

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **February 5, 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 February 5, 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 February 6, 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 February 5, 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: February 5, 2018

By: /s/ Bowen S. Diehl

Name: Bowen S. Diehl

Title: Chief Executive Officer and
President

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release issued by Capital Southwest Corporation on February 5, 2018
99.2	Investor presentation slides



Capital Southwest Announces Financial Results for Third Fiscal Quarter Ended December 31, 2017

CSWC Reports Pre-Tax Net Investment Income of \$0.27 Per Share and Net Asset Value of \$18.44 Per Share

Dallas, Texas – February 5, 2018 – Capital Southwest Corporation (“Capital Southwest” or the “Company”; Nasdaq: CSWC), an internally managed Business Development Company focused on providing flexible financing solutions to support the acquisition and growth of middle market businesses, today announced its financial results for the third fiscal quarter ended December 31, 2017.

Third Quarter Fiscal Year 2018 Financial Highlights

- Total Investment Portfolio increased to \$367.1 million from \$321.9 million at the end of the prior quarter
 - o No investments currently on non-accrual
 - o Total Credit Portfolio increased to \$226.4 million from \$187.3 million at the end of the prior quarter
 - o \$69.9 million in new committed credit investments
 - o \$25.4 million in prepayments and amortization on credit investments
 - o Total Equity Portfolio, excluding investment in I-45 SLF, increased to \$73.5 million from \$67.1 million at the end of the prior quarter
 - o \$1.2 million in new equity co-investments
 - o Total CSWC investment in I-45 SLF - \$67.2 million
 - o I-45 SLF portfolio had assets of \$218.0 million at quarter end
 - o Portfolio consists of 44 issuers: 96% 1st Lien Debt and 4% 2nd Lien Debt
 - o I-45 SLF paid a \$2.3 million quarterly dividend to CSWC, an effective yield of 13.5% on CSWC investment in I-45 SLF
 - Pre-Tax Net Investment Income of \$4.3 million, or \$0.27 per weighted average diluted share
 - Declared and Paid Quarterly Dividend of \$0.26 per share
 - Net Realized and Unrealized Gains on Investments: \$5.6 million
 - Total Cash and Cash Equivalents: \$20.5 million
 - Total Net Assets increased to \$298.5 million from \$292.5 million at the end of the prior quarter
 - Net Asset Value per Share increased to \$18.44 from \$18.26 at the end of the prior quarter
-

- Weighted Average Yield on Debt Investments: 11.0%
- Weighted Average Yield on all Portfolio Investments: 10.6%

In commenting on the Company's results, Bowen Diehl, President and Chief Executive Officer, stated, "This quarter was a strong quarter for both earnings and new investing activity, and our portfolio continues to perform well. We also achieved several important milestones. CSWC closed its first public offering since its initial IPO in 1961, raising \$57.5 million at 5.95% in Baby Bonds with a five-year maturity of December 2022. This transaction was substantially oversubscribed and our execution, at the time, had the tightest spread to applicable treasury among BDC baby bond issuers over the prior few years. We also amended, extended and upsized our ING-led credit facility during the quarter. We increased the facility by \$65 million to \$180 million from eight lenders, while reducing our spread and extending the maturity to the end of 2021. These transactions provide our company the necessary capital to reach our target leverage, providing the potential to substantially increase our net investment income and dividends to our shareholders."

Third Quarter Fiscal Year Portfolio and Investment Activities

During the quarter ended December 31, 2017, the Company originated five new investments and two follow-on investments totaling \$71.1 million. New investment transactions which occurred during the quarter ended December 31, 2017 are summarized as follows:

Amware Fulfillment LLC, \$1.1 million add-on to 1st Lien Senior Secured Debt: Amware provides logistics fulfillment services for business-to-consumer, business-to-business, and multi-channel verticals.

Elite SEM, Inc., \$5.4 million add-on to 1st Lien Senior Secured Debt, \$0.1 million add-on to preferred stock: Elite SEM is a performance digital media agency.

Delphi Intermediate Healthco, LLC, \$7.5 million 1st Lien Senior Secured Debt: Delphi Health is a behavioral health company specializing in providing chemical dependent and addiction treatment services to adults.

LGM Pharma, \$10 million 1st Lien Senior Secured Debt, \$1.1 million common stock, \$3 million Revolver: LGM Pharma is a value-added distributor of active pharmaceutical ingredients to the pharmaceutical and biotech markets.

Clickbooth.com, LLC, \$17.5 million 1st Lien Senior Secured Debt, \$2 million Revolver: Clickbooth.com is a performance-based digital marketing network that connects advertisers with publishers who promote their products primarily on a cost-per-action basis.

Capital Pawn Holdings, LLC, \$12.9 million 1st Lien Senior Secured Debt: Capital Pawn owns and operates a network of pawn shops in the southeastern United States.

Research Now Group, Inc., \$10.5 million 2nd Lien Senior Secured Debt: Research Now is a leader in data collection through online and mobile surveys using proprietary consumer and business panels.

During the quarter ended December 31, 2017, the Company received full prepayments on three investments totaling \$21.1 million. The Company received a full prepayment on the following investments:

Redbox Automated Retail, 1st Lien Senior Secured Debt: Proceeds of \$7.0 million, resulting in an IRR of 13.8%.

Research Now Group, Inc., 2nd Lien Senior Secured Debt: Proceeds of \$7.0 million, resulting in an IRR of 10.8%.

Digital Room Inc., 2nd Lien Senior Secured Debt: Proceeds of \$7.1 million, resulting in an IRR of 15.1%.

Third Fiscal Quarter 2018 Operating Results

For the quarter ended December 31, 2017, Capital Southwest reported total investment income of \$9.0 million, compared to \$8.5 million in the prior quarter. Interest income grew by \$0.3 million over the prior quarter, driven by net portfolio growth.

For the quarter ended December 31, 2017, total operating expenses (excluding interest expense) were \$3.4 million, compared to \$3.5 million in the prior quarter. The decrease in operating expenses was due to a reduction in general and administrative expenses of \$0.5 million offset by an increase in cash and share-based compensation of \$0.4 million.

For the quarter ended December 31, 2017, total interest expense was \$1.3 million, compared to \$0.9 million in the prior quarter. The increase in interest expense was due to an \$8.9 million increase in average debt outstanding on the revolving credit facility during the quarter, as well as the addition of the December 2022 Notes.

For the quarter ended December 31, 2017, total pre-tax net investment income was \$4.3 million, compared to \$4.1 million in the prior quarter.

For the quarter ended December 31, 2017, we recorded a tax benefit of \$0.4 million, primarily due to the tax reform legislation enacted on December 22, 2017.

During the quarter ended December 31, 2017, Capital Southwest recorded total realized and unrealized gains on investments of \$5.6 million, compared to \$4.7 million in the prior quarter, primarily driven by strong portfolio company performance. The net increase in net assets resulting from operations was \$10.2 million for the quarter, compared to \$8.6 million in the prior quarter.

The Company's net asset value, or NAV, at December 31, 2017 was \$18.44 per share, compared to \$18.26 at September 30, 2017. The increase in NAV from the prior quarter is primarily due to an increase in net realized and unrealized gains in the current quarter.

Liquidity and Capital Resources

At December 31, 2017, Capital Southwest had unrestricted cash and money market balances of approximately \$20.5 million.

In November 2017, the Company entered into Amendment No. 1 (the "Amendment") to its 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 to LIBOR plus 3.00%, with a step-down to LIBOR plus 2.75% at the time the Company's net worth exceeds \$325 million, (4) reduced unused commitment fees to 0.50% to 1.0% per annum based on utilization, 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. As of December 31, 2017, Capital Southwest had \$35.0 million in borrowings outstanding under the credit facility. Regulatory leverage at the end of the quarter was 0.3 to 1.

In December 2017, the Company issued \$57.5 million in aggregate principal amount of 5.95% Notes due 2022 (the "Notes"). The total net proceeds from the offering of the Notes was \$55.8 million. The 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.

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 December 31, 2017, I-45 SLF had \$134 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 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 plan because it believes that the Company's common stock may be undervalued from time to time due to market volatility. As of December 31, 2017, no shares had been purchased under the plan.

Third Quarter 2018 Earnings Results Conference Call and Webcast

Capital Southwest has scheduled a conference call on Tuesday, February 6, 2018, at 11:00 a.m. Eastern Time to discuss the third quarter 2018 financial results. You may access the call by dialing (866) 502-8274 and using the Conference ID 2059388 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 <https://edge.media-server.com/m6/p/fjcnt2yo>.

A telephonic replay will be available through February 13, 2018 by dialing (855) 859-2056 and using the Conference ID 2059388. An audio archive of the conference call will also be available on the Investor Relations section of Capital Southwest's website.

For a more detailed discussion of the financial and other information included in this press release, please refer to the Capital Southwest Form 10-Q for the period ended December 31, 2017 to be filed with the Securities and Exchange Commission and Capital Southwest's Third Fiscal Quarter 2018 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 \$299 million in net assets as of December 31, 2017. As a middle-market lending firm focused on supporting the acquisition and growth of middle market businesses, Capital Southwest makes investments ranging from \$5 to \$20 million in securities 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 within the meaning of The Private Securities Litigation Reform Act of 1995 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," "may," "could," "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, 2017 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. Sarnier, Chief Financial Officer
214-884-3829

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(In thousands, except shares and per share data)

	December 31, 2017 (Unaudited)	March 31, 2017
Assets		
Investments at fair value:		
Non-control/Non-affiliate investments (Cost: \$237,833 and \$172,437, respectively)	\$ 237,669	\$ 175,731
Affiliate investments (Cost: \$5,936 and \$5,925, respectively)	6,321	7,138
Control investments (Cost: \$76,301 and \$72,178, respectively)	123,130	104,011
Total investments (Cost: \$320,070 and \$250,540, respectively)	367,120	286,880
Cash and cash equivalents	20,527	22,386
Receivables:		
Dividends and interest	4,110	3,137
Escrow	119	545
Other	467	626
Deferred tax asset	2,080	2,017
Debt issuance costs (net of accumulated amortization of \$862 and \$366, respectively)	2,755	2,137
Other assets	5,672	8,024
Total assets	<u>\$ 402,850</u>	<u>\$ 325,752</u>
Liabilities		
Notes (Par value: \$57,500 and \$ -, respectively)	\$ 55,236	\$ -
Credit facility	35,000	25,000
Other liabilities	7,594	5,996
Dividends payable	4,201	7,191
Accrued restoration plan liability	2,099	2,170
Deferred income taxes	190	323
Total liabilities	<u>104,320</u>	<u>40,680</u>
Commitments and contingencies (Note 11)		
Net Assets		
Common stock, \$0.25 par value: authorized, 25,000,000 shares; issued, 18,526,493 shares at December 31, 2017 and 18,350,808 shares at March 31, 2017		
	4,632	4,588
Additional paid-in capital	261,614	261,472
Net investment income in excess of (less than) distributions	6,261	(1,457)
Accumulated undistributed net realized gain	3,100	8,390
Unrealized appreciation of investments, net of income taxes	46,860	36,016
Treasury stock - at cost, 2,339,512 shares	(23,937)	(23,937)
Total net assets	<u>298,530</u>	<u>285,072</u>
Total liabilities and net assets	<u>\$ 402,850</u>	<u>\$ 325,752</u>
Net asset value per share (16,186,981 shares outstanding at December 31, 2017 and 16,011,296 shares outstanding at March 31, 2017)	<u>\$ 18.44</u>	<u>\$ 17.80</u>

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

(In thousands, except shares and per share data)

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Investment income:				
Interest income:				
Non-control/Non-affiliate investments	\$ 5,420	\$ 3,384	\$ 14,858	\$ 7,839
Affiliate investments	142	141	423	422
Control investments	-	57	-	116
Dividend income:				
Non-control/Non-affiliate investments	31	-	91	-
Control investments	3,118	3,078	9,221	6,843
Interest income from cash and cash equivalents	4	29	16	155
Fees and other income	304	176	643	373
Total investment income	<u>9,019</u>	<u>6,865</u>	<u>25,252</u>	<u>15,748</u>
Operating expenses:				
Compensation	1,885	1,509	5,129	4,521
Spin-off compensation plan	172	172	517	517
Share-based compensation	479	321	1,231	815
Interest	1,275	343	2,924	446
Professional fees	245	404	1,205	1,255
Net pension expense	42	43	123	129
General and administrative	620	664	2,171	1,961
Total operating expenses	<u>4,718</u>	<u>3,456</u>	<u>13,300</u>	<u>9,644</u>
Income before taxes	4,301	3,409	11,952	6,104
Income tax (benefit) expense	(362)	536	(84)	1,495
Net investment income	<u>\$ 4,663</u>	<u>\$ 2,873</u>	<u>\$ 12,036</u>	<u>\$ 4,609</u>
Realized gain				
Non-control/Non-affiliate investments	\$ 527	\$ 44	\$ 1,361	\$ (216)
Affiliate investments	90	-	90	3,986
Control investments	-	28	-	28
Total net realized gain on investments before income tax	<u>617</u>	<u>72</u>	<u>1,451</u>	<u>3,798</u>
Change in unrealized appreciation of investments				
Non-control/Non-affiliate investments	708	2,051	(3,458)	614
Affiliate investments	(173)	75	(827)	581
Control investments	4,500	2,839	14,995	8,445
Income tax (provision) benefit	(72)	(25)	133	(547)
Total net change in unrealized appreciation of investments, net of tax	<u>4,963</u>	<u>4,940</u>	<u>10,843</u>	<u>9,093</u>
Net realized and unrealized gains on investments	<u>\$ 5,580</u>	<u>\$ 5,012</u>	<u>\$ 12,294</u>	<u>\$ 12,891</u>
Net increase in net assets from operations	<u>\$ 10,243</u>	<u>\$ 7,885</u>	<u>\$ 24,330</u>	<u>\$ 17,500</u>
Pre-tax net investment income per share - basic and diluted	<u>\$ 0.27</u>	<u>\$ 0.21</u>	<u>\$ 0.74</u>	<u>\$ 0.39</u>
Net investment income per share - basic and diluted	<u>\$ 0.29</u>	<u>\$ 0.18</u>	<u>\$ 0.75</u>	<u>\$ 0.29</u>
Net increase in net assets from operations - basic and diluted	<u>\$ 0.64</u>	<u>\$ 0.50</u>	<u>\$ 1.52</u>	<u>\$ 1.11</u>
Weighted average shares outstanding - basic	<u>16,104,806</u>	<u>15,868,977</u>	<u>16,041,696</u>	<u>15,755,480</u>
Weighted average shares outstanding - diluted	<u>16,176,436</u>	<u>15,931,501</u>	<u>16,109,122</u>	<u>15,832,487</u>



Capital Southwest Corporation

Q3 2018 Earnings Presentation

February 6, 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 within the meaning of The Private Securities Litigation Reform Act of 1995 relating to, among other things, the business, 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, 2017 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. 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 became a BDC in 1988
- Publicly-traded on NASDAQ: Common Stock (“CSWC”) and Notes (“CSWCL”)
- Internally Managed BDC with RIC status 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
- 18 employees based in Dallas, Texas
- Total Balance Sheet Assets of \$403 MM as of December 31, 2017
- Manage I-45 Senior Loan Fund (“I-45 SLF”) in partnership with Main Street Capital (Nasdaq: MAIN)

Q3 2018 Highlights

Financial Highlights

- Q3 2018 Pre-Tax Net Investment Income (“NII”) of \$4.3 MM or \$0.27 per share
- Declared and Paid Quarterly Dividend of \$0.26 per share
- Total Annualized Earnings Return on Equity of 13.9% for the quarter
- NAV per share increased to \$18.44 from \$18.26
- Net Portfolio Growth of 14%, increasing portfolio assets to \$367 MM from \$322 MM in prior quarter
 - ✓ \$71.1 MM committed in five new originations and two add-ons
 - ✓ \$21.1 MM proceeds received from three portfolio exits
- Received \$2.3 MM dividend from I-45 SLF, an effective yield of 13.5% at fair value
- \$145 MM available on Credit Facility and \$21 MM in cash and cash equivalents as of quarter end

Significant Progress in Capital Formation

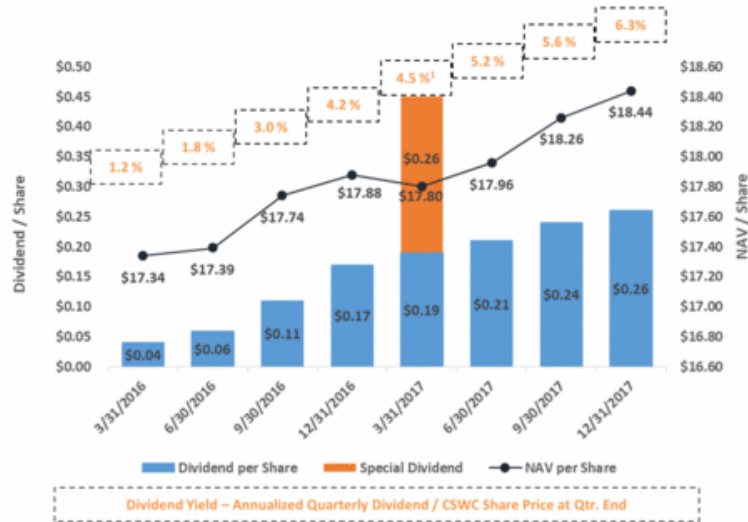
Capital Raising Highlights

- Amended ING Credit Facility
 - ✓ Increased the facility commitments to \$180 MM with an accordion to \$250 MM
 - ✓ Amended key terms, including reducing interest rate to L + 3.00% with a step-down and extending maturity to November 2021
- Raised \$57.5 MM in Notes Offering (“NASDAQ: CSWCL”)
 - ✓ 5.95% coupon, maturity in December 2022
 - ✓ At the time of issuance, CSWCL coupon represented lowest spread to 5 Year US Treasury Rate compared to recent Notes Offerings

Pricing Date	BDC	Ticker	Aggregate Value (\$MM)	Coupon	5Y UST Yield at Issuance	Spread to 5Y UST Yield
1/30/2018	Fidus Investment Corp.	FDUSL	\$43.5	5.875%	2.510%	3.365%
12/12/2017	Capital Southwest Corporation	CSWCL	\$57.5	5.950%	2.180%	3.770%
7/11/2017	TriplePoint Venture Growth BDC Corp.	TPVY	\$74.8	5.750%	1.920%	3.830%
8/16/2017	Stellus Capital Investment Corporation	SCA	\$48.9	5.750%	1.790%	3.960%
11/8/2017	MVC Capital, Inc.	MVCD	\$115.0	6.250%	2.010%	4.240%
8/9/2017	KCAP Financial, Inc.	KCAPL	\$77.4	6.125%	1.810%	4.315%
8/21/2017	Harvest Capital Credit Corp.	HCAPZ	\$28.8	6.125%	1.760%	4.365%
9/26/2017	Horizon Technology Finance Corporation	HTFA	\$37.4	6.250%	1.870%	4.380%
		<i>Median (Excl. CSWCL)</i>	\$48.9	6.125%	1.870%	4.240%

Track Record of Dividend and NAV Growth Continues

- Over the past four quarters, CSWC has generated \$0.96 per share in Pre-Tax NII and paid out \$0.90 per share in regular dividends
 - ✓ LTM dividend coverage of 107% of Pre-Tax NII
 - ✓ Eight consecutive quarters of dividend per share growth
- In addition, paid out a Special Dividend of \$0.26 in Q4 2017 generated primarily from realized gains earned over prior 12 months
- Dividend Yield increased to 6.3% at 12/31/17 from 1.2% at 3/31/16
- NAV has increased to \$18.44 per share at 12/31/17 from \$17.34 per share at 3/31/16



(1) The Special Dividend of \$0.26 is not included in the Dividend Yield calculation

Funded Path to Target Leverage

Capitalization in place today to achieve target leverage of 0.75x - 0.85x

- \$145 MM currently undrawn on credit facility (\$180 MM total committed)
- Significant potential NII growth without additional capital required to be raised

Current Capitalization (12/31/17)	Debt Outstanding (\$MM)
Credit Facility Drawn	\$35.0
December 2022 Notes Outstanding	\$55.2
Total Debt Outstanding	\$90.2

Current Leverage (12/31/17) 0.30X

Committed Availability on Credit Facility \$145.0

Pro Forma Leverage with Credit Availability Invested 0.79X

Target Leverage 0.75X - 0.85X

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 \$20 MM with hold sizes generally \$10 to \$15 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 to \$10 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

\$71.1 MM in new committed investments during the quarter (\$66.1 MM funded) at a weighted average debt YTM of 11.4%

Q3 2018 Portfolio Originations						
Name	Industry	Type	Market	Total Commitment (in \$000s)	Debt Spread	Debt Yield to Maturity
Amware Add-On	Distribution	1st Lien	LMM	\$1,111	9.50%	17.7%
Elite SEM Add-On	Media, Marketing, & Entertainment	1st Lien / Equity	LMM	\$5,439	10.65% ⁽¹⁾	12.8%
Delphi Health Solutions	Healthcare Services	1st Lien	LMM	\$7,500	7.50%	9.6%
LGM Pharma ⁽¹⁾	Healthcare Products	Revolver / 1st Lien / Equity	LMM	\$14,100	8.50%	10.7%
Clickbooth ⁽²⁾	Media, Marketing, & Entertainment	Revolver / 1st Lien	LMM	\$19,500	8.50%	10.9%
Capital Pawn	Consumer Products and Retail	1st Lien	LMM	\$12,922	9.50%	12.8%
ResearchNow	Business Services	2nd Lien	UMM	\$10,500	9.50%	10.9%
Total				\$71,072		11.4%

1. At close, \$3.0 MM Revolver was unfunded
2. At close, \$2.0 MM Revolver was unfunded
3. The investment is structured as a first lien last out term loan

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

Q3 2018 CSWC Portfolio Prepayments

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

- During the quarter, received \$21.1 MM in proceeds from three Upper Middle Market exits with a weighted average IRR of 13%
- Since launch of credit strategy in 2015, received \$97 MM in proceeds from 17 portfolio company exits with a weighted average IRR of 19.1%

Q3 2018 Portfolio Exits						
Name	Industry	Type	Market	Proceeds (in \$000s)	Realized Gain (in \$000s)	IRR
Redbox	Gaming & Leisure	1st Lien	UMM	\$7,000	\$187	13.8%
Digital Room	Paper & Forest Products	2nd Lien	UMM	\$7,070	\$124	15.1%
ResearchNow	Business Services	2nd Lien	UMM	\$7,000	\$72	10.8%
Total / Wtd. Avg.				\$21,070	\$383	13.2%

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

CSWC Portfolio Asset Mix by Market

Lower Middle Market 1st Lien portfolio growth continues

Investment Portfolio - Statistics at 12/31/17		
US\$ in 000s	Lower Middle Market ⁽¹⁾	Upper Middle Market
Number of Portfolio Companies	17	11
Total Cost	\$185,821	\$69,449
Total Fair Value	\$229,889	\$70,074
Average Hold Size (at Cost)	\$10,931	\$6,314
% First Lien Investments (at Cost)	73.4%	59.7%
% Second Lien Investments (at Cost)	0.0%	40.3%
% Subordinated Debt Investments (at Cost)	10.2%	0.0%
% Equity (at Cost)	16.4%	0.0%
Wtd. Avg. Yield ⁽²⁾⁽³⁾	11.5%	10.2%
Wtd. Avg. EBITDA of Issuer (\$MM's) ⁽³⁾	\$8.9	\$88.1
Wtd. Avg. Leverage through CSWC Security ⁽³⁾⁽⁴⁾	3.4x	4.3x

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

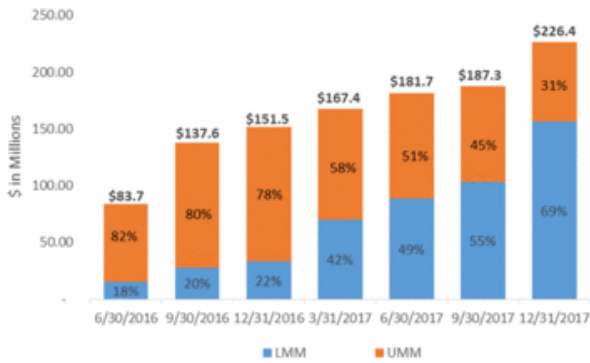
1. At December 31, 2017, we had equity ownership in approximately 70.6% of our LMM investments
2. The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2017, including accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status. As of December 31, 2017, 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 Portfolio

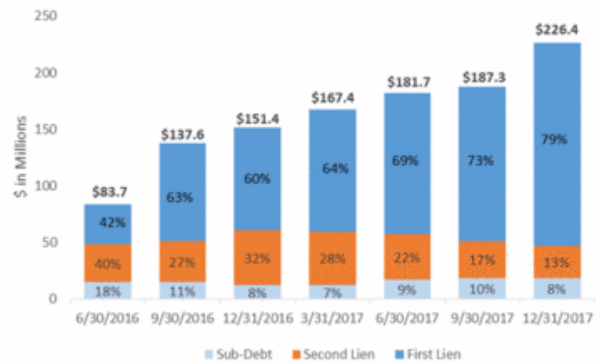
CSWC Balance Sheet Portfolio continues to migrate to LMM and 1st Lien Investments

- LMM Investments have increased to 69% of the credit portfolio at 12/31/17 from 18% at 6/30/16
- First Lien Investments have increased to 79% of the credit portfolio at 12/31/17 from 42% at 6/30/16

Robust LMM Portfolio Growth



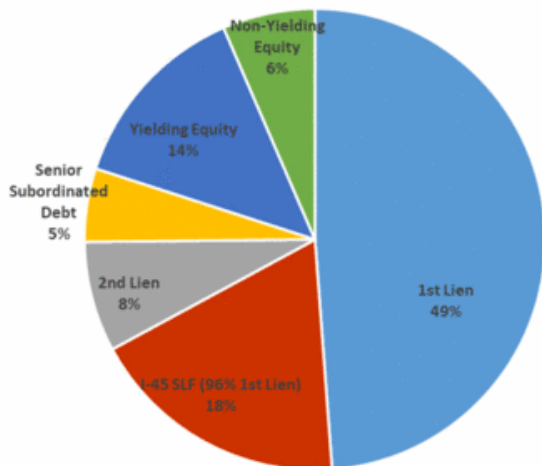
Originations Heavily Weighted to First Lien



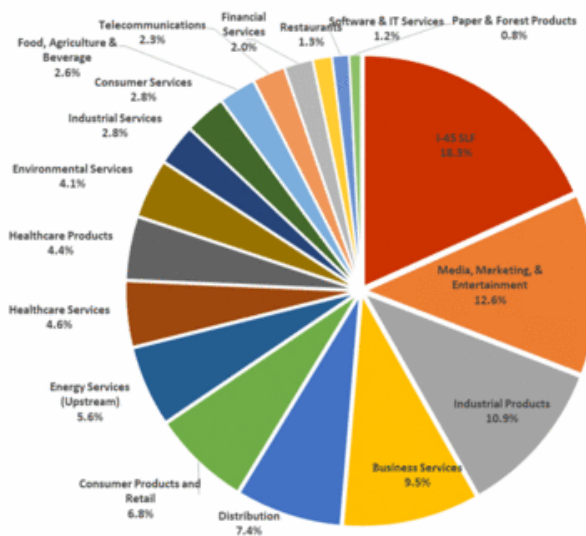
CSWC Portfolio Mix as of 12/31/17 at Fair Value

Current Investment Portfolio of \$367 MM continues to be granular and diverse

Current Investment Portfolio (By Type)



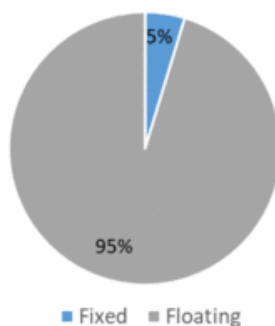
Current Investment Portfolio (By Industry)



Interest Rate Sensitivity

Debt Portfolio Exposure at 12/31/17 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)
50 bps	\$1,214,016	\$0.08
100bps	\$2,428,032	\$0.15
150bps	\$3,642,047	\$0.23
200bps	\$4,856,063	\$0.30

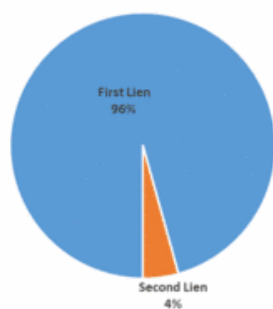
(1) Portfolio Composition includes I-45 assets pro rata as a % of CSWC's equity investment in the fund

Note: Illustrative change in NII is based on a projection of CSWC's existing debt investments as of 12/31/17, adjusted only for changes in Base Rates. The results of this analysis include the I-45 Senior Loan Fund, which is comprised of 100% floating rate assets and liabilities.

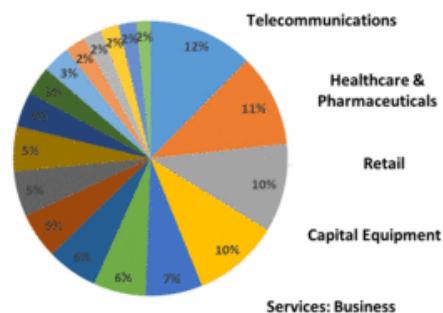
I-45 Portfolio Overview

I-45 loan portfolio of \$218 MM is 96% first lien with average hold size of 2.3%

Current I-45 Portfolio (By Type)



Current I-45 Portfolio (By Industry)



I-45 Portfolio Statistics				
	<u>3/31/2017</u>	<u>6/30/2017</u>	<u>9/30/2017</u>	<u>12/31/2017</u>
Total Debt Investments at Fair Value	\$200,243	\$209,863	\$223,807	\$217,964
Number of Issuers	43	46	46	44
Wtd. Avg. Issuer EBITDA	\$81,417	\$80,909	\$79,009	\$73,392
Avg. Investment Size as a % of Portfolio	2.3%	2.2%	2.2%	2.3%
Wtd. Avg. Net Leverage on Investments ⁽¹⁾	3.0x	3.5x	3.5x	3.3x
Wtd. Avg. Yield	7.9%	7.9%	7.7%	7.4%
Wtd. Avg. Duration (Yrs)	4.3	4.9	4.8	4.7

(1) Through I-45 Security

Income Statement

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 3/31/17	Quarter Ended 6/30/17	Quarter Ended 9/30/17	Quarter Ended 12/31/17
Investment Income				
Interest Income	\$4,113	\$4,520	\$5,282	\$5,566
Dividend Income	\$3,002	\$3,004	\$3,088	\$3,149
Fees and Other Income	\$611	\$200	\$139	\$304
Total Investment Income	\$7,726	\$7,724	\$8,509	\$9,019
Expenses				
Cash Compensation	\$1,704	\$1,638	\$1,606	\$1,885
Share Based Compensation	\$382	\$368	\$384	\$479
General & Administrative	\$1,360	\$1,228	\$1,364	\$907
Spin-off Related Expenses	\$172	\$172	\$173	\$172
Total Expenses (excluding Interest)	\$3,618	\$3,406	\$3,527	\$3,443
Interest Expense	\$543	\$738	\$911	\$1,275
Pre-Tax Net Investment Income	\$3,565	\$3,580	\$4,071	\$4,301
Taxes and Gain / (Loss)				
Income Tax Benefit (Expense)	(\$284)	(\$144)	(\$134)	\$362
Net realized gain (loss) on investments	\$4,098	\$624	\$210	\$617
Net increase (decrease) in unrealized appreciation of investments	(\$1,402)	\$1,384	\$4,496	\$4,963
Net increase (decrease) in net assets resulting from operations	\$5,977	\$5,444	\$8,643	\$10,243
Weighted Average Diluted Shares Outstanding	16,044	16,072	16,078	16,176
Pre-Tax Net Investment Income Per Dil. Weighted Average Share	\$0.22	\$0.22	\$0.25	\$0.27
Quarterly Dividends per Share	\$0.19	\$0.21	\$0.24	\$0.26

Balance Sheet

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 3/31/2017	Quarter Ended 6/30/2017	Quarter Ended 9/30/2017	Quarter Ended 12/31/2017
Assets				
Portfolio Investments	\$286,880	\$306,582	\$321,860	\$367,120
Cash & Cash Equivalents	\$22,386	\$12,359	\$33,329	\$20,527
Deferred Tax Asset	\$2,017	\$1,858	\$1,846	\$2,080
Other Assets	\$14,469	\$10,391	\$11,635	\$13,123
Total Assets	\$325,752	\$331,190	\$368,670	\$402,850
Liabilities				
December 2022 Notes	\$0	\$0	\$0	\$55,236
Credit Facility	\$25,000	\$25,000	\$56,000	\$35,000
Payable for Unsettled Transaction	\$0	\$9,263	\$0	\$0
Other Liabilities	\$15,680	\$9,500	\$20,156	\$14,084
Total Liabilities	\$40,680	\$43,763	\$76,156	\$104,320
Shareholders Equity				
Net Asset Value	\$285,072	\$287,427	\$292,514	\$298,530
NAV per Share	\$17.80	\$17.96	\$18.26	\$18.44
Debt to Equity	0.09x	0.09x	0.19x	0.30x
Shares Outstanding at Period End	16,011	16,006	16,019	16,187

Portfolio Statistics

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

	Quarter Ended 3/31/2017	Quarter Ended 6/30/2017	Quarter Ended 9/30/2017	Quarter Ended 12/31/2017
Portfolio Statistics				
Fair Value of Debt Investments	\$167,447	\$181,725	\$187,316	\$226,441
Average Debt Investment Hold Size	\$6,698	\$7,269	\$7,805	\$8,709
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⁾	1.9	2.0	2.0	2.0
Weighted Average Yield on Debt Investments	10.28%	10.51%	10.71%	10.95%
Total Fair Value of Portfolio Investments	\$286,880	\$306,582	\$321,860	\$367,120
Weighted Average Yield on all Portfolio Investments ⁽²⁾	10.49%	10.43%	10.65%	10.55%
Investment Mix (Debt vs. Equity) ^{(3) (4)}	75% / 25%	76% / 24%	74% / 26%	75% / 25%
Investment Mix (Yielding vs. Non-Yielding) ⁽⁴⁾	95% / 5%	95% / 5%	94% / 6%	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⁾	\$180.0 MM	L + 3.00% with Step-Down	November 2021	\$35.0 MM
December 2022 Notes ("NASDAQ: CSWCL")	\$57.5 MM	5.95%	December 2022	\$57.5 MM



(1) As of December 31, 2017, CSWC's credit facility had \$180.0 MM in total commitments, with an accordion feature which could increase total commitments up to \$250.0 MM

(2) Based upon outstanding balances as of December 31, 2017

(3) Issued in December 2017; redeemable at CSWC's option beginning December 2019

Investment Income Detail

Constructing a portfolio of investments with recurring cash yield

- Recurring cash interest income continues to grow quarter over quarter
- Higher non-recurring prepayment fees in Q3 2018 versus previous quarter
- PIK income remains a minor portion of NII

<i>(In Thousands)</i>	Quarter Ended 3/31/17	Quarter Ended 6/30/17	Quarter Ended 9/30/17	Quarter Ended 12/31/17
Investment Income Breakdown				
Cash Interest	\$3,913	\$4,264	\$5,082	\$5,357
Cash Dividends	\$3,002	\$3,004	\$3,018	\$3,076
PIK Income	\$63	\$73	\$70	\$72
Amortization of purchase discounts and fees	\$136	\$183	\$200	\$209
Management/Admin Fees	\$115	\$128	\$139	\$146
Prepayment Fees & Other Income	\$497	\$72	\$0	\$159
Total Investment Income	\$7,726	\$7,724	\$8,509	\$9,019
Key Metrics				
Cash Income as a % of Investment Income	97%	97%	97%	97%
% of Total Investment Income that is Recurring ⁽¹⁾	90%	93%	97%	95%

(1) Non-Recurring income principally made up of acceleration of unamortized OID and prepayment fees

Financial Highlights

Solid Earnings Growth as portfolio continues to perform

	Quarter Ended 3/31/2017	Quarter Ended 6/30/2017	Quarter Ended 9/30/2017	Quarter Ended 12/31/2017
Financial Highlights				
Pre-Tax Net Investment Income Per Wtd Avg Diluted Share	\$0.22	\$0.22	\$0.25	\$0.27
Annualized Pre-Tax Net Investment Income Return on Equity (ROE)	4.97%	5.00%	5.64%	5.82%
Realized Earnings Per Wtd Avg Diluted Share	\$0.46	\$0.25	\$0.26	\$0.33
Annualized Realized Earnings ROE	10.29%	5.68%	5.75%	7.15%
Earnings Per Wtd Avg Diluted Share	\$0.37	\$0.34	\$0.54	\$0.63
Annualized Earnings Return on Equity (ROE)	8.33%	7.61%	11.97%	13.87%
Quarterly Dividends Per Share	\$0.19	\$0.21	\$0.24	\$0.26
Special Dividends per Share	\$0.26	\$0.00	\$0.00	\$0.00
NAV Per Share	\$17.80	\$17.96	\$18.26	\$18.44

Corporate Information

<p>Board of Directors</p> <p>Inside Directors Bowen S. Diehl</p> <p>Independent Directors David R. Brooks Jack D. Furst T. Duane Morgan 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</p> <p>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>Jones Day / Eversheds Sutherland</p>
		<p>Transfer Agent</p> <p>American Stock Transfer & Trust Company, LLC 800-937-5449 www.amstock.com</p>
<p>Industry Analyst Coverage</p>		
<p>Firm</p> <p>National Securities Corporation Ladenburg Thalmann Janney Montgomery Scott, LLC</p>	<p>Analyst</p> <p>Christopher R. Testa Mickey M. Schleien, CFA Mitchel Penn, CFA</p>	<p>Contact Information</p> <p>Direct: 212-417-7447 Direct: 305-572-4131 Direct: 410-583-5976</p>