



Capital Southwest Corporation

Q2 2021 Earnings Presentation

November 2, 2020

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- These risks include risks related to: whether the SBA ultimately issues the SBIC license and the timing of such changes; changes in the markets in which Capital Southwest invests; changes in the financial, capital, and lending market conditions; 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, the magnitude of the economic impact of that outbreak; the effect of the COVID-19 pandemic on our business prospects and the operational and financial performance of our portfolio companies, including our and their ability to achieve their respective objectives, and the effects of the disruptions caused by the COVID-19 pandemic on our ability to continue to effectively manage our business.
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Conference Call Participants

Bowen S. Diehl

President and Chief Executive Officer

Michael S. Sarnier

Chief Financial Officer

Chris Rehberger

VP Finance / Treasurer



CSWC Company Overview

CSWC is a middle-market lending firm focused on supporting the acquisition and growth of middle-market companies across the capital structure

- CSWC was formed in 1961, and elected to be regulated as a BDC in 1988
- Publicly-traded on Nasdaq: Common Stock (“CSWC”) and December 2022 Notes (“CSWCL”)
- Internally Managed BDC with RIC tax treatment for U.S. federal income tax purposes
- December 2014: announced intent to spin-off industrial growth company (“CSW Industrials”; Nasdaq: “CSWI”) tax free
- January 2015: launched credit investment strategy
- September 2015: completed tax free spin off of CSWI
- 22 employees based in Dallas, Texas
- Total Balance Sheet Assets of \$664 MM as of September 30, 2020
- Manage I-45 Senior Loan Fund (“I-45 SLF”) in partnership with Main Street Capital (NYSE: “MAIN”)



Q2 2021 Highlights

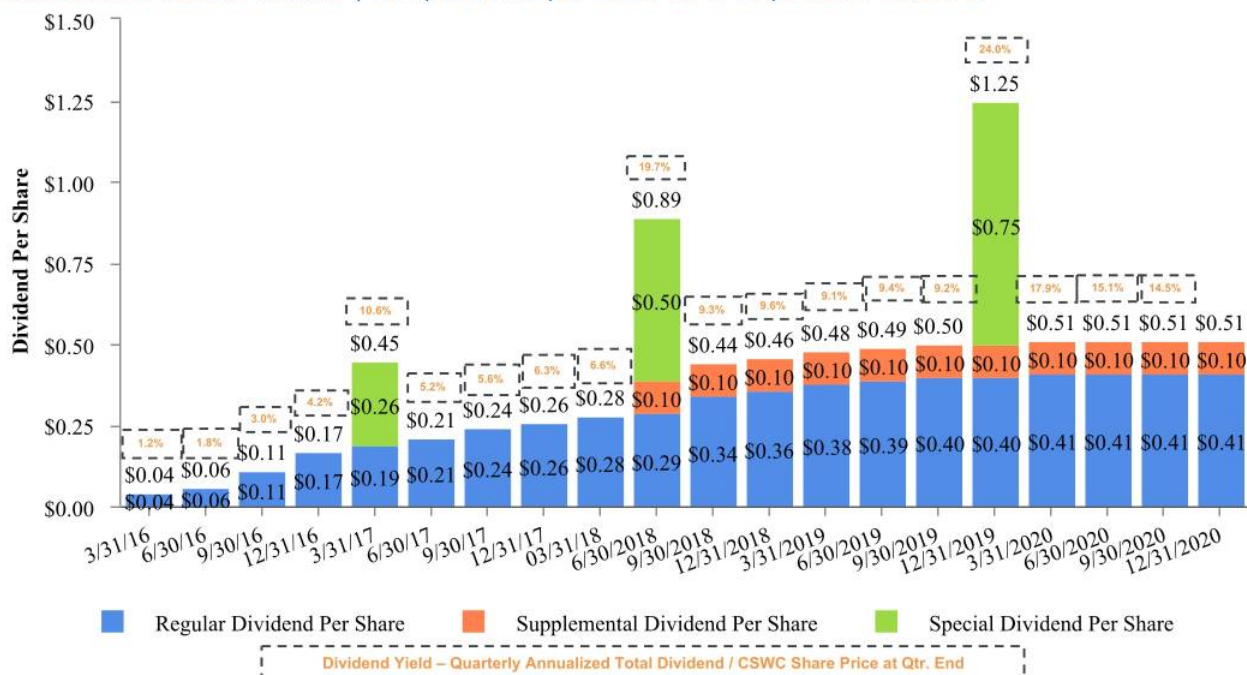
Financial Highlights

- Q2 2021 Pre-Tax Net Investment Income (“NII”) of \$8.1 MM or \$0.44 per share
- Paid \$0.41 per share Regular Dividend and \$0.10 per share Supplemental Dividend for the quarter ended September 30, 2020
 - Declared \$0.41 per share Regular Dividend and \$0.10 per share Supplemental Dividend for quarter ending December 31, 2020
- Investment Portfolio at Fair Value increased to \$631 MM from \$587 MM in prior quarter
 - \$43.7 MM committed to four new portfolio companies and \$22.6 MM committed to six existing portfolio companies
 - \$8.4 MM net unrealized appreciation and realized gains on the portfolio during the quarter
- Issued additional \$50 MM in aggregate principal of 5.375% October 2024 Notes at par
- Redeemed \$20 MM of 5.95% December 2022 Notes at par
- Submitted final SBIC License Application to the SBA in September 2020
- Raised capital through the Equity ATM program for the seventh consecutive quarter
 - Cumulatively, raised \$38.7 MM in gross proceeds at a weighted average price of \$20.31 per share since inception of the Equity ATM program in March 2019
- \$134.6 MM available on Credit Facility and \$16.0 MM in cash and cash equivalents as of quarter end



Track Record of Consistent Dividends Continues

- In the last twelve months ending 9/30/2020, CSWC generated \$1.68 per share in Pre-Tax NII and paid out \$1.63 p in regular dividends
- Cumulative Pre-Tax NII Regular Dividend Coverage of 106% since the 2015 spin-off
- Announced Supplemental Dividend Program in June 2018
 - Expect to pay \$0.10 per share Supplemental Dividend per quarter going forward, subject to Board approval
 - Undistributed Taxable Income ("UTI") of \$1.19 per share as of September 30, 2020



History of Value Creation

Total Value (Net Asset Value + Cumulative Dividends Paid) Increase of \$5.54 per share at 9/30/2020 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

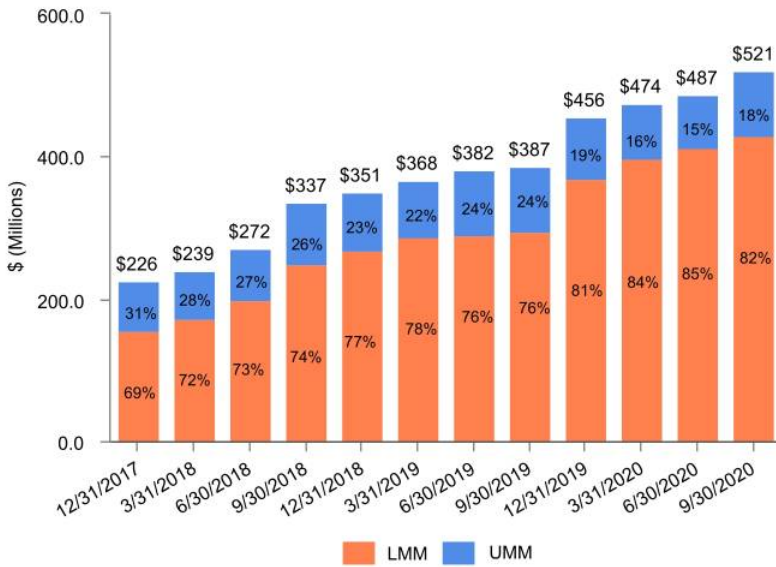
OPPORTUNISTIC: Upper Middle Market (“UMM”): Syndicated or Club First and Second Lien

- 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

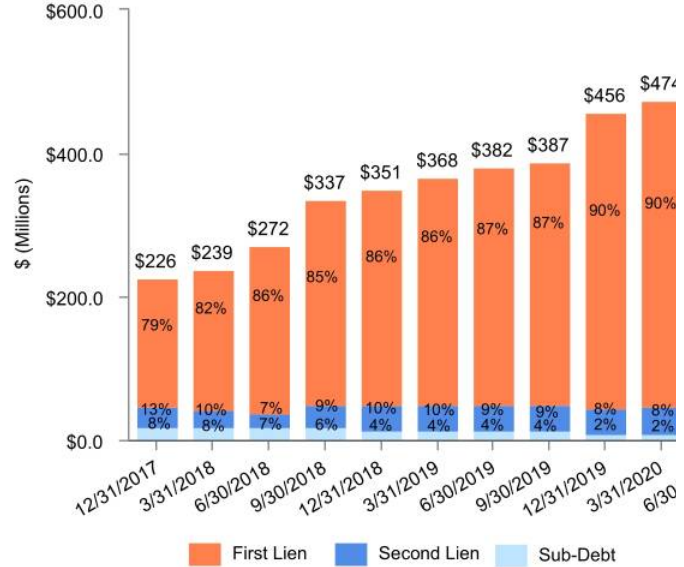
Credit Portfolio Heavily Weighted Towards LMM and First Lien Investm

LMM and First Lien Investments are 82% and 91% of the credit portfolio, respectively, as of 9/30/2020

Robust LMM Credit Portfolio Growth



Credit Portfolio Heavily Weighted to Fir



CSWC Originations

\$66.3 MM in total new committed investments, consisting of \$43.7 MM committed to four new portfolio companies and \$22.6 MM committed to six existing portfolio companies

Portfolio Originations		Q2 2021							
Name	Industry	Type	Market	Total Debt Funded at Close (\$000s)	Total Equity Funded at Close (\$000s)	Unfunded Commitments at Close (\$000s)	Debt Spread	De	
Electronic Transaction Consultants LLC	Software & IT Services	1st Lien / Equity	LMM	\$10,000	\$1,000	\$3,704	7.50%		
Ian, Evan, & Alexander Corporation (d/b/a EverWatch)	Aerospace & Defense	1st Lien	LMM	\$11,000	\$—	\$1,000	8.50%		
Trinity 3, LLC	Technology Products & Components	1st Lien / Equity	UMM	\$10,000	\$643	\$—	7.00%		
Sonobi, Inc	Media, Marketing, & Entertainment	1st Lien / Equity	LMM	\$8,500	\$500	\$—	8.50%		
RTIC Subsidiary Holdings, LLC	Consumer Products & Retail	1st Lien	UMM	\$6,904	\$—	\$1,096	7.75%		
Roseland Management, LLC	Healthcare Services	1st Lien / Equity	LMM	\$4,000	\$381	\$—	7.00%		
LGM Pharma, LLC	Healthcare Products	1st Lien / Equity	LMM	\$2,500	\$500	\$—	10.00%		
ICS Distribution, LLC	Industrial Services	1st Lien ⁽¹⁾	LMM	\$2,500	\$—	\$—	8.50%		
AG Kings Holdings Inc.	Food, Agriculture & Beverage	1st Lien	UMM	\$1,905	\$—	\$—	8.00%		
Alliance Sports Group, L.P.	Consumer Products & Retail	Convertible Note	LMM	\$173	\$—	\$—	6.00%		
Total / Weighted Average				\$57,481	\$3,024	\$5,800	7.91%		

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



Track Record of CSWC Exits Continues

\$20.8 MM in proceeds from two Lower Middle Market prepayments during the quarter

- Full prepayment of Danforth Advisors first lien debt investment, generating a realized gain of \$91K and IRR of 12.4%
- Full prepayment of Trinity 3 first lien debt investment, generating a realized gain of \$242K and IRR of 13.4%
- Cumulative IRR of 14.7% on 33 portfolio exits generating \$307.7 MM in proceeds since launch of credit strategy in January 2015

Portfolio Prepayments		Q2 2021					
Name	Industry	Type	Market	Net Proceeds (\$000s)	Realized Gain (\$000s)	IRR	
Danforth Advisors, LLC	Business Services	First Lien	LMM	\$6,734	\$91	12.4%	
Trinity 3, LLC	Technology Products and Components	First Lien	LMM	\$14,062	\$242	13.4%	
Total / Weighted Average				\$20,796	\$333	13.4%	



CSWC Portfolio Asset Mix by Market

Maintaining conservative portfolio leverage while receiving attractive risk adjusted returns

Investment Portfolio - Statistics Q2 2021		
(In Thousands)	Lower Middle Market ⁽¹⁾	Upper Middle Market
Number of Portfolio Companies	39	12
Total Cost	\$473,201	\$104,821
Total Fair Value	\$476,297	\$93,417
Average Hold Size (at Cost)	\$12,133	\$8,735
% First Lien Investments (at Cost)	84.2%	84.4%
% Second Lien Investments (at Cost)	5.0%	14.5%
% Subordinated Debt Investments (at Cost)	2.2%	0.0%
% Equity (at Cost)	8.6%	1.1%
Wtd. Avg. Yield ⁽²⁾	10.9%	8.0%
Wtd. Avg. EBITDA of Issuer (\$MM's) ⁽³⁾	\$8.4	\$66.9
Wtd. Avg. Leverage through CSWC Security ⁽⁴⁾	3.9x	3.7x

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

(1) At September 30, 2020, we had equity ownership in approximately 64.1% 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 September 30, 2020, in accretion of original issue discount but excluding fees payable upon repayment of the debt instruments. As of September 30, 2020, there were three investments on non-accrual. Weighted-average annual effective yield is not a return to shareholders and is higher than what an investor in shares in our common stock will realize on its investment because it reflect our expenses or any sales load paid by an investor

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



Credit Portfolio Investment Rating Migration

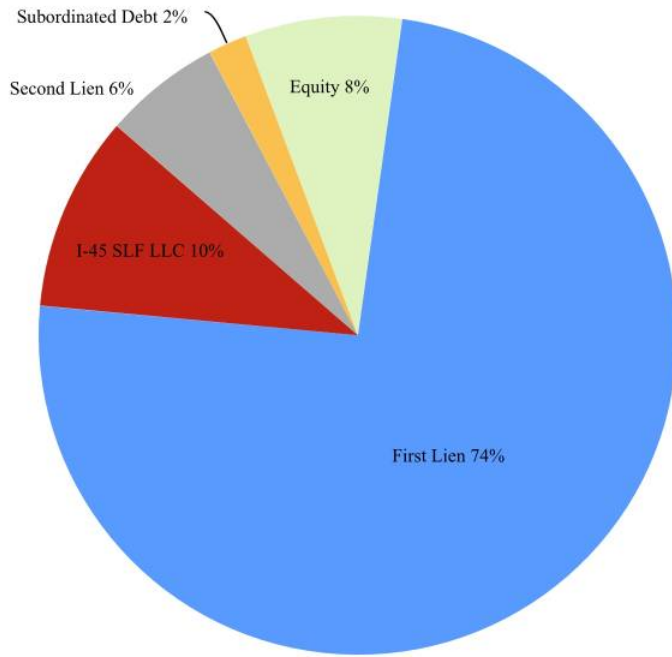
Two Loans Upgraded and No Loans Downgraded During the Quarter as Credit Portfolio Continues to Improve

Investment Rating	6/30/2020			Investment Rating Upgrades			Investment Rating Downgrades			9/30/2020	
	# of Loans	Fair Value (\$MM)	% of Portfolio (FV)	# of Loans	Fair Value (\$MM)	% of Portfolio (FV)	# of Loans	Fair Value (\$MM)	% of Portfolio (FV)	# of Loans	Fair Value (\$MM)
1	5	\$77.4	15.9%	0	\$0.0	—%	0	\$0.0	—%	4	\$69.9
2	37	\$342.4	70.3%	2	\$5.1	1.0%	0	\$0.0	—%	43	\$388.5
3	9	\$57.2	11.7%	0	\$0.0	—%	0	\$0.0	—%	7	\$51.8
4	2	\$10.1	2.1%	0	\$0.0	—%	0	\$0.0	—%	2	\$10.5
Wtd. Avg. Investment Rating (at Cost)	2.1									2.0	

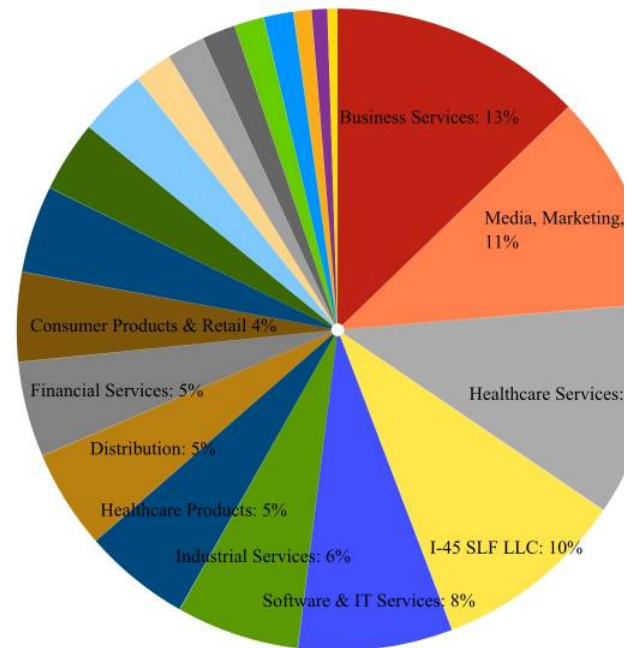
CSWC Portfolio Mix as of 9/30/2020 at Fair Value

Current Investment Portfolio of \$631.2 MM continues to be diverse across industries

Current Investment Portfolio (By Type)



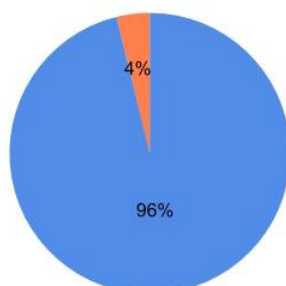
Current Investment Portfolio (By Industry)



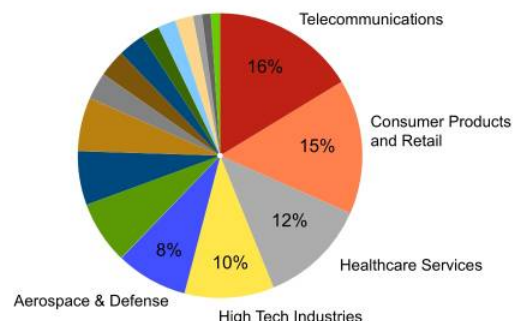
I-45 Portfolio Overview

I-45 loan portfolio of \$177.5 MM is 96% first lien with average hold size of 2.4% of the I-45 portfolio

Current I-45 Portfolio (By Type)



Current I-45 Portfolio (By Industry)



■ First Lien ■ Second Lien

I-45 Portfolio Statistics				
(In Thousands)	12/31/2019	3/31/2020	6/30/2020	9/30/2020
Total Investments at Fair Value	\$206,208	\$170,860	\$172,551	\$177,527
Fund Leverage (Debt to Equity) at Fair Value	1.91x	2.51x	1.51x	1.39x
Number of Issuers	46	43	42	42
Wtd. Avg. Issuer EBITDA	\$64,968	\$65,098	\$64,800	\$66,879
Avg. Investment Size as a % of Portfolio	2.2%	2.3%	2.4%	2.4%
Wtd. Avg. Net Leverage on Investments ⁽¹⁾⁽²⁾	4.5x	4.6x	5.0x	4.7x
Wtd. Avg. Spread to LIBOR	6.3%	6.3%	6.3%	6.3%
Wtd. Avg. Duration (Yrs)	3.8	3.5	3.3	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

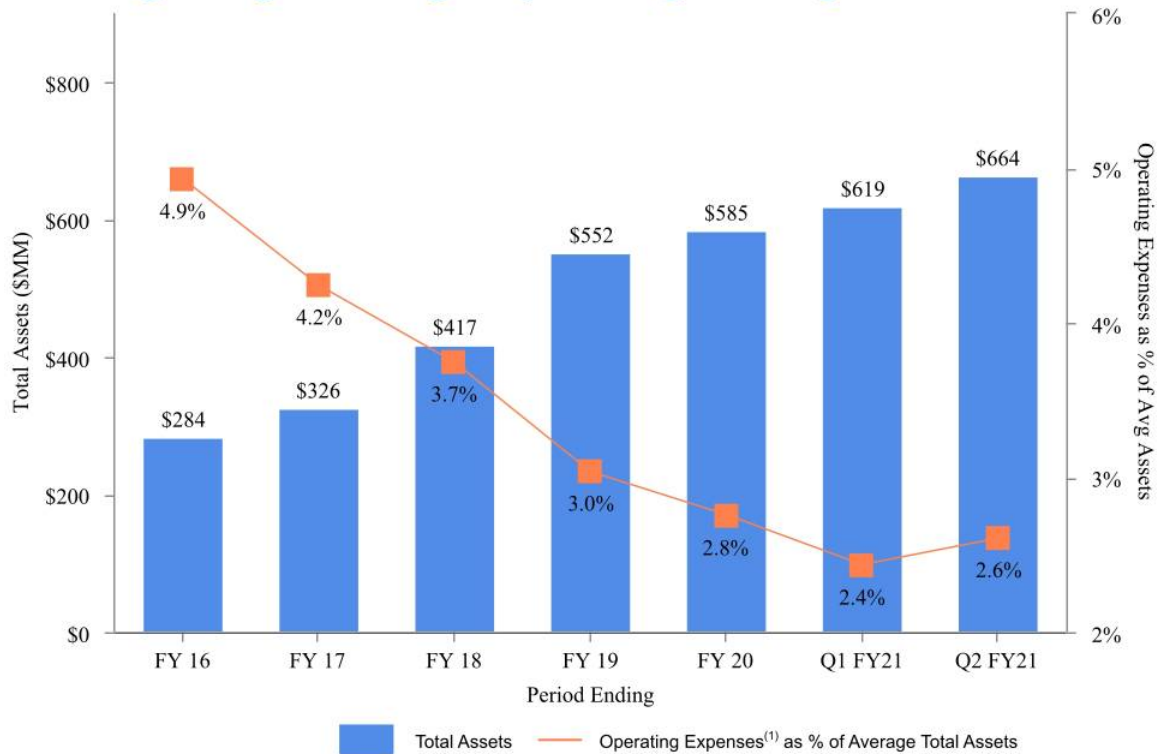
Income Statement

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 12/31/19	Quarter Ended 3/31/20	Quarter Ended 6/30/20	Quarter 9/30/20
Investment Income				
Interest Income	\$11,685	\$12,650	\$12,645	\$13,645
Dividend Income	2,688	2,149	1,957	1,845
Fees and Other Income	1,611	239	562	94
Total Investment Income	\$15,984	\$15,038	\$15,164	\$16,584
Expenses				
Cash Compensation	\$2,034	\$1,547	\$1,720	\$1,945
Share Based Compensation	690	641	612	85
General & Administrative	1,243	1,324	1,335	1,315
Total Expenses (excluding Interest)	\$3,967	\$3,512	\$3,667	\$4,145
Interest Expense	\$4,142	\$4,172	\$4,328	\$4,315
Pre-Tax Net Investment Income	\$7,875	\$7,354	\$7,169	\$8,124
Taxes and Gain / (Loss)				
Income Tax Benefit (Expense)	\$(761)	\$(411)	\$(350)	\$275
Net realized gain (loss) on investments	40,818	(87)	(5,547)	(1,245)
Net increase (decrease) in unrealized appreciation of investments	(54,765)	(31,816)	7,605	9,645
Realized losses on extinguishment of debt	—	—	—	(28)
Net increase (decrease) in net assets resulting from operations	\$(6,833)	\$(24,960)	\$8,877	\$16,406
Weighted Average Diluted Shares Outstanding	18,100	18,595	18,148	18,645
Pre-Tax NII Per Diluted Weighted Average Share	\$0.44	\$0.40	\$0.40	\$0.43



Operating Leverage Trend

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

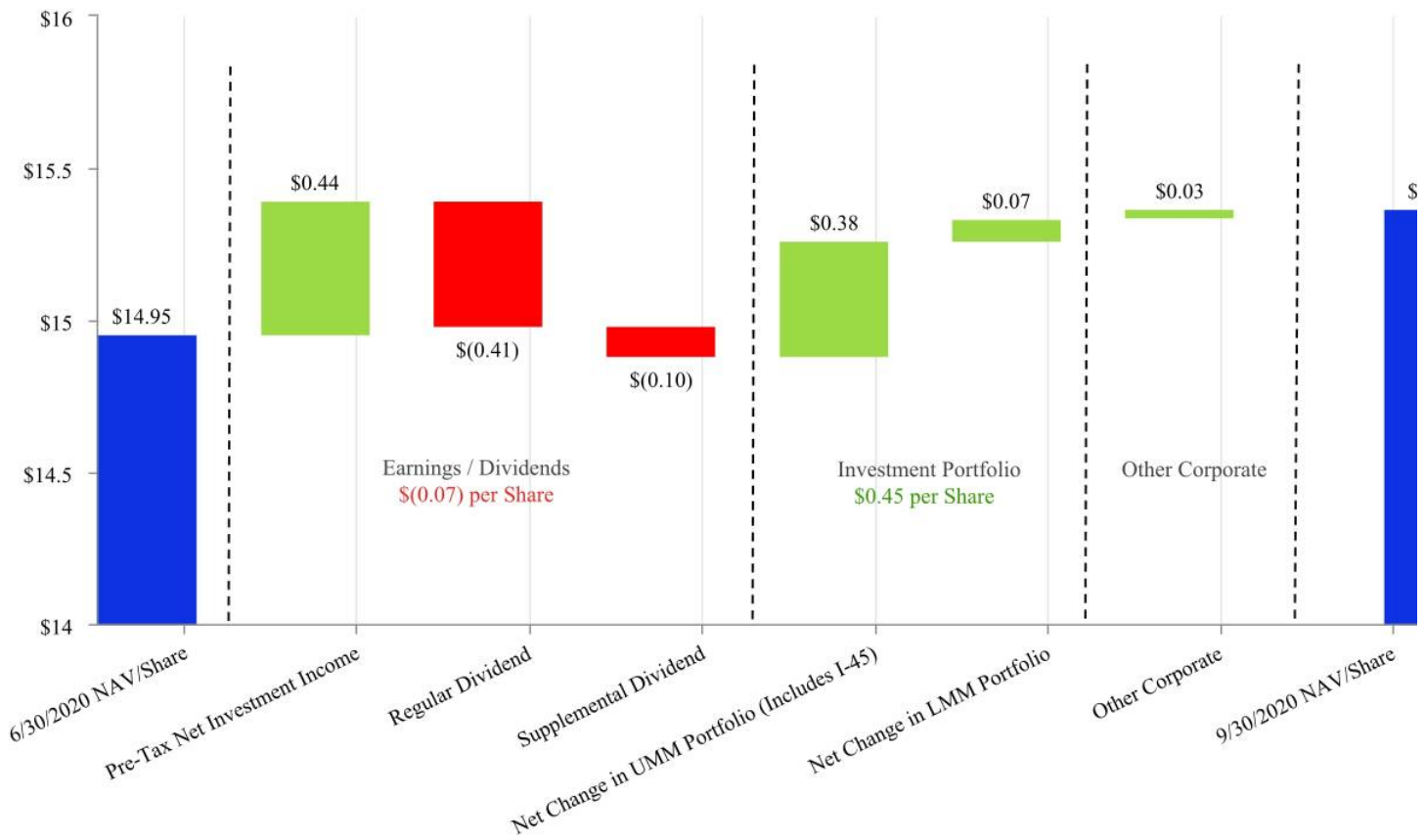


Note: FY16 includes only the quarters after the 2015 spin-off. Q1 and Q2 FY21 are quarterly annualized.
 (1) Operating expenses exclude interest expense

Balance Sheet

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 12/31/19	Quarter Ended 3/31/20	Quarter Ended 6/30/20	Quarter Ended 9/30/20
Assets				
Portfolio Investments	\$558,552	\$553,072	\$587,178	\$631,197
Cash & Cash Equivalents	22,966	13,744	14,986	16,011
Other Assets	17,830	18,143	16,932	17,057
Total Assets	\$599,348	\$584,959	\$619,096	\$664,265
Liabilities				
December 2022 Notes	\$75,688	\$75,812	\$75,936	\$56,339
October 2024 Notes	73,393	73,484	73,575	122,623
Credit Facility	124,000	154,000	182,000	187,000
Other Liabilities	14,411	9,441	9,726	12,174
Total Liabilities	\$287,492	\$312,737	\$341,237	\$378,136
Shareholders Equity				
Net Asset Value	\$311,856	\$272,222	\$277,859	\$286,129
Net Asset Value per Share	\$16.74	\$15.13	\$14.95	\$15.36
Debt to Equity	0.88x	1.11x	1.19x	1.28x

NAV per Share Bridge from Quarter Ended 6/30/2020

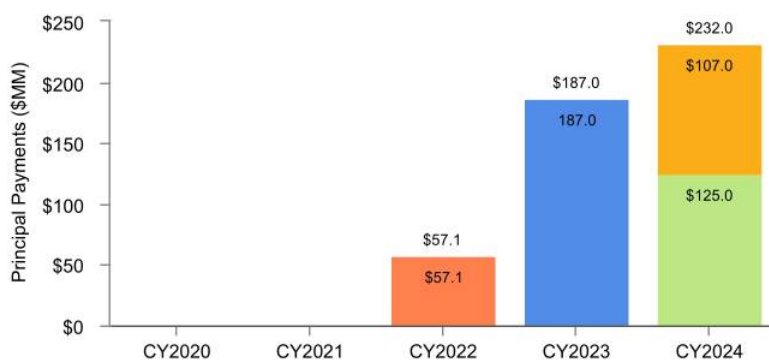


Significant Unused Debt Capacity with Long-Term Duration

Earliest Debt Maturity occurs in December 2022

Facility	Total Commitments	Interest Rate	Maturity	Principal Drawn	Undrawn Co
Credit Facility ⁽¹⁾	\$325.0 MM	L + 2.50% subject to certain conditions	December 2023	\$187.0 MM	\$134.6 MM
December 2022 Notes (NASDAQ: "CSWCL") ⁽³⁾	\$57.1 MM	5.95%	December 2022	\$57.1 MM	N/A
October 2024 Notes ⁽⁴⁾	\$125.0 MM	5.375%	October 2024	\$125.0 MM	N/A
I-45 Credit Facility ⁽⁵⁾	\$150.0 MM	L + 2.25%	November 2024	\$107.0 MM	\$43.0 MM

Long-Term Debt Obligations (Calendar Year)



■ Credit Facility
■ October 2024 Notes
■ December 2022 Notes
■ I-45 Credit Facility

- (1) The Credit Facility has an accordion feature that allows for an increase in total commitments up to \$350 MM. Principal Drawn is based upon outstanding balances as of 9/30/2022.
- (2) Net of \$3.4 MM in letters of credit outstanding
- (3) Redeemable in whole or in part at CSWC's option at any time. Principal drawn is based upon outstanding balances as of 9/30/2022.
- (4) Redeemable in whole or in part at any time prior to July 1, 2024, at par plus a "make whole" premium, and thereafter at par
- (5) CSWC owns 80% of the equity and 50% of the voting rights of I-45 SLF LLC with a joint venture partner



Portfolio Statistics

Continuing to build a well performing credit portfolio

<i>(In Thousands)</i>	Quarter Ended 12/31/19	Quarter Ended 3/31/20	Quarter Ended 6/30/20	Quarter Enc 9/30/20
Portfolio Statistics				
Fair Value of Debt Investments	\$456,095	\$474,333	\$487,195	\$520,651
Average Debt Investment Hold Size	\$11,695	\$11,569	\$11,330	\$11,319
Fair Value of Debt Investments as a % of Par	95%	94%	95%	95%
% of Investment Portfolio on Non-Accrual (at Fair Value)	3.3%	3.3%	1.9%	1.7%
Weighted Average Investment Rating ⁽¹⁾	2.0	2.1	2.1	2.0
Weighted Average Yield on Debt Investments	11.26%	10.50%	10.08%	10.34%
Total Fair Value of Portfolio Investments	\$558,552	\$553,072	\$587,178	\$631,197
Weighted Average Yield on all Portfolio Investments	10.69%	10.63%	10.36%	10.43%
Investment Mix (Debt vs. Equity) ⁽²⁾⁽³⁾	91% / 9%	92% / 8%	92% / 8%	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 12/31/19	Quarter Ended 3/31/20	Quarter Ended 6/30/20	Quarter Ended 9/30/20
Investment Income Breakdown				
Cash Interest	\$10,430	\$11,421	\$11,008	\$11,581
Cash Dividends	2,703	2,150	1,957	1,860
PIK Income	801	741	1,120	1,761
Amortization of purchase discounts and fees	460	511	520	543
Management/Admin Fees	199	177	182	198
Prepayment Fees & Other Income	1,391	38	377	742
Total Investment Income	\$15,984	\$15,038	\$15,164	\$16,685
Key Metrics				
Cash Income as a % of Investment Income	92%	92%	89%	86%
% of Total Investment Income that is Recurring	88%	98%	97%	95%

Key Financial Metrics

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

	Quarter Ended 12/31/19	Quarter Ended 3/31/20	Quarter Ended 6/30/20	Quarter Ended 9/30/20
Key Financial Metrics				
Pre-Tax Net Investment Income Per Wtd Avg Diluted Share	\$0.44	\$0.40	\$0.40	\$0.40
Pre-Tax Net Investment Income Return on Equity (ROE) ⁽¹⁾	9.51%	9.45%	10.44%	11.66%
Realized Earnings Per Wtd Avg Diluted Share	\$2.65	\$0.37	\$0.07	\$0.33
Realized Earnings Return on Equity (ROE) ⁽¹⁾	57.88%	8.81%	1.85%	10.13%
Earnings Per Wtd Avg Diluted Share	\$(0.38)	\$(1.34)	\$0.49	\$0.81
Earnings Return on Equity (ROE) ⁽¹⁾	(8.25)%	(32.07)%	12.93%	23.58%
Regular Dividends per Share	\$0.40	\$0.41	\$0.41	\$0.41
Supplemental/Special Dividends per Share	\$0.85	\$0.10	\$0.10	\$0.10
Total Dividends per Share	\$1.25	\$0.51	\$0.51	\$0.51
Dividend Yield ⁽²⁾	24.03%	17.86%	15.13%	14.53%

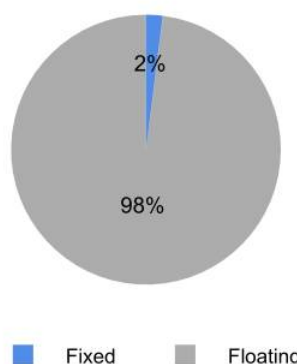
(1) Return on Equity is calculated as the quarterly annualized Pre-Tax NII, Realized Earnings, or Total Earnings, respectively, divided by equity at the end of the prior quarter

(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⁾



Change in Base Interest Rates	Illustrative Annual NII Change (\$'s)	Illustrative Annual NII Change (Per Share)
(50 bps)	1,241,458	0.07
(25 bps)	559,958	0.03
25 bps	(551,580)	(0.03)
50 bps	(1,103,161)	(0.06)
75 bps	(1,645,533)	(0.09)
100 bps	(1,353,167)	(0.07)

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

Note: Illustrative change in annual NII is based on a projection of CSWC's existing debt investments as of 9/30/2020, adjusted only for changes in Base Interest Rate. Base Interest Rate used in this analysis is 3-Month LIBOR of 0.23% at 9/30/2020. The results of this analysis include the I-45 Senior Loan Fund, which is comprised of 100% floating rate assets and 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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13th Floor
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Securities Listing

Nasdaq: "CSWC" (Common Stock)
Nasdaq: "CSWCL" (December 2022 Notes)

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