

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 6, 2018**

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))

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 6, 2018, 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 7, 2018. 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 6, 2018
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: August 6, 2018

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

Capital Southwest Announces Financial Results for First Fiscal Quarter Ended June 30, 2018

CSWC Reports Pre-Tax Net Investment Income of \$0.31 Per Share

Dallas, Texas – August 6, 2018 – 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, 2018.

First Quarter Fiscal Year 2019 Financial Highlights

- Total Investment Portfolio: \$411.3 million
 - Credit Portfolio of \$272.1 million:
 - No investments currently on non-accrual
 - 86.3% 1st Lien Debt
 - \$63.8 million in new committed credit investments
 - \$19.1 million in prepayments and amortization in credit investments
 - Equity Portfolio of \$72.6 million, excluding investment in I-45 Senior Loan Fund (“I-45 SLF”):
 - \$3.1 million in new equity investments during the quarter, consisting of co-investments alongside two credit investments
 - \$24.8 million in proceeds from the exit of one equity investment generating an \$18.6 million realized gain
 - CSWC Investment in I-45 SLF of \$66.6 million
 - I-45 SLF portfolio of \$228.5 million
 - Portfolio consists of 45 issuers: 93.2% 1st Lien Debt and 6.8% 2nd Lien Debt
 - I-45 SLF paid a \$2.2 million quarterly dividend to CSWC, an effective yield of 13.1%
- Pre-Tax Net Investment Income of \$5.0 million, or \$0.31 per weighted average diluted share
- Declared and Paid Total Dividend of \$0.89 per share
 - Regular Dividend of \$0.29 per share and Supplemental Dividend of \$0.60 per share
- Net Realized and Unrealized Portfolio Appreciation: \$7.0 million
- Cash and Cash Equivalents: \$12.5 million
- Total Net Assets: \$307.4 million
- Net Asset Value (“NAV”) per Share: \$18.87
- Weighted Average Yield on Debt Investments: 11.73%

In commenting on the Company's results, Bowen Diehl, President and Chief Executive Officer, stated, "We continue to thoughtfully grow our balance sheet, having originated investments in three new portfolio companies and three existing portfolio companies during the quarter. All of these transactions were directly originated and led by CSWC, with the one exception being an add-on to a large club deal. All of our credit deployed this quarter was first lien, with one of the new portfolio company opportunities and one of the add-on opportunities including equity co-investments. Our portfolio continues to perform, having produced a 15.1% annualized return on equity this quarter with no investments currently on non-accrual. We were also pleased to be able to exit our investment in TitanLiner in a transaction that resulted in a sizeable realized gain, which allowed us to pay a large supplemental dividend to our shareholders and fund our announced Supplemental Dividend Program. Finally, we continue to be well-capitalized with available debt capital and leverage of only 0.4 to 1, providing us significant room to continue to grow the investment portfolio, net investment income and the dividend for our shareholders."

First Quarter Fiscal Year Investment Activities

During the quarter ended June 30, 2018, the Company originated three new investments and three follow-on investments totaling \$66.9 million in commitments. New investment transactions that occurred during the quarter ended June 30, 2018 are summarized as follows:

Gauge American Nuts Operations LLC, \$18.1 million 1st Lien Senior Secured Debt, \$2.0 million Delayed Draw Term Loan, \$3.5 million Revolving Loan and \$3.0 million Common Stock: American Nuts is an importer, mixer, roaster, and packager of bulk nuts and dried fruit.

- Subsequent to quarter end, American Nuts refinanced the Revolving Loan with a traditional revolving lender.
- The Delayed Draw Term Loan is intended to fund earn-out payments to the sellers based on certain EBITDA growth targets.

Fast Sandwich, LLC, \$3.3 million 1st Lien Senior Secured Debt and \$4.1 million Revolving Loan: Fast Sandwich, LLC is an operator of Jimmy John's franchised sandwich shop locations.

Environmental Pest Service Management Company, LLC, \$16.3 million 1st Lien Senior Secured Debt and \$7.0 million Delayed Draw Term Loan: Environmental Pest is a provider of routine termite and pest control and lawn care services to residential and commercial properties.

- The Delayed Draw Term Loan is intended to fund company acquisitions, subject to certain lender consents and leverage level limitations.

Delphi Intermediate HealthCo, LLC, \$5.0 million add-on to 1st Lien Senior Secured Debt: Delphi Health is a behavioral health company specializing in providing chemical dependent and addiction treatment services to adults.

Elite SEM, Inc., \$2.5 million add-on to 1st Lien Senior Secured Debt and \$0.1 million in Preferred Stock: Elite SEM is a performance digital media agency.

ITA Holdings Group, LLC (d/b/a Apollo MedFlight), \$2.0 million add-on to 1st Lien Senior Secured Debt: Apollo MedFlight is a regional provider of air and ground medical transport services.

During the quarter ended June 30, 2018, the Company received full prepayments on two investments totaling \$15.1 million and proceeds related to the sale of one equity investment totaling \$24.8 million. The Company received proceeds from the following investments:

Prepaid Legal Services, Inc.: Proceeds of \$5.0 million, generating an IRR of 11.6%.

Wastewater Specialties: Proceeds of \$10.1 million, resulting in an IRR of 16.6%.

TitanLiner, Inc.: Proceeds of \$24.8 million, resulting in an IRR of 28.9%.

First Fiscal Quarter 2019 Operating Results

For the quarter ended June 30, 2018, Capital Southwest reported total investment income of \$11.1 million, compared to \$9.9 million in the prior quarter. The increase in investment income was attributable to an increase in average debt investments outstanding.

For the quarter ended June 30, 2018, total operating expenses (excluding interest expense) were \$3.7 million, compared to \$3.4 million in the prior quarter. The increase in operating expenses was due to one-time fees paid in connection with the addition of a new board member and expenses related to the preparation of annual shareholder meeting materials.

For the quarter ended June 30, 2018, there was interest expense of \$2.4 million, compared to \$2.0 million in the prior quarter. The increase in interest expense was due to increased average debt outstanding on the revolving credit facility during the quarter, as well as an increase in the weighted average interest rate on the credit facility.

For the quarter ended June 30, 2018, total pre-tax net investment income was \$5.0 million, compared to \$4.5 million in the prior quarter.

For the quarter ended June 30, 2018, there was tax expense of \$0.4 million, compared to \$0.3 million in the prior quarter.

During the quarter ended June 30, 2018, Capital Southwest recorded total realized and unrealized gains on investments of \$7.0 million, compared to \$10.8 million in the prior quarter. The net increase in net assets resulting from operations was \$11.7 million for the quarter, compared to \$15.0 million in the prior quarter.

The Company's NAV at June 30, 2018 was \$18.87 per share, as compared to \$19.08 at March 31, 2018. The decrease in NAV from the prior quarter is due to the \$0.60 per share supplemental dividend declared and paid in the current quarter, offset by net unrealized gains on the investment portfolio.

Liquidity and Capital Resources

At June 30, 2018, Capital Southwest had unrestricted cash and money market balances of approximately \$12.5 million.

In November 2017, the Company entered into Amendment No. 1 (the "Amendment") to its revolving credit facility. The Amendment (1) increased the total borrowing capacity under the credit facility to \$180 million, (2) increased the credit facility's accordion feature to allow for an increase in total commitments of up to \$250 million, (3) reduced the interest rate on borrowings from LIBOR plus 3.25% down to LIBOR plus 3.00%, with a further step-down to LIBOR plus 2.75% at the time the Company's net worth exceeds \$325 million, (4) reduced unused commitment fees from a utilization-based grid of 0.50% to 1.5% down to a range of 0.50% to 1.0% per annum, and (5) extended the revolving period that ended August 30, 2019 through November 16, 2020.

Additionally, the final maturity of the credit facility was extended from August 30, 2020 to November 16, 2021. On April 16, 2018 and May 11, 2018, the Company entered into Incremental Assumption Agreements, which increased the total commitments under the credit facility by \$20 million and \$10 million, respectively. The increases were executed in accordance with the accordion feature of the credit facility, increasing total commitments from \$180 million to \$210 million. As of June 30, 2018, Capital Southwest had \$65 million in borrowings outstanding under the credit facility. Regulatory leverage at the end of the quarter was 0.4 to 1.

In December 2017, the Company issued \$57.5 million in aggregate principal amount of 5.95% Notes due 2022 (the "December 2022 Notes"). The total net proceeds from the offering of the December 2022 Notes was \$55.8 million. The December 2022 Notes mature on December 15, 2022 and may be redeemed in whole or in part at any time, or from time to time, at the Company's option on or after December 15, 2019. The December 2022 Notes bear interest at a rate of 5.95% per year, payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning on March 15, 2018.

On June 11, 2018, the Company entered into an "At-The-Market" ("ATM") debt distribution agreement, pursuant to which it may offer for sale, from time to time, up to \$50 million in aggregate principal amount of December 2022 Notes through B. Riley FBR, Inc., acting as its sales agent. Sales of the December 2022 Notes may be made in negotiated transactions or transactions that are deemed to be "at the market offerings" as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on The Nasdaq Global Select Market, or similar securities exchanges or sales made through a market maker other than on an exchange at prices related to prevailing market prices or at negotiated prices.

As of August 3, 2018, the Company has sold a total of 474,950 of the December 2022 Notes, generating approximately \$12 million in gross proceeds at an effective yield of 5.88%. As of August 3, 2018, approximately \$38 million in aggregate principal amount remains available for issuance and sale under the ATM debt distribution agreement.

Additionally, I-45 SLF has total commitments outstanding of \$165 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, 2018, I-45 SLF had \$150 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 significantly 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.

During the quarter ended June 30, 2018, the Company did not repurchase any common stock under the program. Cumulative to date, the Company has repurchased a total of 35,911 shares at an average price of \$16.37 per share, including commissions paid. The Company currently has approximately \$9.4 million available for additional repurchases under the program.

First Quarter 2019 Earnings Results Conference Call and Webcast

Capital Southwest has scheduled a conference call on Tuesday, August 7, 2018, at 11:00 a.m. Eastern Time to discuss the first quarter 2019 financial results. You may access the call by dialing (866) 502-8274 and using the Conference ID 7482608 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/m6/p/tyc2m7ef>.

A telephonic replay will be available through August 14, 2018 by dialing (855) 859-2056 and using the Conference ID 7482608. 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, 2018 to be filed with the Securities and Exchange Commission and Capital Southwest's First Fiscal Quarter 2019 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 \$307 million in net assets as of June 30, 2018. Capital Southwest is a middle market lending firm focused on supporting the acquisition and growth of middle market businesses with \$5 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 and lending markets, regulatory changes, tax treatment and general economic and business conditions.

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, 2018 and subsequent filings 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, 2018	March 31, 2018
	(Unaudited)	
Assets		
Investments at fair value:		
Non-control/Non-affiliate investments (Cost: \$232,460 and \$200,981, respectively)	\$ 235,961	\$ 199,949
Affiliate investments (Cost: \$56,410 and \$51,648, respectively)	57,289	53,198
Control investments (Cost: \$76,864 and \$82,768, respectively)	118,080	139,948
Total investments (Cost: \$365,734 and \$335,397, respectively)	411,330	393,095
Cash and cash equivalents	12,532	7,907
Receivables:		
Dividends and interest	5,671	5,219
Escrow	203	119
Other	558	447
Income tax receivable	109	109
Deferred tax asset	2,116	2,050
Debt issuance costs (net of accumulated amortization of \$862 and \$366, respectively)	2,676	2,575
Other assets	15,731	5,969
Total assets	\$ 450,926	\$ 417,490
Liabilities		
Notes (Par value: \$58,886 and \$57,500, respectively)	\$ 56,646	\$ 55,305
Credit facility	65,000	40,000
Other liabilities	4,483	6,245
Dividends payable	14,503	4,525
Accrued restoration plan liability	2,913	2,937
Deferred income taxes	—	190
Total liabilities	143,545	109,202
Commitments and contingencies (Note 11)		
Net Assets		
Common stock, \$0.25 par value: authorized, 25,000,000 shares; issued, 18,632,706 shares at June 30, 2018 and 18,501,298 shares at March 31, 2018	4,658	4,625
Additional paid-in capital	262,623	260,713
Net investment income in excess of (less than) distributions	(2,157)	6,147
Accumulated undistributed net realized gain	20,469	3,231
Unrealized appreciation of investments, net of income taxes	45,725	57,509
Treasury stock - at cost, 2,339,512 shares	(23,937)	(23,937)
Total net assets	307,381	308,288
Total liabilities and net assets	\$ 450,926	\$ 417,490
Net asset value per share (16,293,194 shares outstanding at June 30, 2018 and 16,161,786 shares outstanding at March 31, 2018)	\$ 18.87	\$ 19.08

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

(In thousands, except shares and per share data)

	Three Months Ended	
	June 30,	
	2018	2017
Investment income:		
Interest income:		
Non-control/Non-affiliate investments	\$ 6,032	\$ 4,332
Affiliate investments	1,452	140
Control investments	159	41
Dividend income:		
Non-control/Non-affiliate investments	23	—
Affiliate investments	38	—
Control investments	3,014	3,004
Interest income from cash and cash equivalents	4	7
Fees and other income	385	200
Total investment income	<u>11,107</u>	<u>7,724</u>
Operating expenses:		
Compensation	1,910	1,638
Spin-off compensation plan	—	172
Share-based compensation	475	368
Interest	2,373	738
Professional fees	488	479
Net pension expense	40	40
General and administrative	825	709
Total operating expenses	<u>6,111</u>	<u>4,144</u>
Income before taxes	4,996	3,580
Income tax (benefit) expense	379	144
Net investment income	<u>\$ 4,617</u>	<u>\$ 3,436</u>
Realized gain		
Non-control/Non-affiliate investments	\$ 200	\$ 624
Affiliate investments	—	—
Control investments	18,619	—
Total net realized gain on investments before income tax	<u>18,819</u>	<u>624</u>
Change in unrealized appreciation of investments		
Non-control/Non-affiliate investments	4,532	(2,419)
Affiliate investments	(671)	(332)
Control investments	(15,963)	4,050
Income tax (provision) benefit	319	85
Total net change in unrealized appreciation of investments, net of tax	<u>(11,783)</u>	<u>1,384</u>
Net realized and unrealized gains on investments	<u>\$ 7,036</u>	<u>\$ 2,008</u>
Net increase in net assets from operations	<u>\$ 11,653</u>	<u>\$ 5,444</u>
Pre-tax net investment income per share - basic and diluted	<u>\$ 0.31</u>	<u>\$ 0.22</u>
Net investment income per share – basic and diluted	<u>\$ 0.29</u>	<u>\$ 0.21</u>
Net increase in net assets from operations – basic and diluted	<u>\$ 0.72</u>	<u>\$ 0.34</u>
Weighted average shares outstanding – basic	<u>16,180,291</u>	<u>16,009,703</u>
Weighted average shares outstanding – diluted	<u>16,201,443</u>	<u>16,072,463</u>



Capital Southwest Corporation

Q1 2019 Earnings Presentation

August 7, 2018

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

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.
- 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, 2018 and its subsequent filings with the Securities and Exchange Commission. 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 tax purposes
- December 2014 announced intent to spin-off of industrial growth company (“CSW Industrials”; Nasdaq: CSWI) tax free
- January 2015 launched credit investment strategy
- September 2015 completed tax free spin off of CSWI
- 20 employees based in Dallas, Texas
- Total Balance Sheet Assets of \$451 MM as of June 30, 2018
- Manage I-45 Senior Loan Fund (“I-45 SLF”) in partnership with Main Street Capital (Nasdaq: “MAIN”)

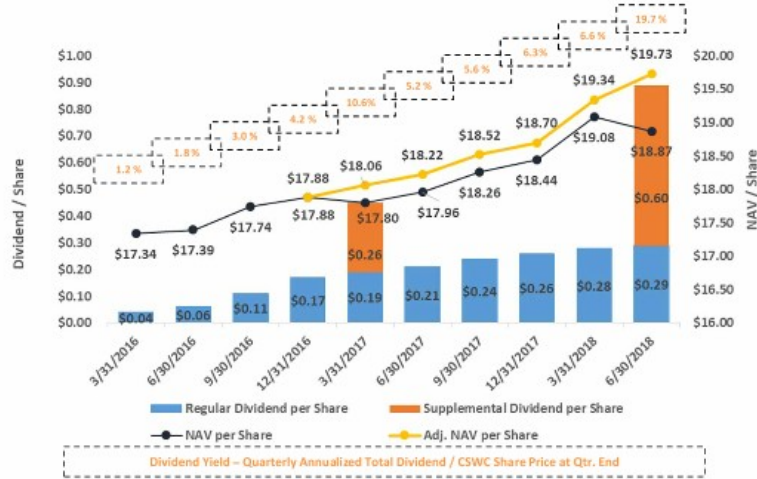
Q1 2019 Highlights

Financial Highlights

- Q1 2019 Pre-Tax Net Investment Income (“NII”) of \$5.0 MM or \$0.31 per share
- Announced Supplemental Dividend Program
 - ✓ \$0.60 per share Supplemental Dividend paid during the quarter
 - ✓ Expect to pay \$0.10 per share Supplemental Dividend per quarter going forward, subject to approval by the Board of Directors
- Total Annualized Earnings Return on Equity of 15.1% for the quarter
- Investment Portfolio at Fair Value increased to \$411 MM from \$393 MM in prior quarter
 - ✓ \$66.9 MM committed in three new originations and three add-ons
 - ✓ \$39.9MM proceeds received from three portfolio exits
- Received \$2.2 MM dividend from I-45 SLF, an effective yield of 13.1% at fair value
- \$145 MM available on Credit Facility and \$12.5 MM in cash and cash equivalents as of quarter end
- Sold a total of 474,950 of our December 2022 Notes through our At-The-Market (“ATM”) Program from inception in June 2018 through August 3, 2018
 - ✓ Gross proceeds of \$12.0 MM at an effective yield of 5.88%

Track Record of Dividend and NAV Growth Continues

- In the last twelve months ending 6/30/18, CSWC generated \$1.11 per share in Pre-Tax NII and paid out \$1.07 per share in regular dividends
 - ✓ LTM Regular Dividend coverage of 104% of Pre-Tax NII
 - ✓ Ten consecutive quarters of regular dividend per share growth
- Announced Supplemental Dividend Program in 6/30/18 quarter and paid a Supplemental Dividend of \$0.60 per share, generated primarily from realized gains
 - Expect to pay \$0.10 per share Supplemental Dividend per quarter going forward, subject to Board approval
- Adjusted NAV (excluding Supplemental Dividends) increased to \$19.73 per share at 6/30/18 from \$19.34 per share at 3/31/18



Note: Adjusted NAV per Share calculation adds back all Supplemental Dividends paid

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 2x – 4x Debt to EBITDA through CSWC debt
- 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 3x – 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 Lower Middle Market investments
- Provides flexibility to invest/divest opportunistically based on market conditions and liquidity position

Strong Quarter of CSWC Originations

\$66.9 MM in new committed investments during the quarter (\$53.3 MM funded at close) at a weighted average debt YTM of 11.1%

Q1 2019 Portfolio Originations								
Name	Industry	Type	Market	Total Debt Funded at Close (in \$000s)	Total Equity Funded at Close (in \$000s)	Unfunded Commitments at Close (in \$000s)	Debt Spread over LIBOR	Debt Yield to Maturity
Gauge American Nuts ⁽¹⁾	Food, Agriculture & Beverage	1st Lien / RLOC / DDTL / Equity	LMM	\$20,656	\$3,000	\$2,969	8.00%	11.3%
Environmental Pest Service	Consumer Services	1st Lien / DDTL	LMM	\$16,250	\$0	\$7,000	7.25%	10.4%
Fast Sandwich	Restaurants	1st Lien / RLOC	LMM	\$3,800	\$0	\$3,650	9.00%	12.1%
Delphi Add-On	Healthcare Services	1st Lien	UMM	\$5,000	\$0	\$0	7.50%	10.5%
Elite SEM Add-On	Media, Marketing & Entertainment	1st Lien / Equity	LMM	\$2,500	\$111	\$0	8.42%	12.8%
ITA Term Loan B Add-On	Transportation & Logistics	1st Lien	LMM	\$2,000	\$0	\$0	8.50%	11.6%
Total				\$50,206	\$3,111	\$13,619		11.1%

1. Gauge American Nuts amounts include a \$3.5 MM revolving loan, consisting of \$2.5 MM funded at closing and \$1 MM commitment available to company. Subsequent to quarter end, the revolving loan was refinanced by a traditional revolving lender. As of July 31, 2018, CSWC had \$18.1 MM funded on the 1st Lien Term Loan and a delay draw commitment of \$2 MM to fund an earn-out to sellers based on certain EBITDA growth targets.

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

CSWC Portfolio Prepayments and Exits

Prepayments and exits continue to demonstrate our track record of generating attractive risk adjusted returns on shareholders' capital

- During the quarter, we received \$39.9 MM in proceeds from two Lower Middle Market exits and one Upper Middle Market prepayment, generating a weighted average IRR of 23.6%
- Cumulative IRR of 17.2% on 22 portfolio exits generating \$162 MM in proceeds since launch of credit strategy in January 2015

Q1 2019 Portfolio Exits						
Name	Industry	Type	Market	Proceeds (in \$000s)	Realized Gain (in \$000s)	IRR
TitanLiner	Energy (Upstream)	Equity	LMM	\$24,779	\$18,620	28.9%
Wastewater Specialties	Industrial Services	1st Lien	LMM	\$10,139	\$138	16.6%
Pre-Paid Legal Services	Consumer Services	2nd Lien	UMM	\$5,000	\$31	11.6%
Total / Wtd. Avg.				\$39,918	\$18,789	23.6%

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

CSWC Portfolio Asset Mix by Market

Maintaining appropriate portfolio leverage while receiving attractive risk adjusted returns

Investment Portfolio - Statistics at 6/30/18		
(In Thousands)	Lower Middle Market ⁽¹⁾	Upper Middle Market
Number of Portfolio Companies	19	10
Total Cost	\$227,901	\$73,033
Total Fair Value	\$271,373	\$73,382
Average Hold Size (at Cost)	\$11,995	\$7,303
% First Lien Investments (at Cost)	78.2%	75.2%
% Second Lien Investments (at Cost)	0.0%	24.8%
% Subordinated Debt Investments (at Cost)	8.3%	0.0%
% Equity (at Cost)	13.5%	0.0%
Wtd. Avg. Yield ⁽²⁾⁽³⁾	12.0%	10.5%
Wtd. Avg. EBITDA of Issuer (\$MM's) ⁽³⁾	\$8.6	\$81.2
Wtd. Avg. Leverage through CSWC Security ⁽³⁾⁽⁴⁾	3.4x	4.0x

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

1. At June 30, 2018, we had equity ownership in approximately 73.7% of our LMM investments
2. The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of June 30, 2018, including accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status. As of June 30, 2018, there were no investments on non-accrual status. Weighted-average annual effective yield 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 metrics are calculated using investment cost basis weighting
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. Management uses this metric as a guide to evaluate relative risk of its position in each portfolio debt investment

Robust Lower Middle Market First Lien Credit Portfolio

CSWC Credit Portfolio continues to migrate to LMM and First Lien Investments

- LMM Investments have increased to 73% of the credit portfolio at 6/30/18 from 18% at 6/30/16
- First Lien Investments have increased to 86% of the credit portfolio at 6/30/18 from 42% at 6/30/16

Robust LMM Credit Portfolio Growth



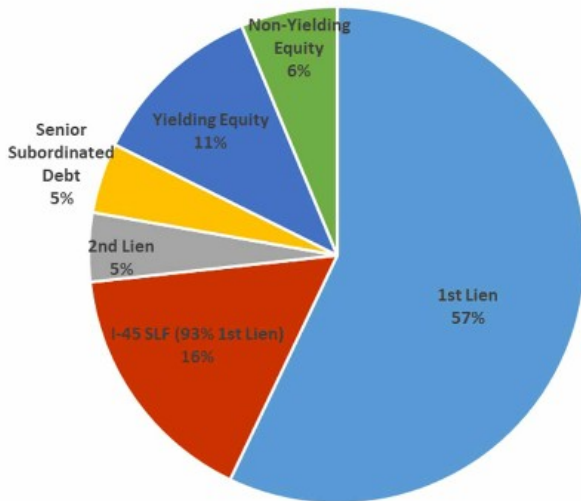
Credit Portfolio Heavily Weighted to First Lien



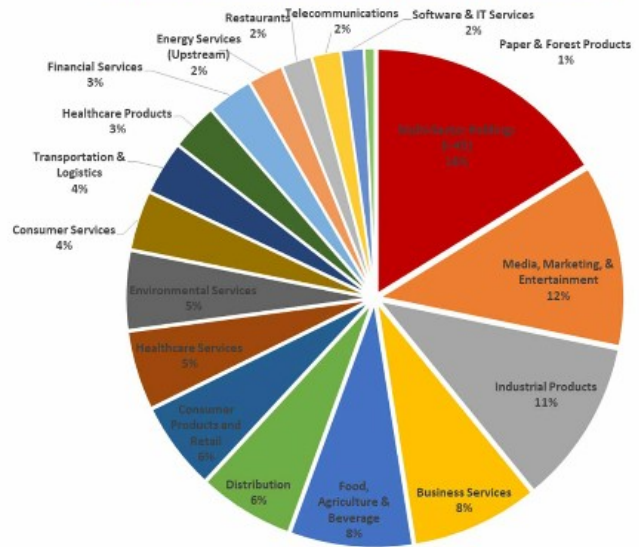
CSWC Portfolio Mix as of 6/30/18 at Fair Value

Current Investment Portfolio of \$411 MM continues to be granular and diverse

Current Investment Portfolio (By Type)



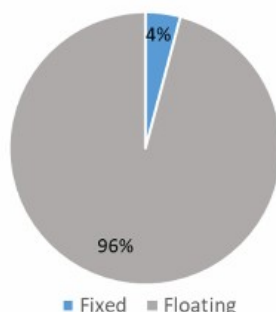
Current Investment Portfolio (By Industry)



Interest Rate Sensitivity

Debt Portfolio Exposure at 6/30/18 Well-Positioned for Rising Interest Rate Environment

Fixed vs. Floating Portfolio Composition ⁽¹⁾



Change in Base Interest Rates	Illustrative NII Change (\$'s)	Illustrative NII Change (Per Share)
(50bps)	(\$1,250,241)	(\$0.08)
50 bps	\$1,271,182	\$0.08
100bps	\$2,542,364	\$0.16
150bps	\$3,813,547	\$0.24
200bps	\$5,084,729	\$0.31

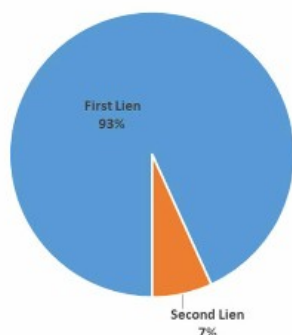
(1) Portfolio Composition includes I-45 assets pro rata as a % of CSWC's equity investment in the fund

Note: Illustrative change in NII is based on a projection of CSWC's existing debt investments as of 6/30/18, adjusted only for changes in Base Interest Rate. Base Interest Rate used in this analysis is 3-Month LIBOR of 2.34% at 6/30/18. The results of this analysis include the I-45 Senior Loan Fund, which is comprised of 100% floating rate assets and liabilities.

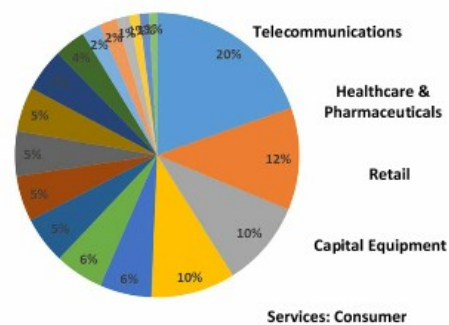
I-45 Portfolio Overview

I-45 loan portfolio of \$228 MM is 93% first lien with average hold size of 2.2%

Current I-45 Portfolio (By Type)



Current I-45 Portfolio (By Industry)



I-45 Portfolio Statistics				
(In Thousands)	9/30/2017	12/31/2017	3/31/2018	6/30/2018
Total Debt Investments at Fair Value	\$223,807	\$217,964	\$220,807	\$228,468
Number of Issuers	46	44	43	45
Wtd. Avg. Issuer EBITDA	\$79,009	\$73,392	\$73,995	\$72,607
Avg. Investment Size as a % of Portfolio	2.2%	2.3%	2.3%	2.2%
Wtd. Avg. Net Leverage on Investments ⁽¹⁾	3.5x	3.3x	3.6x	3.7x
Wtd. Avg. Yield	7.7%	7.4%	7.5%	7.7%
Wtd. Avg. Duration (Yrs)	4.8	4.7	4.6	4.5

(1) Through I-45 Security

Income Statement

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 9/30/17	Quarter Ended 12/31/17	Quarter Ended 3/31/18	Quarter Ended 6/30/18
Investment Income				
Interest Income	\$5,282	\$5,566	\$6,575	\$7,643
Dividend Income	\$3,088	\$3,149	\$3,069	\$3,075
Fees and Other Income	\$139	\$304	\$230	\$389
Total Investment Income	\$8,509	\$9,019	\$9,874	\$11,107
Expenses				
Cash Compensation	\$1,606	\$1,885	\$1,884	\$1,910
Share Based Compensation	\$384	\$479	\$477	\$475
General & Administrative	\$1,364	\$907	\$1,086	\$1,353
Spin-off Related Expenses	\$173	\$172	\$0	\$0
Total Expenses (excluding Interest)	\$3,527	\$3,443	\$3,447	\$3,738
Interest Expense	\$911	\$1,275	\$1,951	\$2,373
Pre-Tax Net Investment Income	\$4,071	\$4,301	\$4,476	\$4,996
Taxes and Gain / (Loss)				
Income Tax Benefit (Expense)	(\$134)	\$362	(\$279)	(\$379)
Net realized gain (loss) on investments	\$210	\$617	\$131	\$18,819
Net increase (decrease) in unrealized appreciation of investments	\$4,496	\$4,963	\$10,649	(\$11,783)
Net increase (decrease) in net assets resulting from operations	\$8,643	\$10,243	\$14,977	\$11,653
Weighted Average Diluted Shares Outstanding	16,078	16,176	16,139	16,201
Pre-Tax Net Investment Income Per Dil. Weighted Average Share	\$0.25	\$0.27	\$0.28	\$0.31

Balance Sheet

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 9/30/2017	Quarter Ended 12/31/2017	Quarter Ended 3/31/2018	Quarter Ended 6/30/18
Assets				
Portfolio Investments	\$321,860	\$367,120	\$393,095	\$411,330
Cash & Cash Equivalents	\$33,329	\$20,527	\$7,907	\$12,532
Deferred Tax Asset	\$1,846	\$2,080	\$2,050	\$2,116
Other Assets	\$11,635	\$13,123	\$14,438	\$24,948
Total Assets	\$368,670	\$402,850	\$417,490	\$450,926
Liabilities				
December 2022 Notes	\$0	\$55,236	\$55,305	\$56,646
Credit Facility	\$56,000	\$35,000	\$40,000	\$65,000
Other Liabilities	\$20,156	\$14,084	\$13,897	\$21,899
Total Liabilities	\$76,156	\$104,320	\$109,202	\$143,545
Shareholders Equity				
Net Asset Value	\$292,514	\$298,530	\$308,288	\$307,381
NAV per Share	\$18.26	\$18.44	\$19.08	\$18.87
Debt to Equity	0.19x	0.30x	0.31x	0.40x

Portfolio Statistics

Continuing to build a well performing credit portfolio with no non-accruals

<i>(In Thousands)</i>	Quarter Ended 9/30/2017	Quarter Ended 12/31/2017	Quarter Ended 3/31/2018	Quarter Ended 6/30/18
Portfolio Statistics				
Fair Value of Debt Investments	\$187,316	\$226,441	\$239,122	\$272,133
Average Debt Investment Hold Size	\$7,805	\$8,709	\$9,197	\$9,719
Fair Value of Debt Investments as a % of Par	99%	99%	99%	99%
% of Debt Portfolio on Non-Accrual (at Fair Value)	0.0%	0.0%	0.0%	0.0%
Weighted Average Investment Rating ⁽¹⁾	2.0	2.0	2.0	2.0
Weighted Average Yield on Debt Investments	10.71%	10.95%	11.46%	11.73%
Total Fair Value of Portfolio Investments	\$321,860	\$367,120	\$393,095	\$411,330
Weighted Average Yield on all Portfolio Investments ⁽²⁾	10.65%	10.55%	10.48%	10.60%
Investment Mix (Debt vs. Equity) ^{(3) (4)}	74% / 26%	75% / 25%	73% / 27%	79% / 21%
Investment Mix (Yielding vs. Non-Yielding) ⁽⁴⁾	94% / 6%	94% / 6%	92% / 8%	94% / 6%

(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

(2) Includes dividends from Media Recovery, Inc. and I-45 Senior Loan Fund

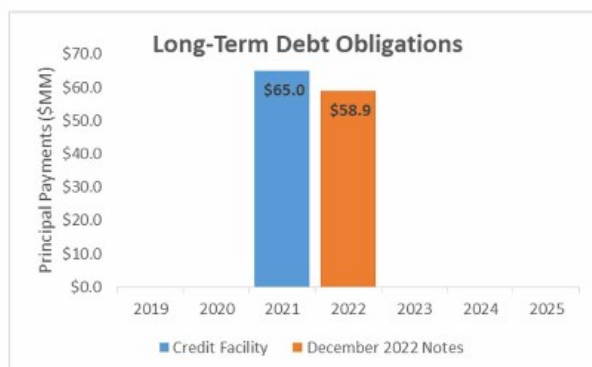
(3) Excludes CSWC equity investment in I-45 Senior Loan Fund

(4) At Fair Value

Significant Unused Debt Capacity with Long-Term Duration

Earliest Debt Maturity occurs in November 2021

Facility	Total Commitments	Interest Rate	Maturity	Principal Drawn
Credit Facility ⁽¹⁾	\$210.0 MM	L + 3.00% with Step-Down	November 2021	\$65.0 MM
December 2022 Notes (NASDAQ: "CSWCL") ⁽²⁾	\$58.9 MM	5.95%	December 2022	\$58.9 MM



(1) The facility has an accordion feature which allows for an increase in total commitments up to \$250.0 MM. Principal Drawn is based upon outstanding balances as of June 30, 2018.

(2) Redeemable at CSWC's option beginning December 2019. Principal drawn is based upon outstanding balances as of June 30, 2018. Subsequent to quarter end, CSWC sold an additional 419,508 notes, bringing total gross proceeds from the ATM Program to \$12.0 MM as of August 3, 2018.

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 9/30/17	Quarter Ended 12/31/17	Quarter Ended 3/31/18	Quarter Ended 6/30/18
Investment Income Breakdown				
Cash Interest	\$5,082	\$5,357	\$6,300	\$7,324
Cash Dividends	\$3,018	\$3,076	\$2,990	\$3,008
PIK Income	\$70	\$72	\$91	\$79
Amortization of purchase discounts and fees	\$200	\$209	\$264	\$312
Management/Admin Fees	\$139	\$146	\$184	\$181
Prepayment Fees & Other Income	\$0	\$159	\$45	\$203
Total Investment Income	\$8,509	\$9,019	\$9,874	\$11,107
Key Metrics				
Cash Income as a % of Investment Income	97%	97%	96%	96%
% of Total Investment Income that is Recurring ⁽¹⁾	97%	95%	98%	97%

(1) Non-Recurring income principally made up of loan prepayment fees

Key Financial Metrics

Strong Earnings ROE as Portfolio continues to appreciate

	Quarter Ended 9/30/2017	Quarter Ended 12/31/2017	Quarter Ended 3/31/2018	Quarter Ended 6/30/18
Key Financial Metrics				
Pre-Tax Net Investment Income Per Wtd Avg Diluted Share	\$0.25	\$0.27	\$0.28	\$0.31
Annualized Pre-Tax Net Investment Income Return on Equity (ROE)	5.64%	5.82%	6.02%	6.46%
Realized Earnings Per Wtd Avg Diluted Share	\$0.26	\$0.33	\$0.27	1.45
Annualized Realized Earnings ROE	5.75%	7.15%	5.82%	30.32%
Earnings Per Wtd Avg Diluted Share	\$0.54	\$0.63	\$0.93	\$0.72
Annualized Earnings Return on Equity (ROE)	11.97%	13.87%	20.13%	15.08%
Regular Dividends per Share	\$0.24	\$0.26	\$0.28	\$0.29
Supplemental Dividends per Share	\$0.00	\$0.00	\$0.00	\$0.60
Total Dividends per Share	\$0.24	\$0.26	\$0.28	\$0.89
Dividend Yield ⁽¹⁾	5.6%	6.3%	6.6%	19.7%

(1) Dividend Yield is calculated as Quarterly Annualized Total Dividend / CSWC Share Price at Qtr. End

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 John H. Wilson</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" (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>

Industry Analyst Coverage		
Firm	Analyst	Contact Information
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