



Capital Southwest Corporation

Q3 2021 Earnings Presentation

February 2, 2021

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- 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.
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Conference Call Participants

Bowen S. Diehl

President and Chief Executive Officer

Michael S. Sarner

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

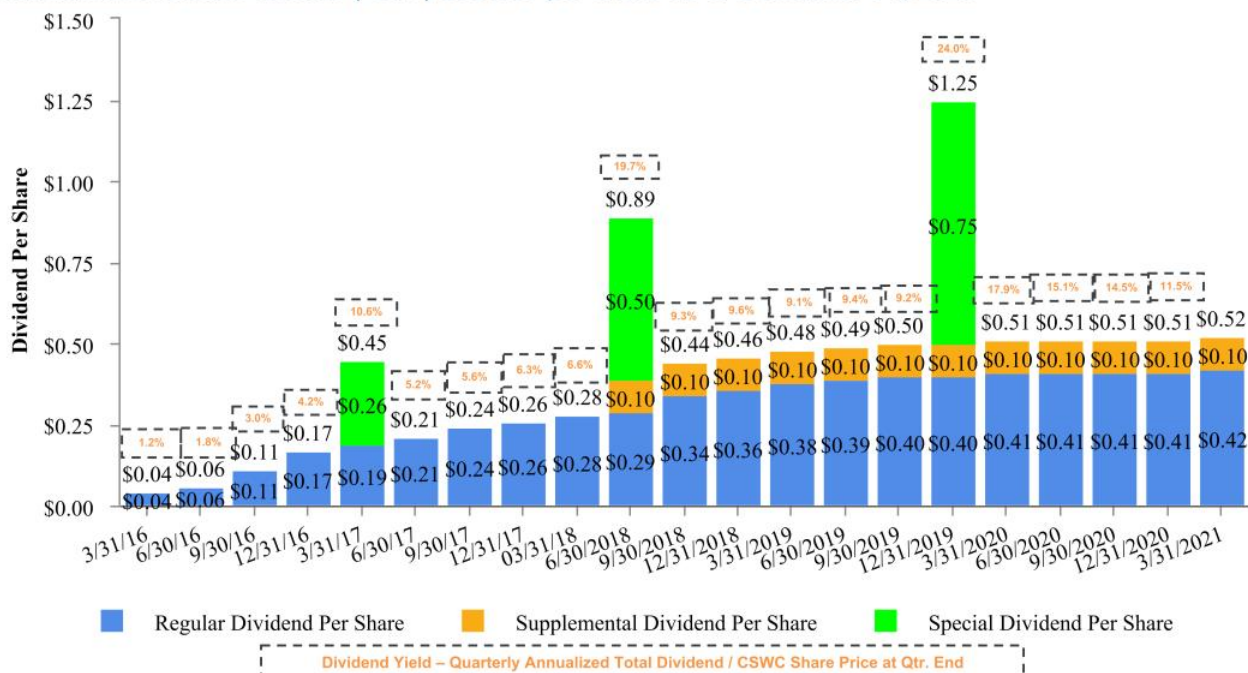
Financial Highlights

- 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



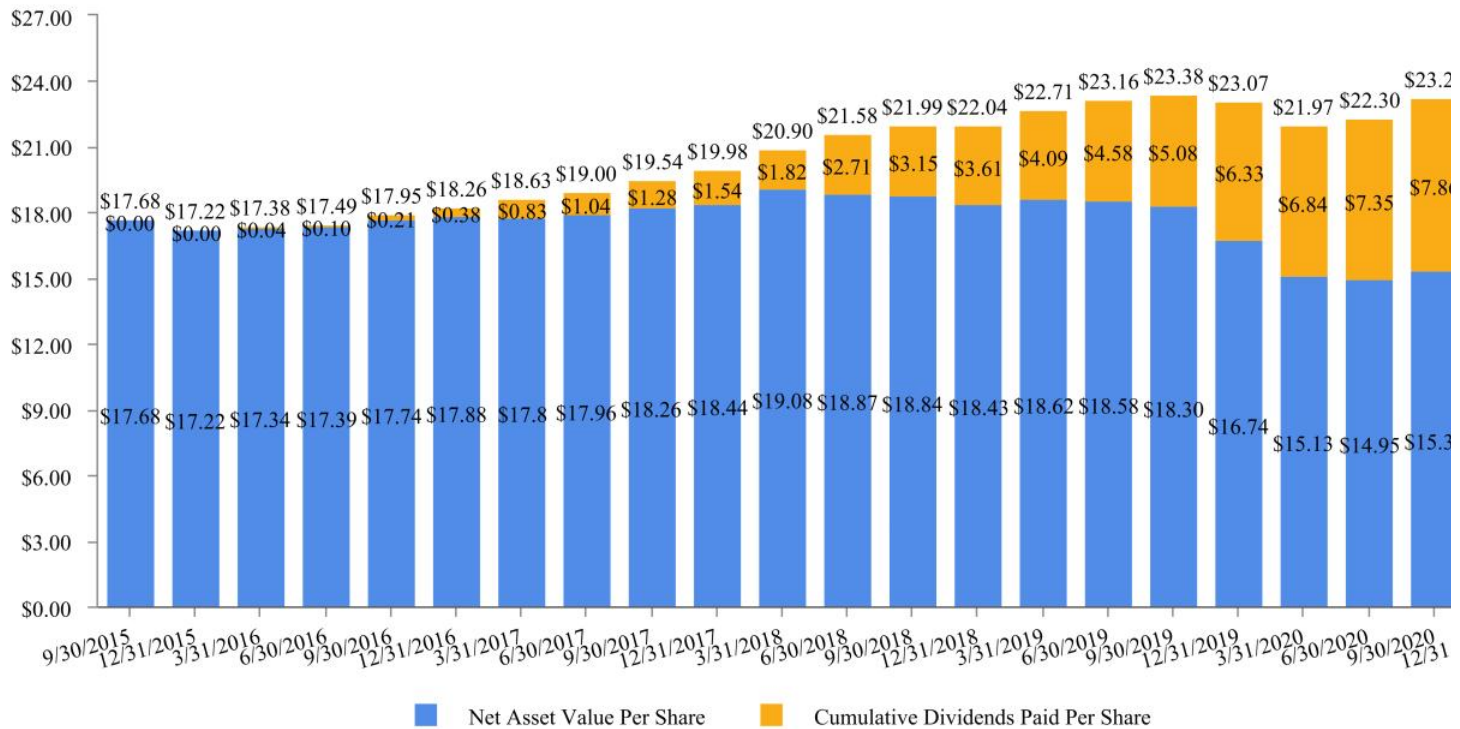
Track Record of Consistent Dividends Continues

- 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

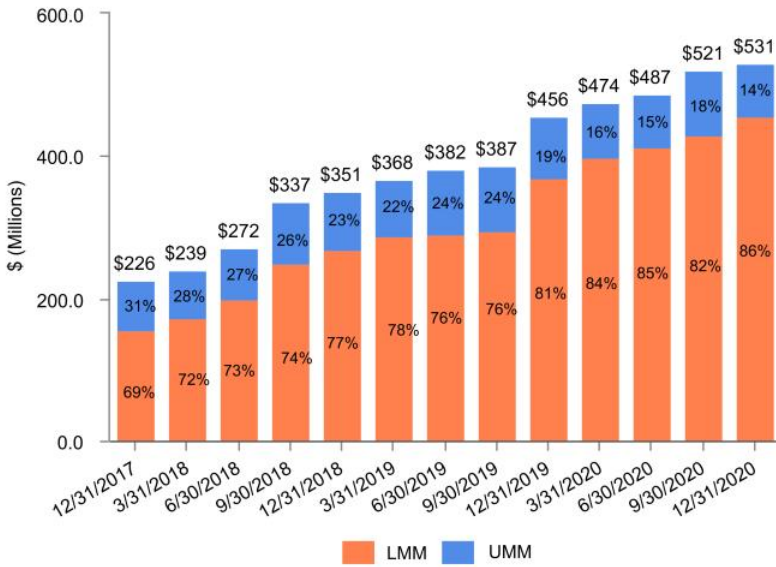
OPPORTUNISTIC: Upper Middle Market (“UMM”): Syndicated or Club First and Second Lien

- 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

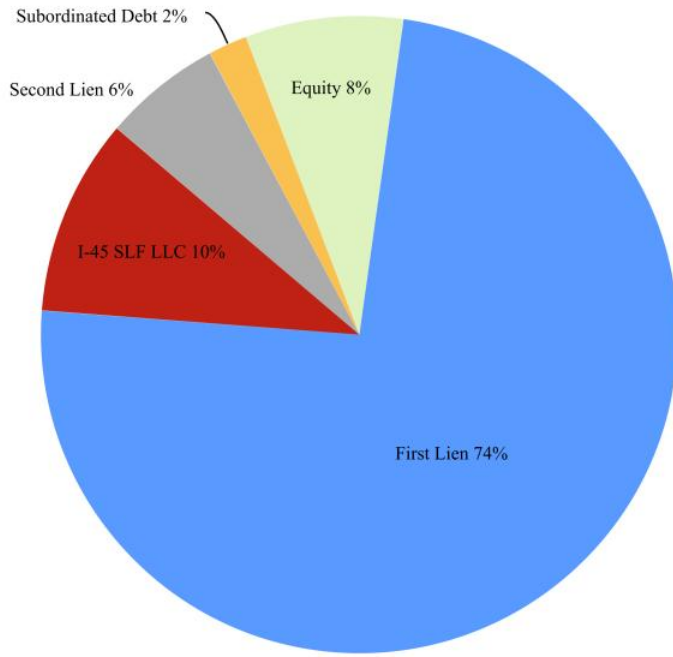
Two Loans Upgraded and No Loans Downgraded During the Quarter as Credit Portfolio Continues to Improve

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	

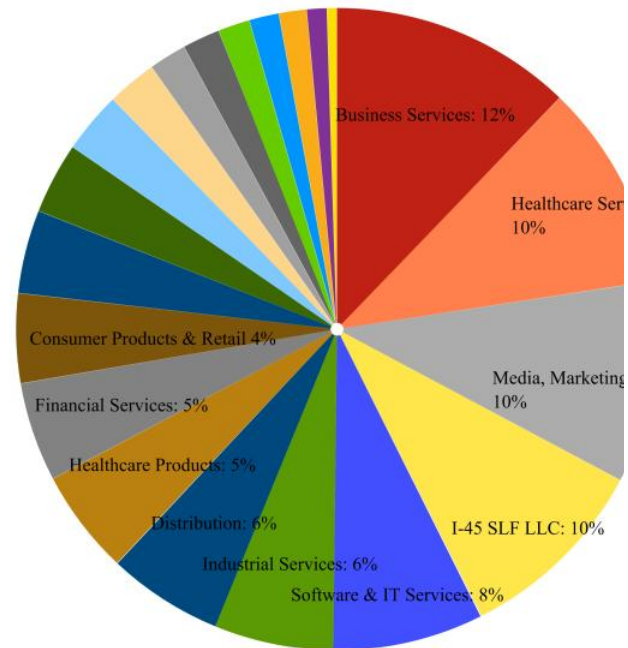
CSWC Portfolio Mix as of 12/31/2020 at Fair Value

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

Current Investment Portfolio (By Type)



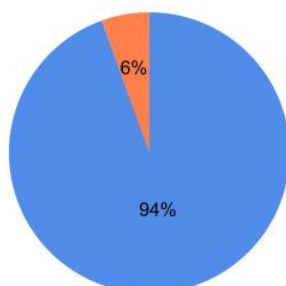
Current Investment Portfolio (By Industry)



I-45 Portfolio Overview

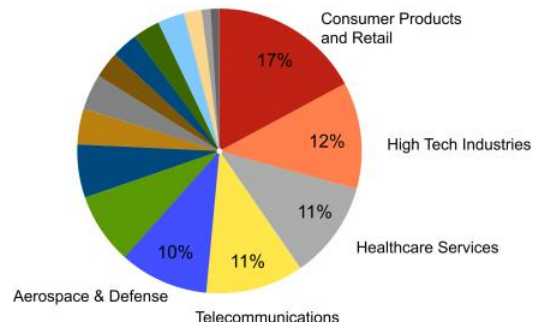
I-45 loan portfolio of \$159.6 MM is 94% first lien with average hold size of 2.6% of the I-45 portfolio

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



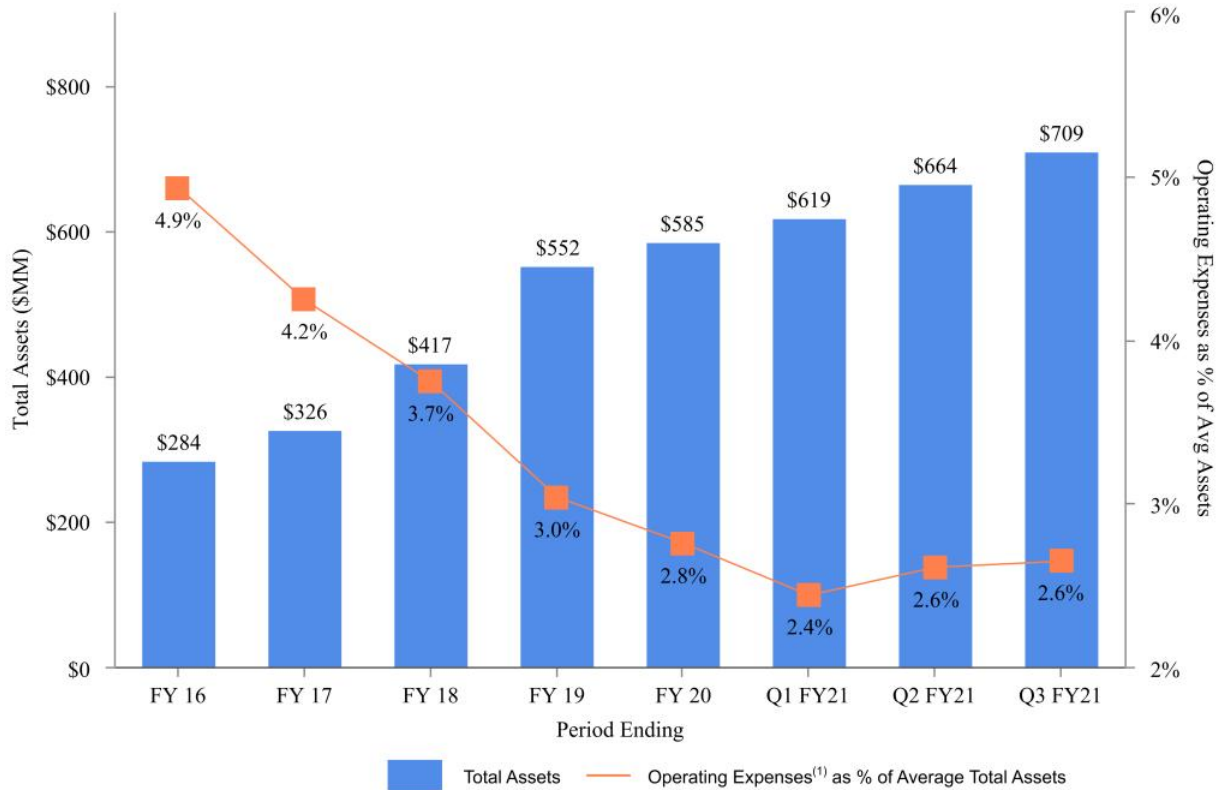
Income Statement

<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



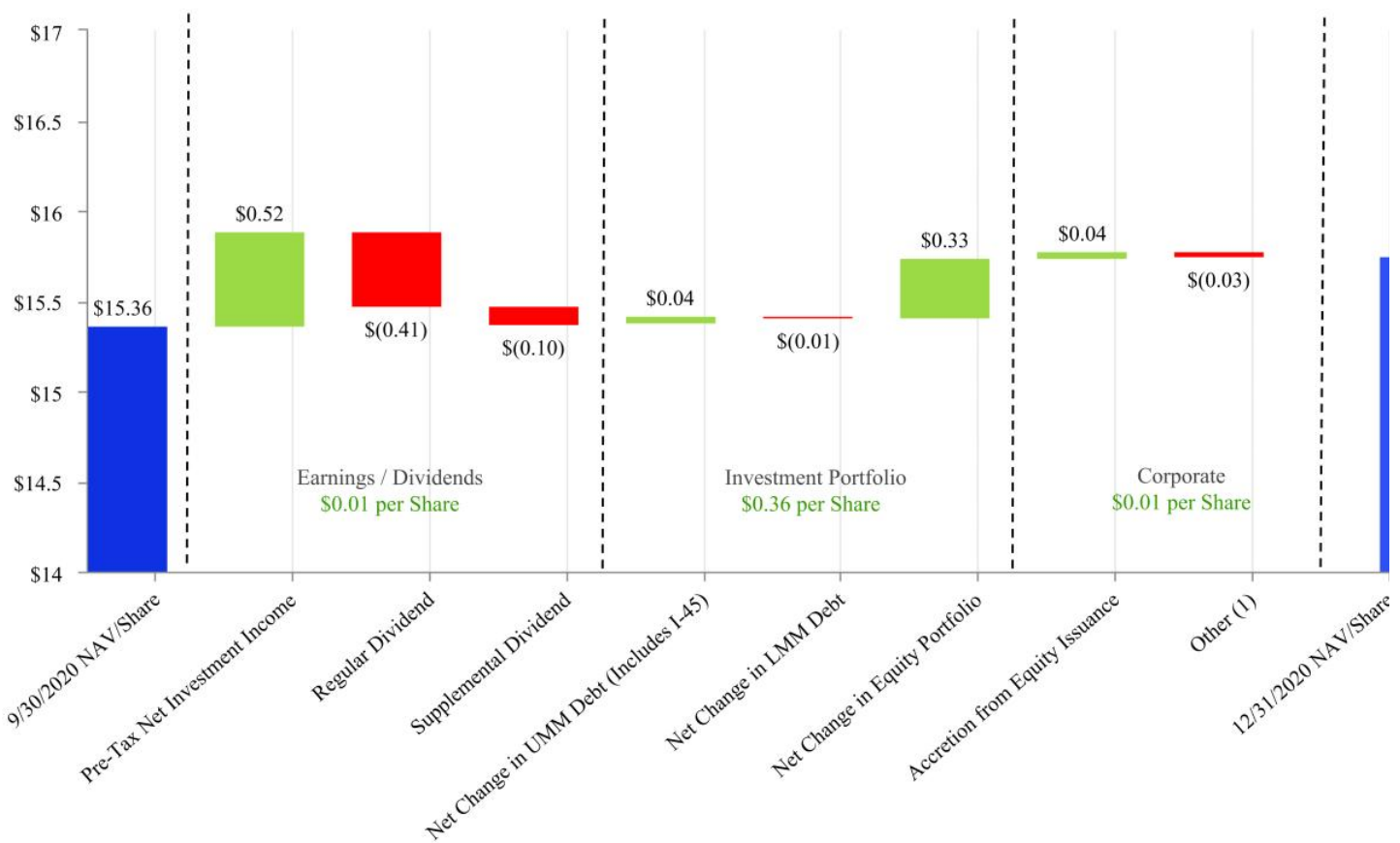
Operating Leverage Trend

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



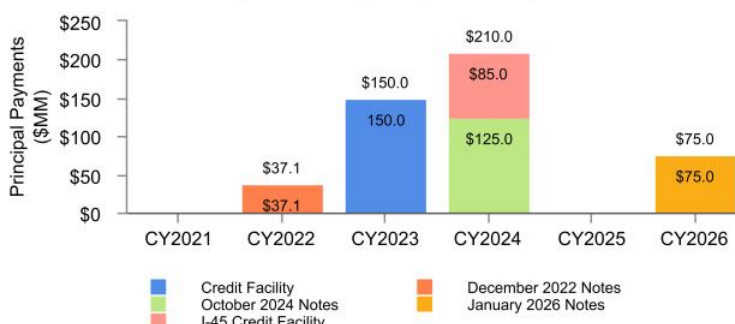
(1) Other consists of income taxes of \$(0.07) and share based compensation expense add-back of \$0.04

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

<i>(In Thousands)</i>	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%

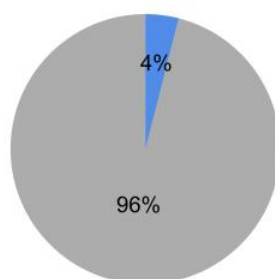
(1) Return on Equity is calculated as the quarterly annualized Pre-Tax NII, Realized Earnings, or Total Earnings, respectively, divided by equity at the end of the prior quarter

(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

Transfer Agent

American Stock Transfer & Trust Compa
800-937-5449
www.amstock.com

Corporate Offices & Website

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Securities Listing

Nasdaq: "CSWC" (Common Stock)

Industry Analyst Coverage

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B. Riley FBR	Sarkis Sherbetchyan	Direct: 310-689-5221
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