



Capital Southwest Corporation

Q3 2019 Earnings Presentation

February 5, 2019

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- 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 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 \$524MM as of December 31, 2018
- Manage I-45 Senior Loan Fund (“I-45 SLF”) in partnership with Main Street Capital (Nasdaq: “MAIN”)

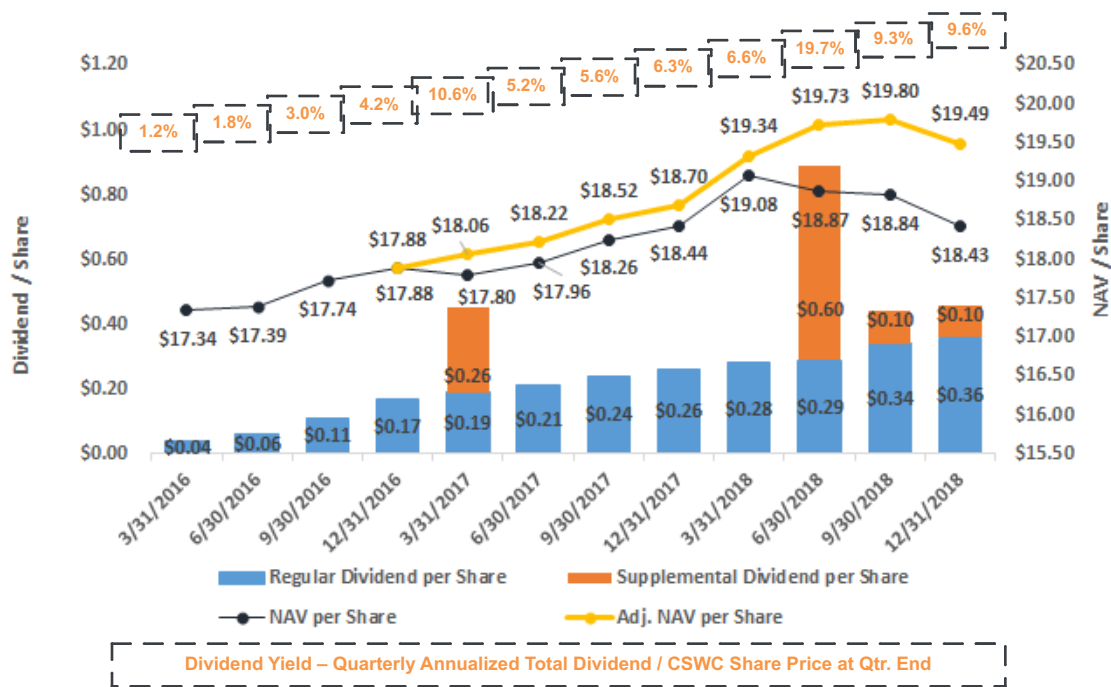
Q3 2019 Highlights

Financial Highlights

- Q3 2019 Pre-Tax Net Investment Income (“NII”) of \$6.8MM or \$0.40 per share
- Paid \$0.36 per share in Regular Dividends, plus \$0.10 per share Supplemental Dividend
 - Total Dividends for the quarter of \$0.46 per share
- Investment Portfolio at Fair Value increased to \$497MM from \$492MM in prior quarter
 - \$25.7MM committed to two new portfolio companies and one add-on
- Received \$2.5MM dividend from I-45 SLF, an annualized yield of 15.5% at fair value
 - Up from \$2.3MM in prior quarter
- Amended Senior Secured Revolving Credit Facility in December 2018
 - Total commitments increased to \$270 MM from \$210 MM
 - Pricing was reduced to LIBOR plus 2.5%, subject to certain conditions, from LIBOR plus 3.0%
 - Minimum asset coverage covenant was reduced to 150% from 200%
- Repurchased 10.5k shares at average price of \$17.72 (including commissions), a 6% discount to NAV per share at the time of the repurchases
- Completed equity raise of 700,000 shares for gross proceeds of \$13.2MM (before expenses), at a net price of \$18.90 per share, in October 2018
- \$144.6MM available on Credit Facility and \$10.8MM in cash and cash equivalents as of quarter end

Track Record of Increasing Dividends Continues

- In the last twelve months ending 12/31/18, CSWC generated \$1.35 per share in Pre-Tax NII and paid out \$1.27 per share in regular dividends
 - Twelve consecutive quarters of regular dividend per share growth
- Cumulative Regular Dividend Coverage of 103% 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



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 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

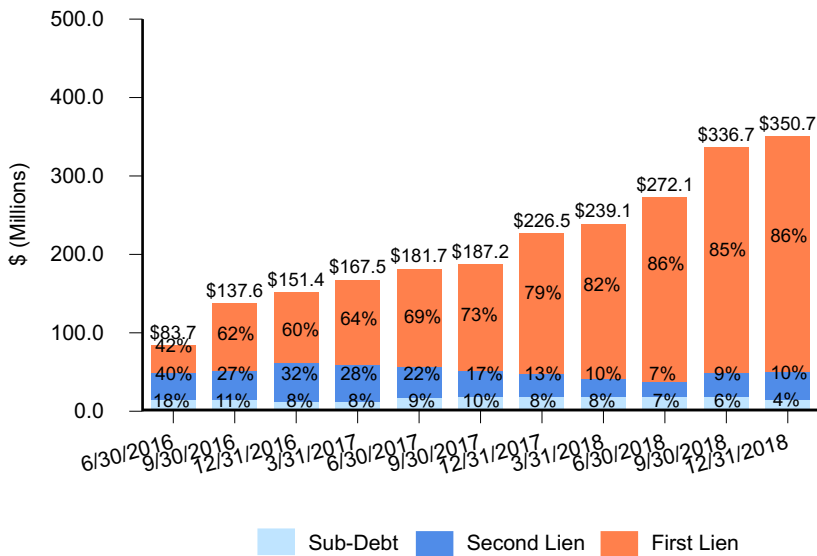
- Companies typically have in excess of \$50 MM in EBITDA
- Typical leverage of 3.0x – 5.5x Debt to EBITDA through CSWC debt position
- Hold sizes generally \$5 MM to \$15 MM
- Floating rate first and second lien debt securities
- More liquid assets relative to Lower Middle Market investments
- Provides flexibility to invest/divest opportunistically based on market conditions and liquidity position

Strong Track Record and Growing First Lien Credit Portfolio

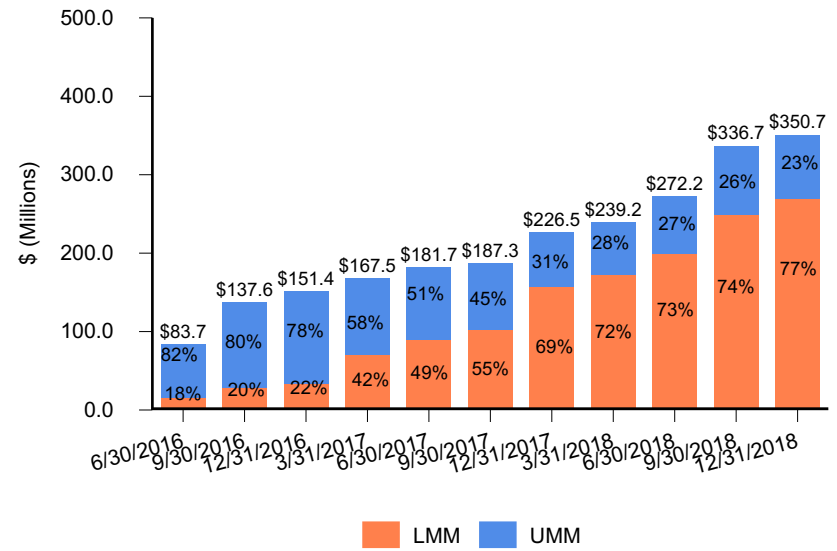
CSWC Credit Portfolio heavily weighted towards First Lien and LMM Investments

- First Lien and LMM Investments have increased to 86% and 77% of the credit portfolio, respectively, as of 12/31/18

Credit Portfolio Heavily Weighted to First Lien



Robust LMM Credit Portfolio Growth



CSWC Originations - Q3 2019

\$25.7MM in new committed investments during the quarter (\$23.3MM funded at close) at a weighted average debt YTM of 11.1%

Portfolio Origination		Q3 2019							
Name	Industry	Type	Market	Total Debt Funded at Close (\$000s)	Total Equity Funded at Close (\$000s)	Unfunded Commitments at Close (\$000s)	Debt Spread over LIBOR	Debt Yield to Maturity	
Roseland Management, LLC (d/b/a Precision Spine Care)	Healthcare Services	RLOC / 1st Lien / Equity	LMM	\$10,500	\$1,000	\$2,000	7.00%	10.12%	
Ace Gathering, Inc.	Energy Services (Midstream)	Split Lien ⁽¹⁾	LMM	\$10,000	\$0	\$0	8.50%	12.10%	
American Nuts Operations LLC	Food, Agriculture & Beverage	1st Lien	LMM	\$1,750	\$0	\$438	8.50%	11.78%	
Total				\$22,250	\$1,000	\$2,438	7.8%	11.1%	

(1) The investment is structured as a split lien term loan, which provides the Company with a first lien priority on certain assets of the obligor and a second lien priority on different assets of the obligor.

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

Track Record of CSWC Exits Continues

\$18.0MM in proceeds from prepayments and exits during the quarter

- Exited a legacy equity investment this quarter (Deepwater Corrosion Services) generating a realized gain of \$1.7 MM (originated April 2013)
- Cumulative IRR of 16.3% on 25 portfolio exits generating \$179.9MM in proceeds since launch of credit strategy in January 2015

Portfolio Repayments and Exits				Q3 2019		
Name	Industry	Type	Market	Net Proceeds (\$000)	Realized Gain (\$000s)	IRR
Restaurant Technologies	Business Services	2nd Lien	UMM	\$3,535	\$42	12.34%
Tax Advisors Group	Financial Services	Subordinated Debt	LMM	\$4,692	\$74	15.47%
Deepwater Corrosion Services	Energy Services (Upstream)	Equity	LMM	\$9,724	\$1,724	3.70%
Total / Weighted Average				\$17,951	\$1,840	8.5%

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 2019		
(In Thousands)	Lower Middle Market ⁽¹⁾	Upper Middle Market
Number of Portfolio Companies	25	10
Total Cost	\$306,920	\$82,929
Total Fair Value	\$352,198	\$81,425
Average Hold Size (at Cost)	\$12,277	\$8,293
% First Lien Investments (at Cost)	75.8%	82.2%
% Second Lien Investments (at Cost)	6.9%	17.8%
% Subordinated Debt Investments (at Cost)	4.7%	0.0%
% Equity (at Cost)	12.6%	0.0%
Wtd. Avg. Yield ⁽²⁾⁽³⁾	11.9%	10.4%
Wtd. Avg. EBITDA of Issuer (\$MM's) ⁽³⁾	\$9.3	\$71.1
Wtd. Avg. Leverage through CSWC Security ^{(3) (4)}	3.2x	3.8x

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

(1) At December 31, 2018, we had equity ownership in approximately 72.0% 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, 2018, including accretion of original issue discount but excluding fees payable upon repayment of the debt instruments. 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

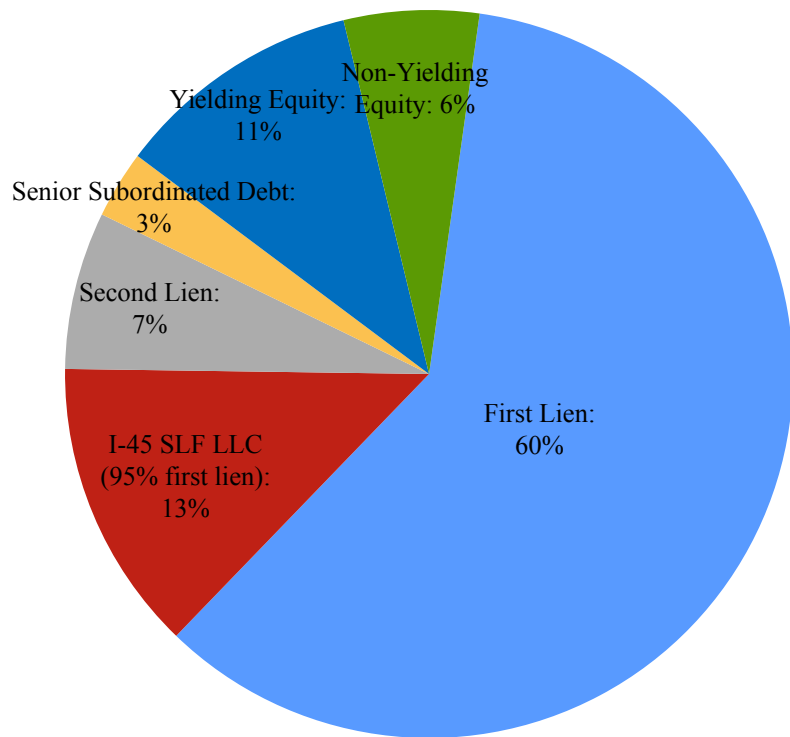
(3) Weighted average metrics are calculated using investment cost basis weighting

(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

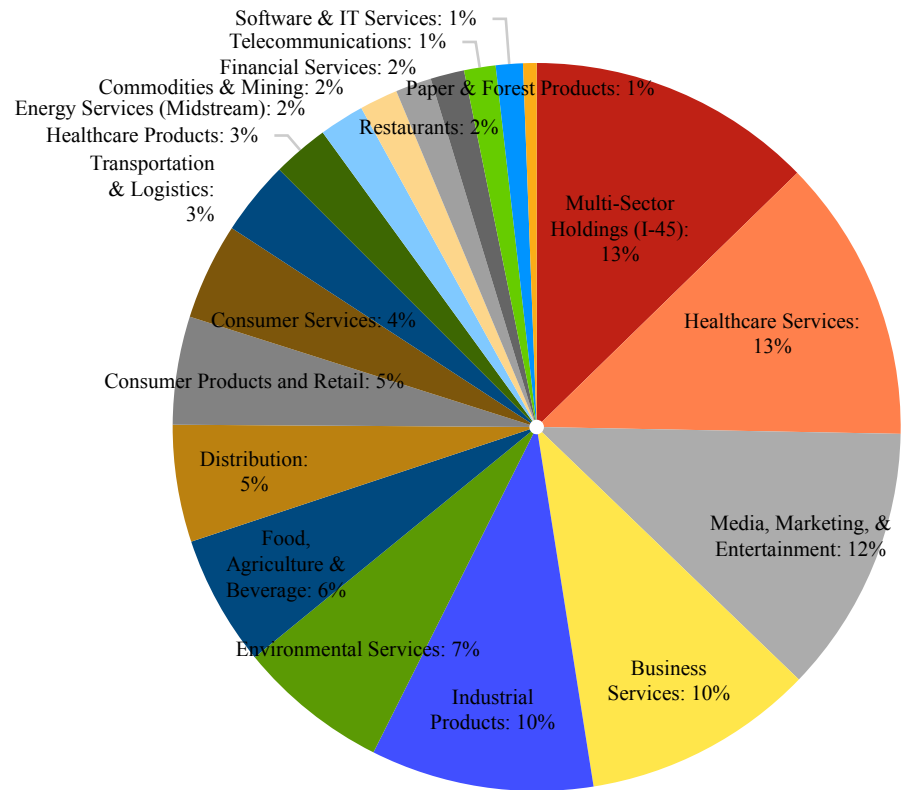
CSWC Portfolio Mix as of 12/31/18 at Fair Value

Current Investment Portfolio of \$497MM continues to be diverse across industries

Current Investment Portfolio (By Type)



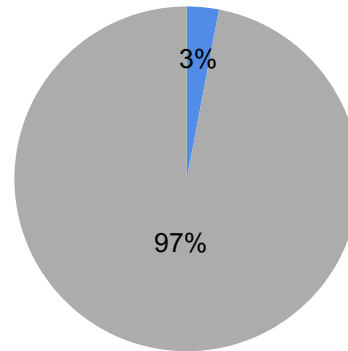
Current Investment Portfolio (By Industry)



Interest Rate Sensitivity

Debt Portfolio Exposure at 12/31/18 Well-Positioned for Rising Interest Rate Environment

Fixed vs. Floating Portfolio Exposure ⁽¹⁾



■ Fixed ■ Floating

Change in Base Interest Rates	Illustrative Annual NII Change (\$'s)	Illustrative Annual NII Change (Per Share)
(50bps)	\$(1,365,995)	\$(0.08)
50 bps	\$1,365,995	\$0.08
100bps	\$2,731,990	\$0.16
150bps	\$4,097,985	\$0.24
200bps	\$5,463,979	\$0.32

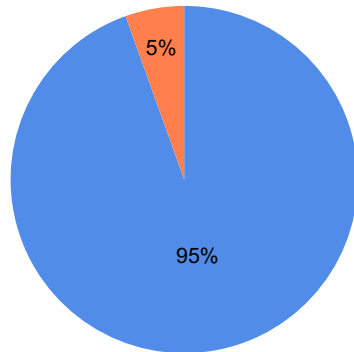
(1) Portfolio Exposure includes I-45 assets pro rata as a % of CSWC's equity investment in the fund

Note: Illustrative change in annual NII is based on a projection of CSWC's existing debt investments as of 12/31/18, adjusted only for changes in Base Interest Rate. Base Interest Rate used in this analysis is 3-Month LIBOR of 2.8% at 12/31/18. 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

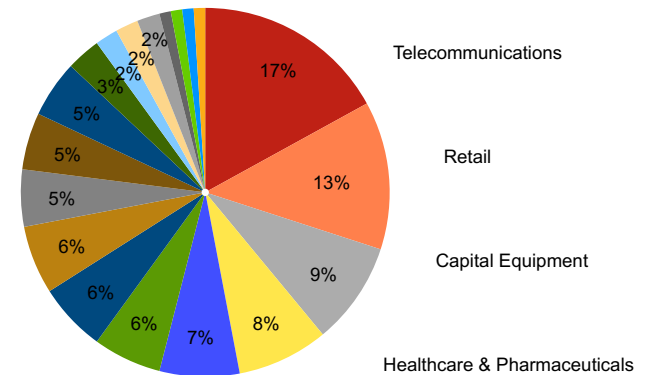
I-45 loan portfolio of \$239MM is 95% first lien with average hold size of 2.1% of the I-45 portfolio

Current I-45 Portfolio (By Type)



■ First Lien ■ Second Lien

Current I-45 Portfolio (By Industry)



I-45 Portfolio Statistics				
(In Thousands)	<u>3/31/2018</u>	<u>6/30/2018</u>	<u>9/30/2018</u>	<u>12/31/2018</u>
Total Debt Investments at Fair Value	\$220,807	\$228,468	\$229,711	\$238,727
Number of Issuers	43	45	46	48
Wtd. Avg. Issuer EBITDA	\$73,995	\$72,607	\$72,253	\$69,738
Avg. Investment Size as a % of Portfolio	2.3%	2.2%	2.2%	2.1%
Wtd. Avg. Net Leverage on Investments ⁽¹⁾	3.6x	3.7x	3.8x	3.7x
Wtd. Avg. Spread to LIBOR	6.1%	6.3%	6.3%	6.3%
Wtd. Avg. Duration (Yrs)	4.6	4.5	4.4	4.2

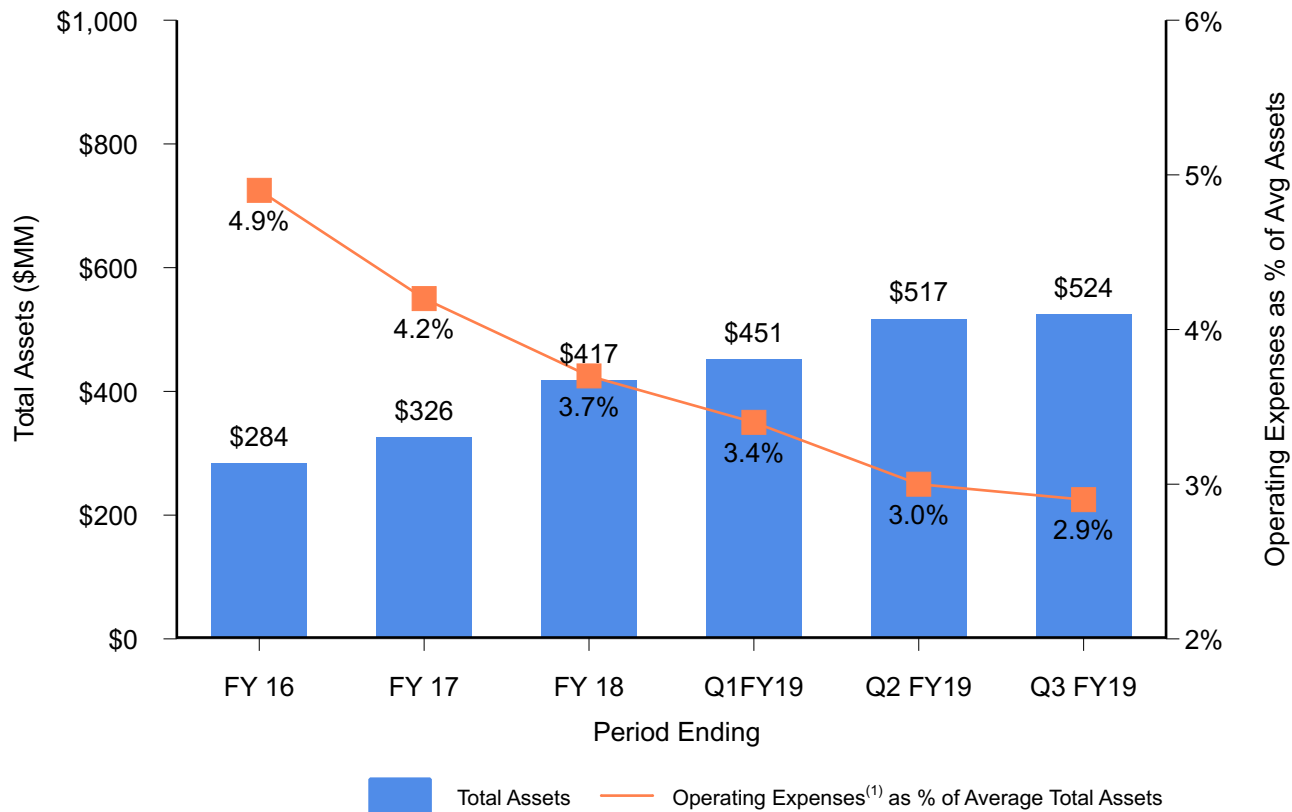
(1) Through I-45 Security

Income Statement

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 3/31/2018	Quarter Ended 6/30/2018	Quarter Ended 9/30/18	Quarter Ended 12/31/18
Investment Income				
Interest Income	\$6,575	\$7,643	\$9,232	\$10,070
Dividend Income	\$3,069	\$3,075	\$3,158	\$3,352
Fees and Other Income	\$230	\$389	\$205	\$449
Total Investment Income	\$9,874	\$11,107	\$12,595	\$13,871
Expenses				
Cash Compensation	\$1,884	\$1,910	\$1,963	\$2,007
Share Based Compensation	\$477	\$475	\$482	\$607
General & Administrative	\$1,086	\$1,353	\$1,239	\$1,134
Total Expenses (excluding Interest)	\$3,447	\$3,738	\$3,684	\$3,748
Interest Expense	\$1,951	\$2,373	\$3,109	\$3,347
Pre-Tax Net Investment Income	\$4,476	\$4,996	\$5,802	\$6,776
Taxes and Gain / (Loss)				
Income Tax Benefit (Expense)	\$(279)	\$(379)	\$(256)	\$(101)
Net realized gain (loss) on investments	\$131	\$18,819	\$94	\$1,883
Net increase (decrease) in unrealized appreciation of investments	\$10,649	\$(11,783)	\$948	\$(4,238)
Net increase (decrease) in net assets resulting from operations	\$14,977	\$11,653	\$6,588	\$4,320
Weighted Average Diluted Shares Outstanding	16,139	16,201	16,323	17,123
Pre-Tax Net Investment Income Per Dil. Wtd. Average Share	\$0.28	\$0.31	\$0.36	\$0.40

Operating Leverage Improves

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



Note: FY16 includes only the quarters after the 2015 spin-off. Q1 2019, Q2 2019, and Q3 2019 are quarterly annualized
(1) Operating expenses exclude interest expense

Balance Sheet

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 3/31/2018	Quarter Ended 6/30/2018	Quarter Ended 9/30/18	Quarter Ended 12/31/18
Assets				
Portfolio Investments	\$393,095	\$411,330	\$491,601	\$496,740
Cash & Cash Equivalents	\$7,907	\$12,532	\$10,193	\$10,774
Deferred Tax Asset	\$2,050	\$2,116	\$2,060	\$2,294
Other Assets	\$14,438	\$24,948	\$12,653	\$13,973
Total Assets	\$417,490	\$450,926	\$516,507	\$523,781
Liabilities				
December 2022 Notes	\$55,305	\$56,646	\$73,407	\$74,960
Credit Facility	\$40,000	\$65,000	\$127,000	\$122,000
Other Liabilities	\$13,897	\$21,899	\$8,252	\$9,145
Total Liabilities	\$109,202	\$143,545	\$208,659	\$206,105
Shareholders Equity				
Net Asset Value	\$308,288	\$307,381	\$307,848	\$317,676
NAV per Share⁽¹⁾	\$19.08	\$18.87	\$18.84	\$18.43
Debt to Equity	0.31x	0.40x	0.65x	0.62x

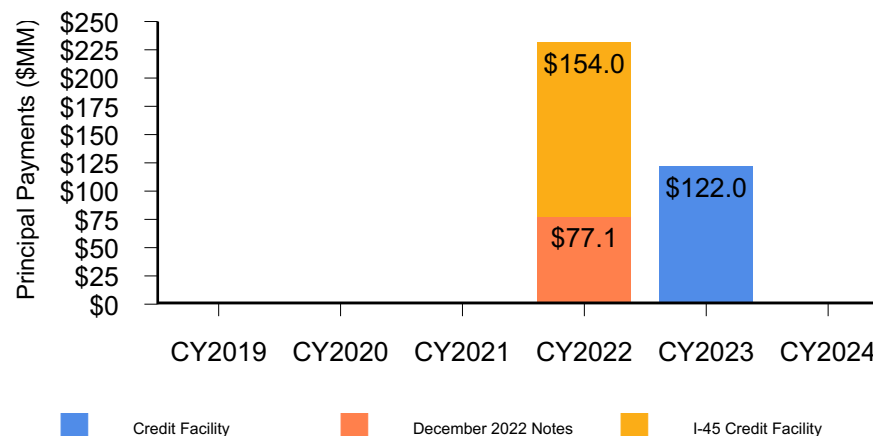
(1) NAV per Share includes the impact of \$0.80 per share in supplemental dividends paid over the last 12 months

Significant Unused Debt Capacity with Long-Term Duration

Earliest Debt Maturity occurs in July 2022

Facility	Total Commitments	Interest Rate	Maturity	Principal Drawn	Undrawn Commitment
Credit Facility ⁽¹⁾	\$270.0 MM	L + 2.50% subject to certain conditions	December 2023	\$122.0 MM	\$144.6 MM ⁽³⁾
December 2022 Notes (NASDAQ: "CSWCL") ⁽²⁾	\$77.1 MM	5.95%	December 2022	\$77.1 MM	N/A
I-45 Credit Facility ⁽⁴⁾	\$165.0 MM	L + 2.40%	July 2022	\$154.0 MM	\$11.0 MM

Long-Term Debt Obligations (Calendar Year)



(1) The facility has an accordion feature that allows for an increase in total commitments up to \$350 MM. Principal Drawn is based upon outstanding balances as of 12/31/18

(2) Redeemable at CSWC's option beginning December 2019. Principal drawn is based upon outstanding balances as of 12/31/18

(3) Net of \$3.4 MM in letters of credit outstanding

(4) CSWC owns 80% of the equity and 50% of the voting rights of I-45 SLF LLC with a joint venture partner

Portfolio Statistics

Continuing to build a well performing credit portfolio

<i>(In Thousands)</i>	Quarter Ended 3/31/2018	Quarter Ended 6/30/2018	Quarter Ended 9/30/18	Quarter Ended 12/31/18
Portfolio Statistics				
Fair Value of Debt Investments	\$239,122	\$272,133	\$336,717	\$350,685
Average Debt Investment Hold Size	\$9,197	\$9,719	\$10,204	\$10,627
Fair Value of Debt Investments as a % of Par	99%	99%	99%	98%
% of Investment Portfolio on Non-Accrual (at Fair Value)	0.0%	0.0%	0.0%	1.7%
Weighted Average Investment Rating ⁽¹⁾	2.0	2.0	2.0	1.9
Weighted Average Yield on Debt Investments	11.46%	11.73%	11.61%	11.56%
Total Fair Value of Portfolio Investments	\$393,095	\$411,330	\$491,601	\$496,740
Weighted Average Yield on all Portfolio Investments ⁽²⁾	10.48%	10.60%	11.02%	11.08%
Investment Mix (Debt vs. Equity) ^{(3) (4)}	73% / 27%	79% / 21%	79% / 21%	81% / 19%
Investment Mix (Yielding vs. Non-Yielding) ⁽⁴⁾	92% / 8%	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

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 3/31/2018	Quarter Ended 6/30/2018	Quarter Ended 9/30/18	Quarter Ended 12/31/18
Investment Income Breakdown				
Cash Interest	\$6,300	\$7,324	\$8,815	\$9,561
Cash Dividends	\$2,990	\$3,008	\$3,112	\$3,295
PIK Income	\$91	\$79	\$93	\$211
Amortization of purchase discounts and fees	\$264	\$312	\$375	\$367
Management/Admin Fees	\$184	\$181	\$191	\$206
Prepayment Fees & Other Income	\$45	\$203	\$9	\$231
Total Investment Income	\$9,874	\$11,107	\$12,595	\$13,871
Key Metrics				
Cash Income as a % of Investment Income	96%	96%	96%	96%
% of Total Investment Income that is Recurring ⁽¹⁾	98%	97%	99%	98%

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

Key Financial Metrics

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

	Quarter Ended 3/31/2018	Quarter Ended 6/30/2018	Quarter Ended 9/30/18	Quarter Ended 12/31/18
Key Financial Metrics				
Pre-Tax Net Investment Income Per Wtd Avg Diluted Share	\$0.28	\$0.31	\$0.36	\$0.40
Pre-Tax Net Investment Income Return on Equity (ROE) ⁽¹⁾	6.02%	6.46%	7.53%	8.40%
Realized Earnings Per Wtd Avg Diluted Share	\$0.27	\$1.45	\$0.35	\$0.50
Realized Earnings Return on Equity (ROE) ⁽¹⁾	5.82%	30.32%	7.32%	10.61%
Earnings Per Wtd Avg Diluted Share	\$0.93	\$0.72	\$0.40	\$0.25
Total Earnings Return on Equity (ROE) ⁽¹⁾	20.13%	15.08%	8.56%	5.36%
Regular Dividends per Share	\$0.28	\$0.29	\$0.34	\$0.36
Supplemental Dividends per Share	\$0.00	\$0.60	\$0.10	\$0.10
Total Dividends per Share	\$0.28	\$0.89	\$0.44	\$0.46
Dividend Yield ⁽²⁾	6.58%	19.66%	9.27%	9.57%

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

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

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
John H. Wilson

Senior Management

Bowen S. Diehl

President & Chief Executive Officer

Michael S. Sarnar

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

Nasdaq: "CSWC" (Common Stock)

Nasdaq: "CSWCL" (Notes)

Transfer Agent

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800-937-5449

www.amstock.com

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Janney Montgomery Scott, LLC	Mitchel Penn, CFA	Direct: 410-583-5976
JMP Securities	Christopher York	Direct: 415-835-8965
B. Riley FBR	Tim Hayes	Direct: 703-312-1819