

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): **February 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	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, \$0.25 par value per share	CSWC	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 February 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, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1934, except as shall be expressly set forth by reference in a future filing.

Item 7.01 Regulation FD Disclosure.

The Company expects to hold a conference call with analysts and investors on February 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 Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release issued by Capital Southwest Corporation on February 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: February 1, 2021

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

Capital Southwest Announces Financial Results for Third Fiscal Quarter Ended December 31, 2020 and Announces Increase in Total Dividends to \$0.52 per share for the Quarter Ended March 31, 2021

CSWC Reports Pre-Tax Net Investment Income of \$0.52 Per Share

Dallas, Texas – February 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 third fiscal quarter ended December 31, 2020.

Third Quarter Fiscal Year 2021 Financial Highlights

- **Total Investment Portfolio:** \$648.8 million
 - **Credit Portfolio** of \$531.1 million:
 - 91% 1st Lien Senior Secured Debt
 - \$55.5 million in new committed credit investments
 - Weighted Average Yield on Debt Investments: 10.6%
 - One credit investment currently on non-accrual with a fair value of \$0.7 million, representing 0.1% of the total investment portfolio
 - No new credit investments placed on non-accrual during the quarter
 - **Equity Portfolio** of \$54.0 million, excluding investment in I-45 Senior Loan Fund (“I-45 SLF”)
 - \$2.0 million in new committed equity co-investments
 - **CSWC Investment in I-45 SLF** of \$63.6 million at fair value
 - I-45 SLF portfolio of \$159.6 million
 - Portfolio consists of 38 issuers: 94% 1st Lien Debt and 6% 2nd Lien Debt
 - \$85.0 million of debt outstanding at I-45 SLF as of December 31, 2020
 - I-45 SLF fund leverage of 1.07x debt to equity at fair value at quarter end
 - I-45 SLF paid a \$1.7 million quarterly dividend to CSWC, an annualized yield of 10.6%
- **Pre-Tax Net Investment Income:** \$10.0 million, or \$0.52 per weighted average diluted share
- **Dividends:** Paid \$0.41 per share Regular Dividend, \$0.10 per share Supplemental Dividend
 - 107% LTM Pre-Tax NII Regular Dividend Coverage
 - Total Dividends for the quarter ended December 31, 2020 of \$0.51 per share
 - Undistributed Taxable Income at quarter end estimated at \$1.09 per share
- **Net Realized and Unrealized Appreciation on Investments:** \$7.1 million
 - \$6.5 million of net appreciation related to the equity portfolio
 - \$0.7 million of net appreciation related to the upper middle market debt portfolio, including I-45 SLF
 - \$0.1 million net depreciation related to the lower middle market debt portfolio

- **Realized Loss on Extinguishment of Debt:** \$0.3 million
 - Redeemed \$20 million in aggregate principal amount of the 5.95% Notes due 2022 (the "December 2022 Notes")
- **Balance Sheet:**
 - Cash and Cash Equivalents: \$43.7 million
 - Total Net Assets: \$312.7 million
 - Net Asset Value ("NAV") per Share: \$15.74

In commenting on the Company's results, Bowen Diehl, President and Chief Executive Officer, stated, "We finished calendar year 2020 strong as our portfolio continued to appreciate, recovering nicely from the effects of the pandemic, and our few non-accrual investments were resolved mostly with structures that allow us the opportunity to build back the value lost in those investments. Deal activity was strong for the quarter, and very strong considering the deal closings that extended into the first few weeks of January. In aggregate, we closed commitments of approximately \$91 million, including \$57.5 million in the December quarter and \$33.5 million during January. Net Investment Income was a strong \$0.52 per share for the quarter, allowing us to increase our regular dividend for the March quarter to \$0.42 per share. On the capitalization front, we completed a \$75 million institutionally placed 4.5% unsecured note offering due 2026, and sold \$21 million of equity through our equity ATM program, providing us capital to redeem the remainder of our 5.95% unsecured bonds due 2022, and pay down our credit facility, providing additional investment capital to fund originations. Our team has done a phenomenal job this year managing our business for our shareholders."

Third Quarter Fiscal Year Investment Activities

During the quarter ended December 31, 2020, the Company originated investments in three new portfolio companies and three follow-on investments in existing portfolio companies, totaling \$57.5 million in capital commitments. New portfolio company investment transactions that occurred during the quarter ended December 31, 2020 are summarized as follows:

Acceleration Partners, LLC, \$8.8 million 1st Lien Senior Secured Debt, \$3.2 million Delayed Draw Term Loan, \$1.0 million Common and Preferred Equity: Acceleration Partners, LLC is an affiliate marketing services agency that works with its clients to establish, grow and scale their affiliate and performance-based partner marketing programs to drive tangible results through program development and execution.

Broad Sky Networks LLC, \$15.0 million 1st Lien Senior Secured Debt, \$2.5 million Revolving Loan, \$1.0 million Preferred Equity: Broad Sky Networks, LLC is a provider of commercial grade wireless internet solutions.

Klein Hersh, LLC, \$15.0 million 1st Lien Senior Secured Debt, \$0.9 million Revolving Loan: Klein Hersh, LLC is an executive search and consulting firm focused exclusively on the healthcare and life sciences industries.

During the quarter ended December 31, 2020, the Company received full prepayment on one upper middle market investment totaling \$10.5 million and one lower middle market investment totaling \$8.0 million. The Company also received proceeds on the sale of one lower middle market equity investment totaling \$9.5 million.

Coastal Television Broadcasting LLC: Proceeds of \$8.0 million, generating an IRR of 21.3%.

iEnergizer Limited: Proceeds of \$10.5 million, generating an IRR of 9.8%.

Tinuiti Inc.: Proceeds of \$9.5 million, generating IRR of 73.2%.

Subsequent to Quarter-End Origination Activity

Subsequent to quarter ended December 31, 2020, the Company originated investments in two new portfolio companies, totaling \$33.5 million in capital commitments. These new investment transactions that occurred subsequent to quarter end are summarized as follows:

\$15.5 million 1st Lien Senior Secured Debt, \$2.0 million Equity: An investment in an authorized specialty distributor of electronic components to customers across the United States and internationally.

\$16.0 million 1st Lien Senior Secured Debt: An investment in a specialized buyer and seller of closeout goods and value priced, proprietary branded products.

Third Fiscal Quarter 2021 Operating Results

For the quarter ended December 31, 2020, Capital Southwest reported total investment income of \$19.0 million, compared to \$16.7 million in the prior quarter. The increase in investment income was primarily attributable to an increase in average debt investments outstanding, an increase in weighted average yield on debt investments, an increase in dividend income due to a dividend received from an equity investment and an increase in non-recurring prepayment fees received from portfolio companies during the quarter.

For the quarter ended December 31, 2020, total operating expenses (excluding interest expense) were \$4.5 million, compared to \$4.2 million in the prior quarter. The increase in expenses was primarily attributable to an increase to our annual bonus accrual based on improvement in our overall company performance.

For the quarter ended December 31, 2020, interest expense was \$4.5 million as compared to \$4.4 million in the prior quarter. The increase was primarily due to the issuance of additional 5.375% Notes due 2024 in August 2020, as well as an increase in the average borrowings on the Credit Facility.

For the quarter ended December 31, 2020, total pre-tax net investment income was \$10.0 million, compared to \$8.1 million in the prior quarter.

For the quarter ended December 31, 2020, Capital Southwest had tax expense of \$1.5 million as compared to a tax benefit of \$0.2 million in the previous quarter. The increase was primarily due to the write-off of the deferred tax asset at Capital Southwest Management Corporation, a wholly owned subsidiary of CSWC ("CSMC"). Effective December 31, 2020, CSMC merged with and into CSWC, which is not subject to corporate federal income taxes. As such, the deferred tax asset of approximately \$1.4 million was written off.

During the quarter ended December 31, 2020, Capital Southwest recorded total net realized and unrealized gains on investments of \$7.1 million, compared to \$8.4 million in the prior quarter. For the quarter ended December 31, 2020, this included total net realized losses on investments of \$0.1 million and net unrealized appreciation on investments of \$7.2 million. The net increase in net assets resulting from operations was \$15.4 million for the quarter, compared to \$16.4 million in the prior quarter.

The Company's NAV at December 31, 2020 was \$15.74 per share, as compared to \$15.36 at September 30, 2020. The increase in NAV per share from the prior quarter is primarily due to net unrealized appreciation on the investment portfolio.

Liquidity and Capital Resources

At December 31, 2020, Capital Southwest had approximately \$43.7 million in unrestricted cash and money market balances, \$150.0 million of total debt outstanding on the Credit Facility, \$36.7 million, net of unamortized debt issuance costs, of the December 2022 Notes outstanding, \$122.8 million, net of unamortized debt issuance costs, of the October 2024 Notes (as defined below) outstanding and \$73.4 million, net of unamortized debt issuance costs, of the January 2026 Notes (as defined below) outstanding. As of December 31, 2020, Capital Southwest had \$186.9 million in available borrowings under the Credit Facility. The debt to equity ratio at the end of the quarter was 1.22 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"). In August 2020, the Company issued an additional \$50.0 million in aggregate principal amount of the October 2024 Notes (the "New Notes" together with the Existing October 2024 Notes and the Additional October 2024 Notes, the "October 2024 Notes"). The total net proceeds from the offering of the October 2024 Notes was \$122.5 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.

On December 10, 2020 (the "Redemption Date"), the Company redeemed \$20 million in aggregate principal amount of the December 2022 Notes. The December 2022 Notes were redeemed at 100% of their principal amount, plus the

accrued and unpaid interest thereon, through, but excluding the Redemption Date. Accordingly, during the three months ended December 31, 2020, the Company recognized realized losses on the extinguishment of debt of \$0.3 million, equal to the write-off of the related unamortized debt issuance costs during the quarter ended December 31, 2020.

In December 2020, the Company issued \$75.0 million in aggregate principal amount of 4.50% Notes due 2026 (the "January 2026 Notes"). The total net proceeds from the offering of the January 2026 Notes was \$73.5 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.

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 December 10, 2020, CSWC entered into Amendment No. 1 to the Credit Agreement, which expanded the accordion feature from \$350 million to \$400 million. In addition, on December 10, 2020, the Company entered into an Incremental Commitment Agreement that increased the total commitments under the Credit Agreement from \$325 million to \$340 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 December 31, 2020, the Company sold 1,264,776 shares of its common stock under the Equity ATM Program at a weighted-average price of \$16.64 per share, raising \$21.1 million of gross proceeds. Net proceeds were \$20.6 million after commissions to the sales agents on shares sold. Cumulative to date, the Company has sold 3,168,153 shares of its common stock under the Equity ATM Program at a weighted-average price of \$18.85, raising \$59.7 million of gross proceeds. Net proceeds were \$58.5 million after commissions to the sales agents on shares sold. As of December 31, 2020, the Company has \$40.3 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 November 2024. As of December 31, 2020, I-45 SLF had \$85 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 December 31, 2020, the Company did not repurchase any shares of the Company's common stock under the share repurchase program.

Declared Dividend of \$0.52 Per Share for Quarter Ended March 31, 2021

On January 20, 2021, the Board declared total dividends of \$0.52 per share for the quarter ended March 31, 2021, comprised of a Regular Dividend of \$0.42 per share and a Supplemental Dividend of \$0.10 per share.

The Company's dividend will be payable as follows:

March 31, 2021 Dividend

Amount Per Share: \$0.52
Ex-Dividend Date: March 12, 2021
Record Date: March 15, 2021
Payment Date: March 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.

Third Quarter 2021 Earnings Results Conference Call and Webcast

Capital Southwest has scheduled a conference call on Tuesday, February 2, 2021, at 11:00 a.m. Eastern Time to discuss the third quarter 2021 financial results. You may access the call by dialing (866) 502-8274 and using the Conference ID 4729457 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/d5kg4tq9>.

A telephonic replay will be available through February 9, 2021 by dialing (855) 859-2056 and using the Conference ID 4729457. An audio archive of the conference call will also be available on the Investor Relations section of Capital Southwest's website.

For a more detailed discussion of the financial and other information included in this press release, please refer to the Capital Southwest Form 10-Q for the period ended December 31, 2020 to be filed with the Securities and Exchange Commission and Capital Southwest's Third 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 \$313 million in net assets as of December 31, 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: 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)

	December 31, 2020 (Unaudited)	March 31, 2020
Assets		
Investments at fair value:		
Non-control/Non-affiliate investments (Cost: \$496,654 and \$436,463, respectively)	\$ 497,326	\$ 421,280
Affiliate investments (Cost: \$90,954 and \$94,724, respectively)	87,812	92,032
Control investments (Cost: \$80,800 and \$68,000, respectively)	63,635	39,760
Total investments (Cost: \$668,408 and \$599,187, respectively)	648,773	553,072
Cash and cash equivalents	43,724	13,744
Receivables:		
Dividends and interest	10,746	10,389
Escrow	1,150	1,643
Other	42	51
Income tax receivable	585	147
Deferred tax asset	—	1,402
Debt issuance costs (net of accumulated amortization of \$3,359 and \$2,720, respectively)	2,453	2,980
Other assets	1,361	1,531
Total assets	<u>\$ 708,834</u>	<u>\$ 584,959</u>
Liabilities		
December 2022 Notes (Par value: \$37,136 and \$77,136, respectively)	\$ 36,689	\$ 75,812
October 2024 Notes (Par value: \$125,000 and \$75,000, respectively)	122,775	73,484
January 2026 Notes (Par value: \$75,000 and \$0, respectively)	73,410	—
Credit facility	150,000	154,000
Other liabilities	6,783	4,883
Accrued restoration plan liability	2,975	3,082
Income tax payable	844	513
Deferred tax liability	2,708	963
Total liabilities	<u>396,184</u>	<u>312,737</u>
Commitments and contingencies (Note 10)		
Net Assets		
Common stock, \$0.25 par value: authorized, 40,000,000 shares; issued, 22,207,360 shares at December 31, 2020 and 20,337,610 shares at March 31, 2020	5,552	5,085
Additional paid-in capital	337,822	310,846
Total distributable earnings (loss)	(6,787)	(19,772)
Treasury stock - at cost, 2,339,512 shares	(23,937)	(23,937)
Total net assets	<u>312,650</u>	<u>272,222</u>
Total liabilities and net assets	<u>\$ 708,834</u>	<u>\$ 584,959</u>
Net asset value per share (19,867,848 shares outstanding at December 31, 2020 and 17,998,098 shares outstanding at March 31, 2020)	<u>\$ 15.74</u>	<u>\$ 15.13</u>

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

(In thousands, except shares and per share data)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	2019	2020	2019
Investment income:				
Interest income:				
Non-control/Non-affiliate investments	\$ 12,286	\$ 9,526	\$ 34,234	\$ 27,793
Affiliate investments	2,401	2,159	6,980	6,210
Control investments	—	—	—	265
Dividend income:				
Non-control/Non-affiliate investments	1,235	(15)	1,589	140
Affiliate investments	—	122	—	141
Control investments	1,681	2,581	5,144	10,013
Interest income from cash and cash equivalents	1	21	8	49
Fees and other income	1,436	1,590	2,934	2,390
Total investment income	<u>19,040</u>	<u>15,984</u>	<u>50,889</u>	<u>47,001</u>
Operating expenses:				
Compensation	2,444	2,034	6,125	5,763
Share-based compensation	771	690	2,236	2,212
Interest	4,528	4,142	13,253	11,664
Professional fees	538	479	1,691	1,567
Net pension expense	33	36	99	107
General and administrative	754	728	2,240	2,748
Total operating expenses	<u>9,068</u>	<u>8,109</u>	<u>25,644</u>	<u>24,061</u>
Income before taxes	9,972	7,875	25,245	22,940
Income tax (benefit) expense	1,455	761	1,590	1,651
Net investment income	<u>\$ 8,517</u>	<u>\$ 7,114</u>	<u>\$ 23,655</u>	<u>\$ 21,289</u>
Realized (loss) gain				
Non-control/Non-affiliate investments	\$ (127)	\$ (157)	\$ (5,325)	\$ 1,159
Affiliate investments	—	40	(1,628)	57
Control investments	—	44,399	—	44,566
Total net realized (loss) gain on investments, net of tax	<u>(127)</u>	<u>40,818</u>	<u>(6,953)</u>	<u>42,318</u>
Net unrealized appreciation (depreciation) on investments				
Non-control/Non-affiliate investments	5,593	(1,118)	16,417	(4,899)
Affiliate investments	245	(1,265)	(1,012)	(240)
Control investments	2,152	(52,208)	11,075	(55,027)
Income tax (provision) benefit	(719)	(174)	(1,968)	(832)
Total net unrealized appreciation (depreciation) on investments, net of tax	<u>7,271</u>	<u>(54,765)</u>	<u>24,512</u>	<u>(60,998)</u>
Net realized and unrealized gains (losses) on investments	<u>7,144</u>	<u>(13,947)</u>	<u>17,559</u>	<u>(18,680)</u>
Realized losses on extinguishment of debt	<u>(262)</u>	<u>—</u>	<u>(548)</u>	<u>—</u>
Net increase in net assets from operations	<u>\$ 15,399</u>	<u>\$ (6,833)</u>	<u>\$ 40,666</u>	<u>\$ 2,609</u>
Pre-tax net investment income per share - basic and diluted	<u>\$ 0.52</u>	<u>\$ 0.44</u>	<u>\$ 1.36</u>	<u>\$ 1.29</u>
Net investment income per share - basic and diluted	<u>\$ 0.45</u>	<u>\$ 0.39</u>	<u>\$ 1.27</u>	<u>\$ 1.20</u>
Net increase in net assets from operations - basic and diluted	<u>\$ 0.80</u>	<u>\$ (0.38)</u>	<u>\$ 2.18</u>	<u>\$ 0.15</u>
Weighted average shares outstanding - basic	<u>19,134,824</u>	<u>18,100,176</u>	<u>18,629,463</u>	<u>17,803,005</u>
Weighted average shares outstanding - diluted	<u>19,134,824</u>	<u>18,100,176</u>	<u>18,629,463</u>	<u>17,803,005</u>



Capital Southwest Corporation

Q3 2021 Earnings Presentation

February 2, 2021

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 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 detailed discussions contained elsewhere in Capital Southwest's public filings with the Securities and Exchange Commission (the "SEC").
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- 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 and 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 reinvestment 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.
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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 strategy 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, 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 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 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 disruption 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")
- 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
- 21 employees based in Dallas, Texas
- Total Balance Sheet Assets of \$709 MM as of December 31, 2020
- Manage I-45 Senior Loan Fund ("I-45 SLF") in partnership with Main Street Capital (NYSE: "MAIN")



Q3 2021 Highlights

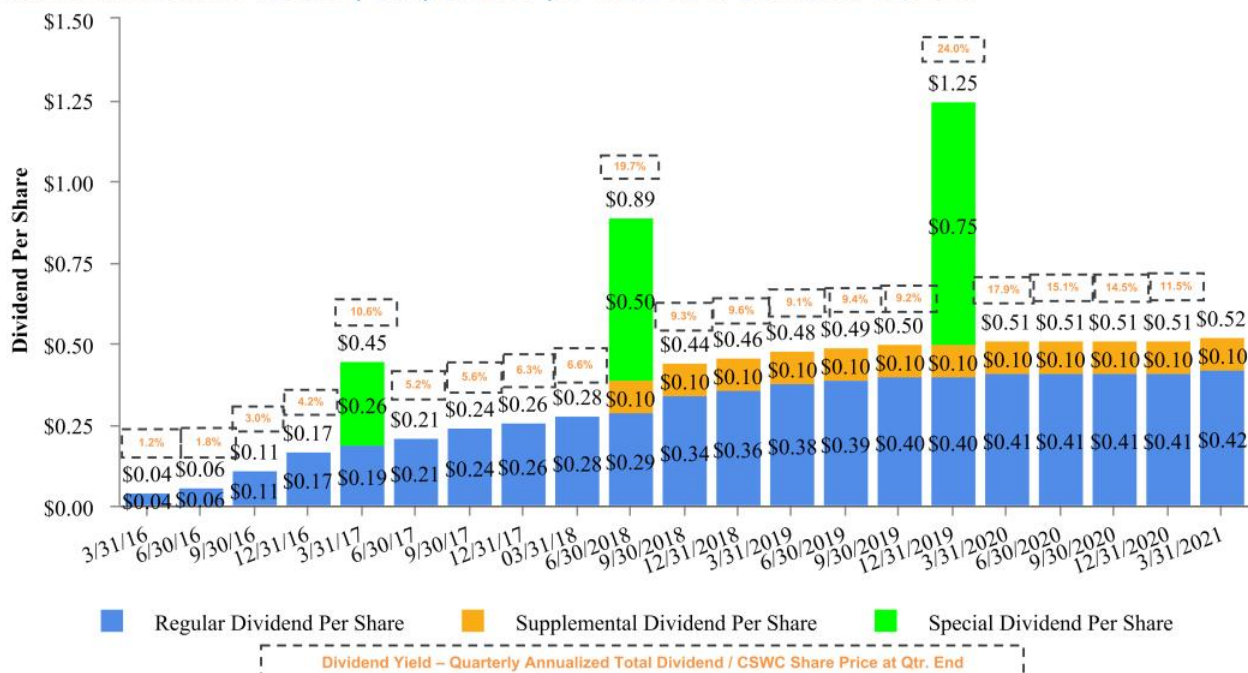
Financial Highlights

- Q3 2021 Pre-Tax Net Investment Income (“NII”) of \$10.0 MM or \$0.52 per share
- Paid \$0.41 per share Regular Dividend and \$0.10 per share Supplemental Dividend for the quarter ended December 31, 2020
 - Increased Regular Dividend to \$0.42 per share and declared \$0.10 per share Supplemental Dividend for the quarter ending March 31, 2021
- Investment Portfolio at Fair Value increased to \$649 MM from \$631 MM in prior quarter
 - \$57.5 MM in total new committed investments
 - \$28.0 MM in total proceeds from three portfolio company exits
 - \$7.1 MM net unrealized appreciation and realized gains on the portfolio
- Issued \$75 MM in aggregate principal of 4.50% January 2026 Notes at par
- During the quarter, redeemed \$20 MM of 5.95% December 2022 Notes at par
 - Subsequent to quarter end, fully repaid remaining \$37.1 MM outstanding balance of 5.95% December 2022 Notes
- Raised \$21.1 MM in gross proceeds through Equity ATM Program during the quarter
 - Cumulative to date, raised \$59.7 MM in gross proceeds at a weighted average price of \$18.8 share since inception of the Equity ATM program in March 2019
- \$186.9 MM available on Credit Facility and \$43.7 MM in cash and cash equivalents as of quarter



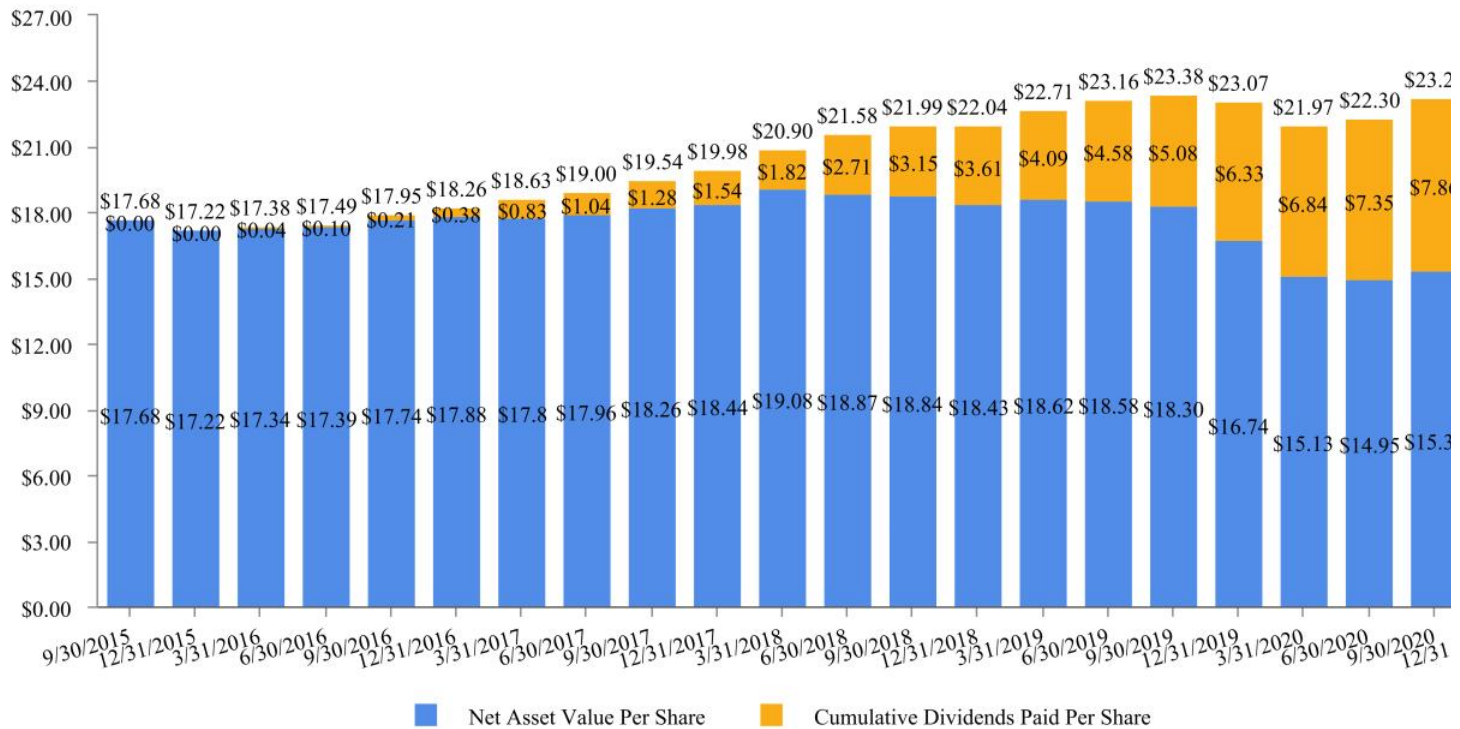
Track Record of Consistent Dividends Continues

- In the last twelve months ended 12/31/2020, CSWC generated \$1.76 per share in Pre-Tax NII and paid out \$1.64 per share in regular dividends
- Cumulative Pre-Tax NII Regular Dividend Coverage of 108% 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 \$1.09 per share as of December 31, 2020



History of Value Creation

Total Value (Net Asset Value + Cumulative Dividends Paid) Increase of \$6.43 per share at 12/31/2020 from 9/30/2015 Spin-off of CSWI



■ Net Asset Value Per Share ■ Cumulative Dividends Paid Per Share



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

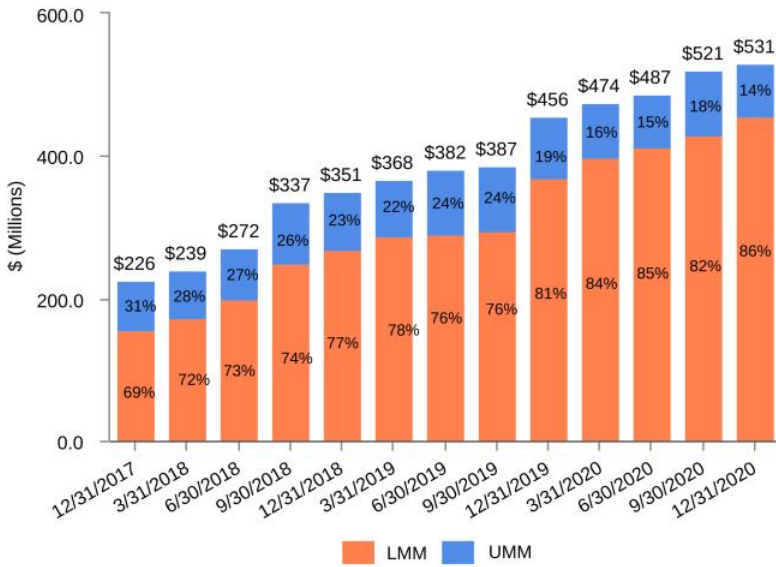
OPPORTUNISTIC: Upper Middle Market (“UMM”): Syndicated or Club First and Second Lien

- 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

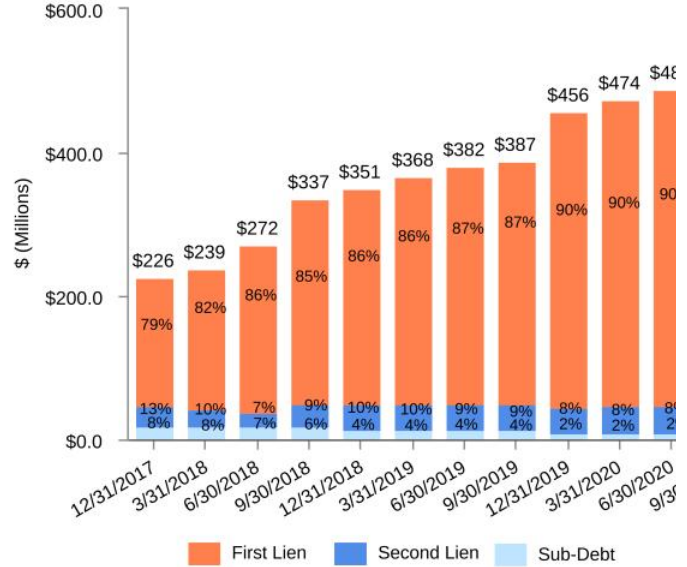
Credit Portfolio Heavily Weighted Towards LMM and First Lien Investments

LMM and First Lien Investments are 86% and 91% of the credit portfolio, respectively, as of 12/31/2020

Robust LMM Credit Portfolio Growth



Credit Portfolio Heavily Weighted to First Lien



Q3 2021 Originations

\$57.5 MM in total new committed investments, consisting of \$47.4 MM committed to three portfolio companies and \$10.1 MM committed to three existing portfolio companies

Portfolio Originations		Q3 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	
Klein Hersh, LLC	Business Services	First Lien	LMM	\$15,000	\$—	\$938	8.00%		
Dynamic Communities, LLC	Business Services	Senior Subordinated Debt	LMM	\$344	\$—	\$—	25.00%		
Acceleration Partners, LLC	Media, Marketing & Entertainment	First Lien Last Out ⁽¹⁾	LMM	\$11,550	\$1,000	\$382	8.21%		
Broad Sky Networks, LLC	Telecommunications	First Lien	LMM	\$15,000	\$1,000	\$2,500	7.50%		
Amware Fulfillment, LLC	Distribution	First Lien	LMM	\$6,105	\$—	\$—	9.50%		
NinjaTrader, Inc.	Financial Services	First Lien	LMM	\$1,000	\$—	\$2,655	6.75%		
Total / Weighted Average				\$48,999	\$2,000	\$6,475	8.18%		

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

(1) Capital Southwest partnered with a bank lender who contributed a first out participation in the first lien loan



Originations Subsequent to Quarter End

Subsequent to quarter end, \$33.5 MM in total new committed investments to two new portfolio companies

Portfolio Originations		FY Q4 2021 To Date					
Name	Industry	Type	Market	Total Debt Funded at Close (\$000s)	Total Equity Funded at Close (\$000s)	Unfunded Commitments at Close (\$000s)	Debt Spread
Unidentified	Buyer/seller of closeout goods	First Lien First Out ⁽¹⁾	LMM	\$16,000	\$—	\$—	6.00%
Unidentified	Distributor of electronic components	First Lien Last Out ⁽²⁾	LMM	\$15,500	\$2,000	\$—	8.05%
Total / Weighted Average				\$31,500	\$2,000	\$0	7.01%

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

(1) Capital Southwest partnered with another lender who contributed a last out participation in the first lien loan

(2) Capital Southwest partnered with a bank lender who contributed a first out participation in the first lien loan



Track Record of CSWC Exits Continues

\$28.0 MM in total proceeds from three portfolio company exits

- During the quarter, CSWC received two full prepayments and exited one equity investment, generating total proceeds of \$28.0 MM and a weighted average IRR of 34.6%
- Cumulative IRR of 16.8% on 35 portfolio company exits generating \$335.6 MM in proceeds since launch of credit strategy in January 2015

Portfolio Prepayments		Q3 2021					
Name	Industry	Type	Market	Net Proceeds (\$000s)	Realized Gain (\$000s)	IF	
Tinuiti Inc.	Media, Marketing & Entertainment	Equity	LMM	\$9,510	\$8,118	73.	
Coastal Television Broadcasting Holdings, LLC	Media, Marketing & Entertainment	First Lien	LMM	\$7,950	\$145	21.	
iEnergizer Limited	Business Services	First Lien	UMM	\$10,500	\$70	9.8	
Total / Weighted Average				\$27,960	\$8,333	34.	

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 Q3 2021		
(In Thousands)	Lower Middle Market ⁽¹⁾	Upper Middle Market
Number of Portfolio Companies	39	11
Total Cost	\$500,044	\$87,564
Total Fair Value	\$502,987	\$82,151
Average Hold Size (at Cost)	\$12,822	\$7,960
% First Lien Investments (at Cost)	85.0%	74.3%
% Second Lien Investments (at Cost)	4.9%	18.3%
% Subordinated Debt Investments (at Cost)	2.2%	0.0%
% Equity (at Cost)	7.9%	7.4%
Wtd. Avg. Yield ⁽²⁾	10.8%	10.2%
Wtd. Avg. EBITDA of Issuer (\$MM's) ⁽³⁾	\$9.5	\$79.2
Wtd. Avg. Leverage through CSWC Security ⁽⁴⁾	3.8x	3.6x

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

(1) At December 31, 2020, we had equity ownership in approximately 61.5% 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 December 31, 2020, including original issue discount but excluding fees payable upon repayment of the debt instruments. As of December 31, 2020, there was one investment on non-accrual status. Weighted average 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 on any sales load paid by an investor

(3) Weighted average EBITDA metric is calculated using investment cost basis weighting. For the quarter ended December 31, 2020, four portfolio companies are excluded from 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 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 in basis weighting. Management uses this metric as a guide to evaluate relative risk of its position in each portfolio debt investment. For the quarter ended December 31, 2020, four companies are excluded from this calculation due to reporting a debt to adjusted EBITDA ratio that was not meaningful



Credit Portfolio Investment Rating Migration

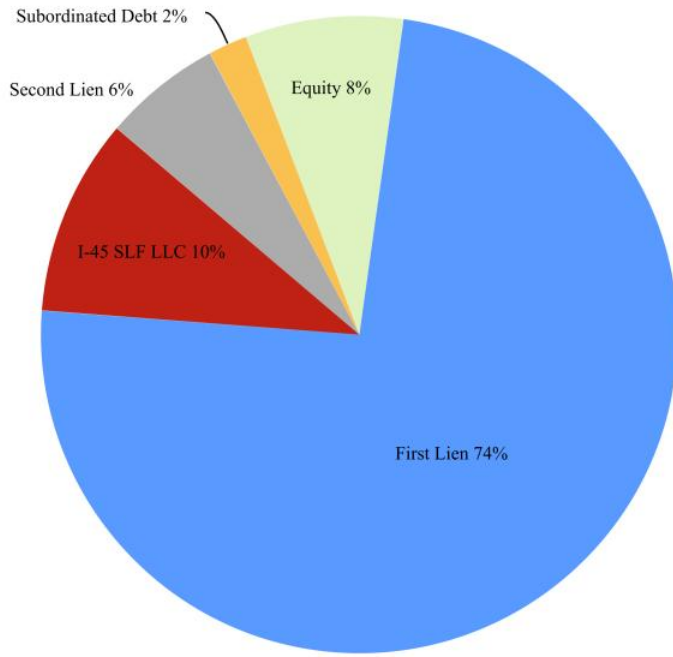
Two Loans Upgraded and No Loans Downgraded During the Quarter as Credit Portfolio Continues to Improve

Investment Rating	9/30/2020			Investment Rating Upgrades			Investment Rating Downgrades			12/31/2020	
	# 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)
1	4	\$69.9	13.4%	1	\$5.9	1.1%	0	\$0.0	—%	4	\$60.0
2	43	\$388.5	74.6%	1	\$3.8	0.7%	0	\$0.0	—%	50	\$419.3
3	7	\$51.8	10.0%	0	\$0.0	—%	0	\$0.0	—%	6	\$51.0
4	2	\$10.5	2.0%	0	\$0.0	—%	0	\$0.0	—%	1	\$0.7
Wtd. Avg. Investment Rating (at Cost)	2.0									2.0	

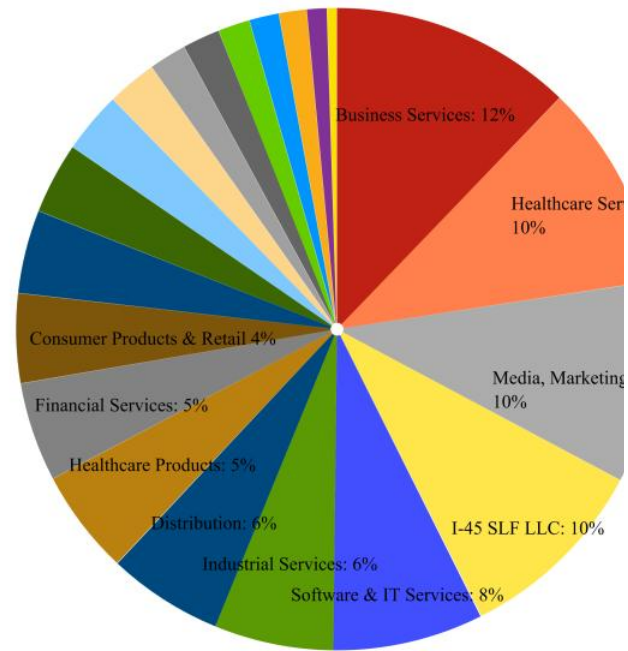
CSWC Portfolio Mix as of 12/31/2020 at Fair Value

Current Investment Portfolio of \$648.8 MM continues to be diverse across industries

Current Investment Portfolio (By Type)



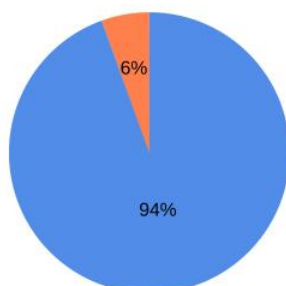
Current Investment Portfolio (By Industry)



I-45 Portfolio Overview

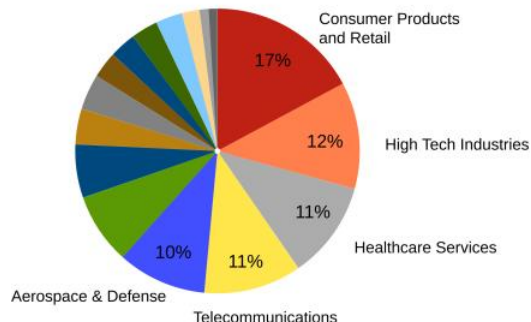
I-45 loan portfolio of \$159.6 MM is 94% first lien with average hold size of 2.6% of the I-45 portfolio

Current I-45 Portfolio (By Type)



■ First Lien ■ Second Lien

Current I-45 Portfolio (By Industry)



I-45 Portfolio Statistics				
(In Thousands)	3/31/2020	6/30/2020	9/30/2020	12/31/2020
Total Investments at Fair Value	\$170,860	\$172,551	\$177,527	\$159,598
Fund Leverage (Debt to Equity) at Fair Value	2.51x	1.51x	1.39x	1.07x
Number of Issuers	43	42	42	38
Wtd. Avg. Issuer EBITDA	\$65,098	\$64,800	\$66,879	\$73,384
Avg. Investment Size as a % of Portfolio	2.3%	2.4%	2.4%	2.6%
Wtd. Avg. Net Leverage on Investments ⁽¹⁾⁽²⁾	4.6x	5.0x	4.7x	4.7x
Wtd. Avg. Spread to LIBOR	6.3%	6.3%	6.3%	6.1%
Wtd. Avg. Duration (Yrs)	3.5	3.3	3.1	3.1

(1) Through I-45 security

(2) Two portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaning

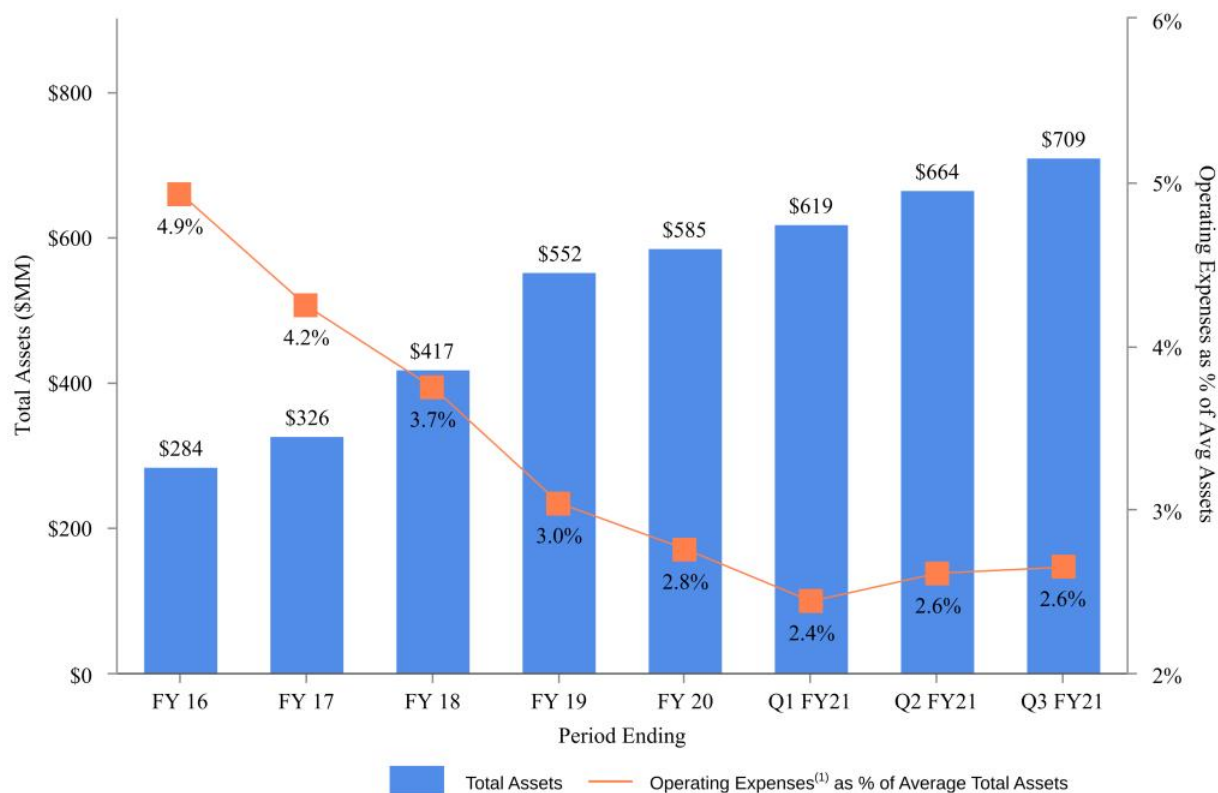
Income Statement

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 3/31/20	Quarter Ended 6/30/20	Quarter Ended 9/30/20	Quarter 12/31
Investment Income				
Interest Income	\$12,650	\$12,645	\$13,882	\$14,100
Dividend Income	2,149	1,957	1,860	2,900
Fees and Other Income	239	562	943	1,400
Total Investment Income	\$15,038	\$15,164	\$16,685	\$19,400
Expenses				
Cash Compensation	\$1,547	\$1,720	\$1,961	\$2,400
Share Based Compensation	641	612	853	770
General & Administrative	1,324	1,335	1,370	1,300
Total Expenses (excluding Interest)	\$3,512	\$3,667	\$4,184	\$4,470
Interest Expense	\$4,172	\$4,328	\$4,397	\$4,500
Pre-Tax Net Investment Income	\$7,354	\$7,169	\$8,104	\$9,930
Taxes and Gain / (Loss)				
Income Tax Benefit (Expense)	\$(411)	\$(350)	\$215	\$(1,400)
Net realized gain (loss) on investments	(87)	(5,547)	(1,279)	(120)
Net increase (decrease) in unrealized appreciation of investments	(31,816)	7,605	9,636	7,200
Realized losses on extinguishment of debt	—	—	(286)	(260)
Net increase (decrease) in net assets resulting from operations	\$(24,960)	\$8,877	\$16,390	\$15,100
Weighted Average Diluted Shares Outstanding	18,595	18,148	18,600	19,100
Pre-Tax NII Per Diluted Weighted Average Share	\$0.40	\$0.40	\$0.44	\$0.52



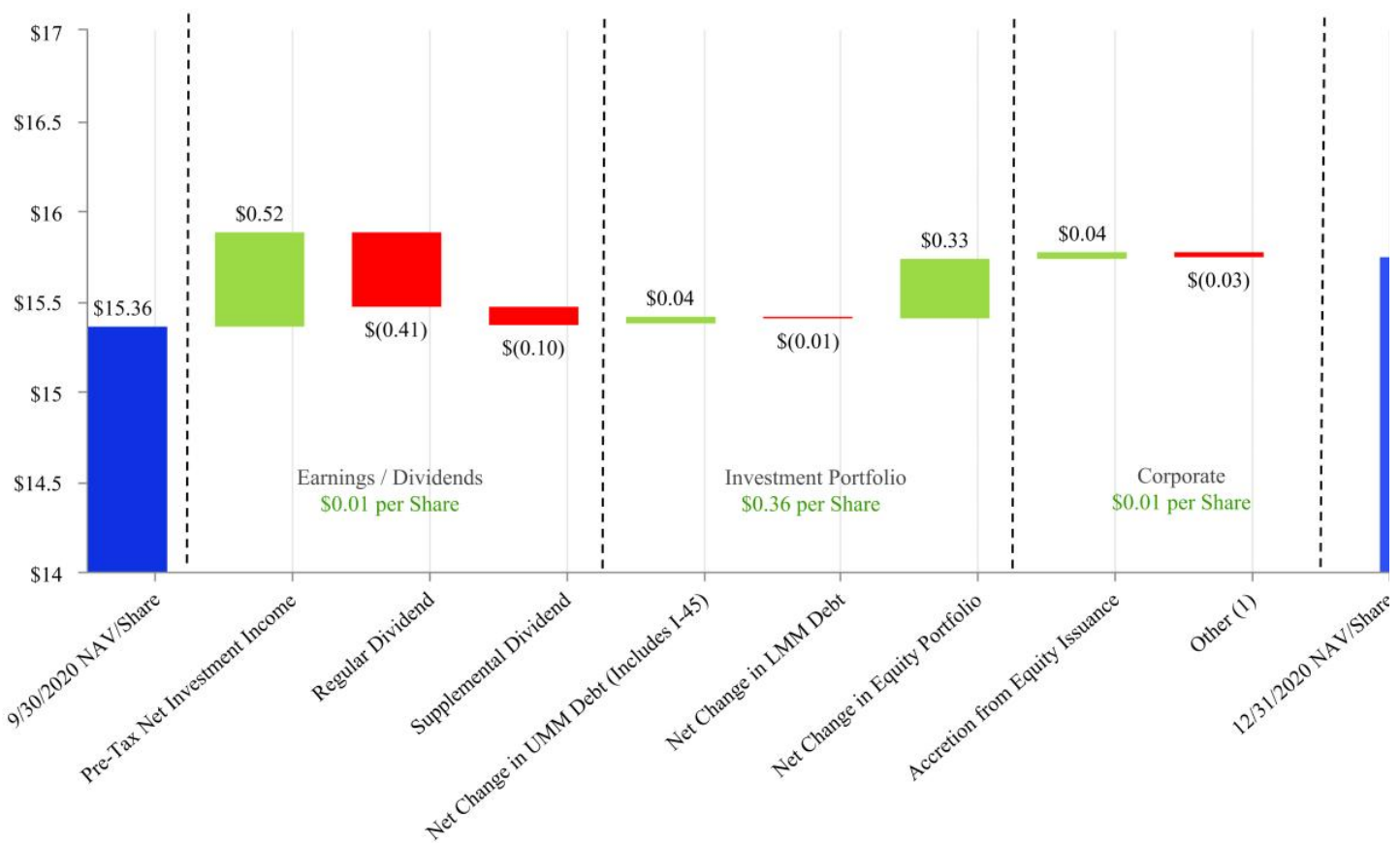
Operating Leverage Trend

Continue to realize operating efficiencies of internally managed structure



Note: FY16 includes only the quarters after the 2015 spin-off. Q1, Q2, and Q3 FY21 are quarterly annualized.
 (1) Operating expenses exclude interest expense

NAV per Share Bridge from Quarter Ended 9/30/20



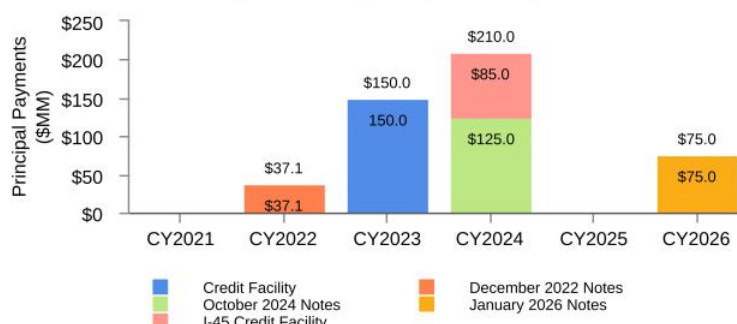
(1) Other consists of income taxes of \$(0.07) and share based compensation expense add-back of \$0.04

Significant Unused Debt Capacity with Long-Term Duration

December 2022 Notes fully repaid in January 2021; Earliest debt maturity occurs in December 2023

Facility	Total Commitments	Interest Rate	Maturity	Principal Drawn	Undrawn Capacity
Credit Facility ⁽¹⁾	\$340.0 MM	L + 2.50% subject to certain conditions	December 2023	\$150.0 MM	\$186.9 MM
December 2022 Notes ⁽³⁾	\$37.1 MM	5.95%	December 2022	\$37.1 MM	N/A
October 2024 Notes ⁽⁴⁾	\$125.0 MM	5.375%	October 2024	\$125.0 MM	N/A
January 2026 Notes ⁽⁵⁾	\$75.0 MM	4.50%	January 2026	\$75.0 MM	N/A
I-45 Credit Facility ⁽⁶⁾	\$150.0 MM	L + 2.25%	November 2024	\$85.0 MM	\$65.0 MM

Long-Term Debt Obligations (Calendar Year)



- (1) The Credit Facility has an accordion feature that allows for an increase in total commitments up to \$400 MM
- (2) Net of \$3.1 MM in letters of credit outstanding
- (3) Redeemable in whole or in part at CSWC's option at any time. Subsequent to quarter end, CSWC fully repaid the outstanding balance of \$37.1 MM
- (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) 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
- (6) CSWC owns 80% of the equity and 50% of the voting rights of I-45 SLF LLC with a joint venture partner



Balance Sheet

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 3/31/20	Quarter Ended 6/30/20	Quarter Ended 9/30/20	Quarter Ended 12/31/20
Assets				
Portfolio Investments	\$553,072	\$587,178	\$631,197	\$648,773
Cash & Cash Equivalents	13,744	14,986	16,011	43,724
Other Assets	18,143	16,932	17,057	16,337
Total Assets	\$584,959	\$619,096	\$664,265	\$708,834
Liabilities				
December 2022 Notes	\$75,812	\$75,936	\$56,339	\$36,689
October 2024 Notes	73,484	73,575	122,623	122,775
January 2026 Notes	—	—	—	73,410
Credit Facility	154,000	182,000	187,000	150,000
Other Liabilities	9,441	9,726	12,174	13,310
Total Liabilities	\$312,737	\$341,237	\$378,136	\$396,184
Shareholders Equity				
Net Asset Value	\$272,222	\$277,859	\$286,129	\$312,650
Net Asset Value per Share	\$15.13	\$14.95	\$15.36	\$15.74
Debt to Equity	1.11x	1.19x	1.28x	1.22x

Portfolio Statistics

Continuing to build a well performing credit portfolio

(In Thousands)	Quarter Ended 3/31/20	Quarter Ended 6/30/20	Quarter Ended 9/30/20	Quarter Ended 12/31/20
Portfolio Statistics				
Fair Value of Debt Investments	\$474,333	\$487,195	\$520,651	\$531,103
Average Debt Investment Hold Size	\$11,569	\$11,330	\$11,319	\$11,300
Fair Value of Debt Investments as a % of Par	94%	95%	95%	96%
% of Investment Portfolio on Non-Accrual (at Fair Value)	3.3%	1.9%	1.7%	0.1%
Weighted Average Investment Rating ⁽¹⁾	2.1	2.1	2.0	2.0
Weighted Average Yield on Debt Investments	10.50%	10.08%	10.34%	10.64%
Total Fair Value of Portfolio Investments	\$553,072	\$587,178	\$631,197	\$648,773
Weighted Average Yield on all Portfolio Investments	10.63%	10.36%	10.43%	11.20%
Investment Mix (Debt vs. Equity) ⁽²⁾⁽³⁾	92% / 8%	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

<i>(In Thousands)</i>	Quarter Ended 3/31/20	Quarter Ended 6/30/20	Quarter Ended 9/30/20	Quarter Ended 12/31/20
Investment Income Breakdown				
Cash Interest	\$11,421	\$11,008	\$11,581	\$12,413
Cash Dividends	2,150	1,957	1,860	2,916
PIK Income	741	1,120	1,761	1,608
Amortization of purchase discounts and fees	511	520	543	667
Management/Admin Fees	177	182	198	199
Prepayment Fees & Other Income	38	377	742	1,237
Total Investment Income	\$15,038	\$15,164	\$16,685	\$19,040
Key Metrics				
Cash Income as a % of Investment Income	92%	89%	86%	88%
% of Total Investment Income that is Recurring	98%	97%	95%	92%

Key Financial Metrics

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

	Quarter Ended 3/31/20	Quarter Ended 6/30/20	Quarter Ended 9/30/20	Quarter 12/31
Key Financial Metrics				
Pre-Tax Net Investment Income Per Wtd Avg Diluted Share	\$0.40	\$0.40	\$0.44	\$0.5
Pre-Tax Net Investment Income Return on Equity (ROE) ⁽¹⁾	9.45%	10.44%	11.66%	13.5%
Realized Earnings Per Wtd Avg Diluted Share	\$0.37	\$0.07	\$0.38	\$0.4
Realized Earnings Return on Equity (ROE) ⁽¹⁾	8.81%	1.85%	10.13%	11.4%
Earnings Per Wtd Avg Diluted Share	\$(1.34)	\$0.49	\$0.88	\$0.8
Earnings Return on Equity (ROE) ⁽¹⁾	(32.07)%	12.93%	23.58%	20.9%
Regular Dividends per Share	\$0.41	\$0.41	\$0.41	\$0.4
Supplemental/Special Dividends per Share	\$0.10	\$0.10	\$0.10	\$0.1
Total Dividends per Share	\$0.51	\$0.51	\$0.51	\$0.5
Dividend Yield ⁽²⁾	17.86%	15.13%	14.52%	11.4%

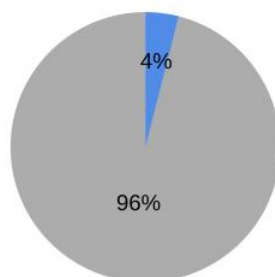
(1) Return on Equity is calculated as the quarterly annualized Pre-Tax NII, Realized Earnings, or Total Earnings, respectively, divided by equity at the end of the prior quarter

(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)
(25 bps)	453,374	0.02
25 bps	(475,474)	(0.02)
50 bps	(950,947)	(0.05)
75 bps	(1,417,060)	(0.07)
100 bps	(984,492)	(0.05)
125 bps	(491,680)	(0.02)
150 bps	101,555	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 12/31/2020, adjusted only for changes in Base Interest Rate. Base Interest Rate used in this analysis is 3-Month LIBOR of 0.24% at 12/31/2020. The results of this analysis include the I-45 Senior L Fund, which is comprised of 99% floating rate 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

Senior Management

Bowen S. Diehl
President & Chief Executive Officer

Michael S. Sarner
Chief Financial Officer, Secretary & Treasurer

Fiscal Year End

March 31

Independent Auditor

RSM US
Chicago, IL

Corporate Counsel

Eversheds Sutherland (US) LLP

Corporate Offices & Website

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Securities Listing

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