$3,512	\$3,667
Interest Expense	\$3,716	\$4,142	\$4,172	\$4,328
Pre-Tax Net Investment Income	\$7,381	\$7,875	\$7,354	\$7,169
Taxes and Gain / (Loss)				
Income Tax Benefit (Expense)	\$(566)	\$(761)	\$(411)	\$(350)
Net realized gain (loss) on investments	283	40,818	(87)	(5,547)
Net increase (decrease) in unrealized appreciation of investments	(4,369)	(54,765)	(31,816)	7,605
Net increase (decrease) in net assets resulting from operations	\$2,729	\$(6,833)	\$(24,960)	\$8,877
Weighted Average Diluted Shares Outstanding	17,770	18,100	18,595	18,148
Pre-Tax NII Per Diluted Weighted Average Share	\$0.42	\$0.44	\$0.40	\$0.40

Operating Leverage Trend

Continue to realize operating efficiencies of internally managed structure migrating to a target operating leverage of sub-2.5%

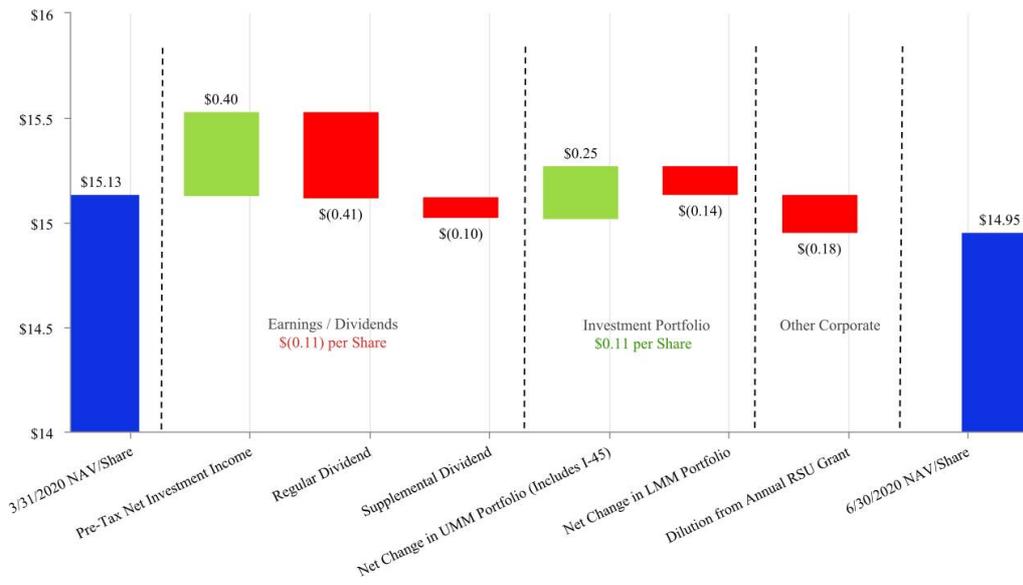


Note: FY16 includes only the quarters after the 2015 spin-off. Q1 FY21 is quarterly annualized.
 (1) Operating expenses exclude interest expense

Balance Sheet

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 9/30/19	Quarter Ended 12/31/19	Quarter Ended 3/31/20	Quarter Ended 6/30/20
Assets				
Portfolio Investments	\$538,876	\$558,552	\$553,072	\$587,178
Cash & Cash Equivalents	30,019	22,966	13,744	14,986
Deferred Tax Asset	1,628	1,336	1,402	1,298
Other Assets	14,510	16,494	16,741	15,634
Total Assets	\$585,033	\$599,348	\$584,959	\$619,096
Liabilities				
December 2022 Notes	\$75,564	\$75,688	\$75,812	\$75,936
October 2024 Notes	63,585	73,393	73,484	73,575
Credit Facility	108,000	124,000	154,000	182,000
Other Liabilities	9,785	14,411	9,441	9,726
Total Liabilities	\$256,934	\$287,492	\$312,737	\$341,237
Shareholders Equity				
Net Asset Value	\$328,099	\$311,856	\$272,222	\$277,859
Net Asset Value per Share	\$18.30	\$16.74	\$15.13	\$14.95
Debt to Equity	0.75x	0.88x	1.11x	1.19x

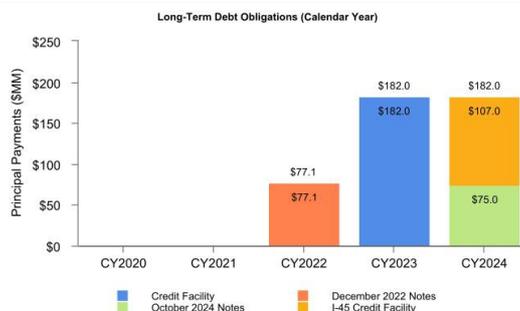
NAV per Share Bridge from Quarter Ended 3/31/2020



Significant Unused Debt Capacity with Long-Term Duration

Earliest Debt Maturity occurs in December 2022

Facility	Total Commitments	Interest Rate	Maturity	Principal Drawn	Undrawn Commitment
Credit Facility ⁽¹⁾	\$325.0 MM	L + 2.50% subject to certain conditions	December 2023	\$182.0 MM	\$139.6 MM ⁽²⁾
December 2022 Notes (NASDAQ: "CSWCL") ⁽³⁾	\$77.1 MM	5.95%	December 2022	\$77.1 MM	N/A
October 2024 Notes ⁽⁴⁾	\$75.0 MM	5.375%	October 2024	\$75.0 MM	N/A
I-45 Credit Facility ⁽⁵⁾	\$150.0 MM	L + 2.25%	November 2024	\$107.0 MM	\$43.0 MM



- (1) The Credit Facility has an accordion feature that allows for an increase in total commitments up to \$350 MM. Principal Drawn is based upon outstanding balances as of 06/30/20
- (2) Net of \$3.4 MM in letters of credit outstanding
- (3) Redeemable in whole or in part at CSWC's option at any time. Principal drawn is based upon outstanding balances as of 06/30/20
- (4) Redeemable in whole or in part at any time prior to July 1, 2024, at par plus a "make whole" premium, and thereafter at par
- (5) CSWC owns 80% of the equity and 50% of the voting rights of I-45 SLF LLC with a joint venture partner

Portfolio Statistics

Continuing to build a well performing credit portfolio

<i>(In Thousands)</i>	Quarter Ended 9/30/19	Quarter Ended 12/31/19	Quarter Ended 3/31/20	Quarter Ended 6/30/20
Portfolio Statistics				
Fair Value of Debt Investments	\$387,168	\$456,095	\$474,333	\$487,195
Average Debt Investment Hold Size	\$11,062	\$11,695	\$11,569	\$11,330
Fair Value of Debt Investments as a % of Par	96%	95%	94%	95%
% of Investment Portfolio on Non-Accrual (at Fair Value)	2.6%	3.3%	3.3%	1.9%
Weighted Average Investment Rating ⁽¹⁾	2.0	2.0	2.1	2.1
Weighted Average Yield on Debt Investments	11.02%	11.26%	10.50%	10.08%
Total Fair Value of Portfolio Investments	\$538,876	\$558,552	\$553,072	\$587,178
Weighted Average Yield on all Portfolio Investments	11.10%	10.69%	10.63%	10.36%
Investment Mix (Debt vs. Equity) ⁽²⁾⁽³⁾	81% / 19%	91% / 9%	92% / 8%	92% / 8%

(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

- Non-Cash and Non-Recurring investment income remain a minor portion of Total Investment Income

<i>(In Thousands)</i>	Quarter Ended 9/30/19	Quarter Ended 12/31/19	Quarter Ended 3/31/20	Quarter Ended 6/30/20
Investment Income Breakdown				
Cash Interest	\$10,573	\$10,430	\$11,421	\$11,008
Cash Dividends	3,576	2,703	2,150	1,957
PIK Income	191	801	741	1,120
Amortization of purchase discounts and fees	496	460	511	520
Management/Admin Fees	246	199	177	182
Prepayment Fees & Other Income	136	1,391	38	377
Total Investment Income	\$15,218	\$15,984	\$15,038	\$15,164
Key Metrics				
Cash Income as a % of Investment Income	95%	92%	92%	89%
% of Total Investment Income that is Recurring	98%	88%	98%	97%

Key Financial Metrics

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

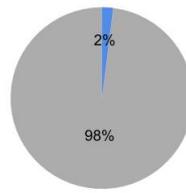
	Quarter Ended 9/30/19	Quarter Ended 12/31/19	Quarter Ended 3/31/20	Quarter Ended 6/30/20
Key Financial Metrics				
Pre-Tax Net Investment Income Per Wtd Avg Diluted Share	\$0.42	\$0.44	\$0.40	\$0.40
Pre-Tax Net Investment Income Return on Equity (ROE) ⁽¹⁾	8.94%	9.51%	9.45%	10.44%
Realized Earnings Per Wtd Avg Diluted Share	\$0.40	\$2.65	\$0.37	\$0.07
Realized Earnings Return on Equity (ROE) ⁽¹⁾	8.60%	57.88%	8.81%	1.85%
Earnings Per Wtd Avg Diluted Share	\$0.15	\$(0.38)	\$(1.34)	\$0.49
Earnings Return on Equity (ROE) ⁽¹⁾	3.31%	(8.25)%	(32.07)%	12.93%
Regular Dividends per Share	\$0.40	\$0.40	\$0.41	\$0.41
Supplemental/Special Dividends per Share	\$0.10	\$0.85	\$0.10	\$0.10
Total Dividends per Share	\$0.50	\$1.25	\$0.51	\$0.51
Dividend Yield ⁽²⁾	9.17%	24.03%	17.86%	15.13%

(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) Dividend Yield is calculated as the quarterly annualized Total Dividend divided by share price at quarter end

Interest Rate Sensitivity

Fixed vs. Floating Portfolio Exposure ⁽¹⁾



■ Fixed ■ Floating

Change in Base Interest Rates	Illustrative Annual NII Change (\$'s)	Illustrative Annual NII Change (Per Share)
(50 bps)	1,204,357	0.06
(25 bps)	563,285	0.03
25 bps	(563,285)	(0.03)
50 bps	(1,124,518)	(0.06)
75 bps	(1,491,799)	(0.08)
100 bps	(1,150,332)	(0.06)

(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 06/30/20, adjusted only for changes in Base Interest Rate. Base Interest Rate used in this analysis is 3-Month LIBOR of 0.30% at 06/30/20. The results of this analysis include the I-45 Senior Loan Fund, which is comprised of 100% floating rate assets and liabilities

Corporate Information

<p>Board of Directors</p> <p>Inside Directors Bowen S. Diehl</p> <p>Independent Directors David R. Brooks Christine S. Battist T. Duane Morgan Jack D. Furst William R. Thomas</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>Fiscal Year End March 31</p>
<p>Corporate Offices & Website</p> <p>5400 LBJ Freeway 13th Floor Dallas, TX 75240 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 Chicago, IL</p>
	<p>Securities Listing</p> <p>Nasdaq: "CSWC" (Common Stock) Nasdaq: "CSWCL" (December 2022 Notes)</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>
<p>Industry Analyst Coverage</p>		
<p>Firm</p> <p>Ladenburg Thalmann Janney Montgomery Scott JMP Securities B. Riley FBR National Securities Jefferies Raymond James</p>	<p>Analyst</p> <p>Mickey M. Schleien, CFA Mitchel Penn, CFA Christopher York Tim Hayes Bryce Rowe Kyle Joseph Robert Dodd</p>	<p>Contact Information</p> <p>Direct: 305-572-4131 Direct: 410-583-5976 Direct: 415-835-8965 Direct: 703-312-1819 Direct: 212-417-8211 Direct: 510-418-0754 Direct: 901-579-4560</p>

