

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): **October 30, 2020**

**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))

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class                             | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|---|-------------------|---|
| <b>Common Stock, \$0.25 par value per share</b> | <b>CSWC</b>       | <b>The Nasdaq Global Select Market</b>    |
| <b>5.95% Notes due 2022</b>                     | <b>CSWCL</b>      | <b>The Nasdaq Global Select Market</b>    |

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 October 30, 2020, 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 November 2, 2020. 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>  |
|----------------------|---|
| <a href="#">99.1</a> | <a href="#">Press release issued by Capital Southwest Corporation on October 30, 2020</a> |
| <a href="#">99.2</a> | <a href="#">Investor presentation slides</a>  |

**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: October 30, 2020

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

## Capital Southwest Announces Financial Results for Second Fiscal Quarter Ended September 30, 2020 and Announces Total Dividends of \$0.51 per share for the Quarter Ended December 31, 2020

*CSWC Reports Pre-Tax Net Investment Income of \$0.44 Per Share and Estimates Undistributed Taxable Income at Quarter End of \$1.19 Per Share*

Dallas, Texas – October 30, 2020 – Capital Southwest Corporation (“Capital Southwest,” “CSWC” or the “Company”) (Nasdaq: CSWC), an internally managed business development company focused on providing flexible financing solutions to support the acquisition and growth of middle market businesses, today announced its financial results for the second fiscal quarter ended September 30, 2020.

### Second Quarter Fiscal Year 2021 Financial Highlights

- **Total Investment Portfolio:** \$631.2 million
  - **Credit Portfolio** of \$520.6 million:
    - 91% 1st Lien Senior Secured Debt
    - \$63.3 million in new committed credit investments
    - Weighted Average Yield on Debt Investments: 10.3%
    - No new credit investments placed on non-accrual during the quarter
      - Three Upper Middle Market 1st Lien Senior Secured Debt investments remain on non-accrual with a fair value of \$10.9 million, representing 1.7% of the total investment portfolio
  - **Equity Portfolio** of \$49.1 million, excluding investment in I-45 Senior Loan Fund (“I-45 SLF”)
    - \$3.0 million in new committed equity co-investments
  - **CSWC Investment in I-45 SLF** of \$61.5 million at fair value
    - I-45 SLF portfolio of \$177.5 million
      - Portfolio consists of 42 issuers: 96% 1st Lien Debt and 4% 2nd Lien Debt
    - \$107.0 million of debt outstanding at I-45 SLF as of September 30, 2020
      - I-45 SLF fund leverage of 1.39x debt to equity at fair value at quarter end
    - I-45 SLF paid a \$1.7 million quarterly dividend to CSWC, an annualized yield of 11.0%
- **Pre-Tax Net Investment Income:** \$8.1 million, or \$0.44 per weighted average diluted share
- **Dividends:** Paid \$0.41 per share Regular Dividend, \$0.10 per share Supplemental Dividend
  - 103% LTM Pre-Tax NII Regular Dividend Coverage
  - Total Dividends for the quarter ended September 30, 2020 of \$0.51 per share
  - Undistributed Taxable Income at quarter end estimated at \$1.19 per share
- **Net Realized and Unrealized Portfolio Appreciation:** \$8.4 million
  - \$7.0 million of net appreciation related to the upper middle market portfolio, including I-45 SLF
  - \$1.4 million of net appreciation related to the lower middle market portfolio

- **Realized Loss on Extinguishment of Debt:** \$0.3 million
  - Redeemed \$20 million in aggregate principal of the 5.95% Notes due 2022 (the "December 2022 Notes")
- **Balance Sheet:**
  - Cash and Cash Equivalents: \$16.0 million
  - Total Net Assets: \$286.1 million
  - Net Asset Value ("NAV") per Share: \$15.36

In commenting on the Company's results, Bowen Diehl, President and Chief Executive Officer, stated, "This quarter, we saw strong performance in both the Upper and Lower Middle Market portfolios. Our portfolio appreciated \$8.4 million this quarter, increasing NAV per share from \$14.95 to \$15.36. From an investment rating perspective, our portfolio experienced two loan upgrades and zero downgrades, as well as no new non-accruing loans recorded during the quarter. On the new origination front, we remained active, committing \$66.3 million in originations to both new and existing portfolio companies. We are also pleased to announce Pre-Tax Net Investment Income of \$0.44 per share. We recently announced a Regular Dividend of \$0.41 per share for the quarter, as well as an additional \$0.10 per share funded by our large UTI (undistributed taxable income) balance. Total dividends of \$0.51 per share for the quarter were flat from the prior quarter. We continued to be active in the capital markets, issuing \$50 million in aggregate principal of 5.375% Notes due 2024 at par. We continue the process toward receiving a license from the U.S. Small Business Administration, submitting our final license application during the quarter. We are hopeful that we will receive formal license approval by the end of this calendar year. This license will allow us to access \$175 million in long term, cost effective debt capital to deploy in our lower middle market strategy. This would clearly be a major milestone for Capital Southwest and one that once in place will provide significant earnings power for our shareholders."

#### **Second Quarter Fiscal Year Investment Activities**

During the quarter ended September 30, 2020, the Company originated investments in four new portfolio companies and six follow-on investments in existing portfolio companies, totaling \$66.3 million in capital commitments. New portfolio company investment transactions that occurred during the quarter ended September 30, 2020 are summarized as follows:

**Electronic Transaction Consultants LLC, \$10.0 million 1<sup>st</sup> Lien Senior Secured Debt, \$3.7 million Revolving Loan, \$1.0 million Common Equity:** Electronic Transaction Consultants Corporation designs, implements, supports and maintains software systems used to facilitate electronic toll collections for toll road authorities and operators.

**Ian, Evan, & Alexander Corporation (d/b/a EverWatch), \$10.0 million 1<sup>st</sup> Lien Senior Secured Debt, \$2.0 million Revolving Loan:** EverWatch is a technology solutions company providing advanced defense, intelligence, and deployed support to mission critical missions in the national security and intelligence space.

**RTIC Subsidiary Holdings, LLC, \$6.9 million 1<sup>st</sup> Lien Senior Secured Debt, \$1.1 million Revolving Loan:** RTIC Holdings, LLC is the largest pure-play direct-to-consumer eCommerce provider of high-quality outdoor products that are priced for value-conscious outdoor enthusiasts.

**Sonobi, Inc., \$8.5 million 1<sup>st</sup> Lien Senior Secured Debt, \$0.5 million Common Equity:** Sonobi, Inc. is a digital media technology platform that directly connects advertisers in order to efficiently connect brands with their desired consumers.

During the quarter ended September 30, 2020, the Company received full prepayment on two Lower Middle Market investments totaling \$20.8 million.

**Danforth Advisors, LLC:** Proceeds of \$6.7 million, generating an IRR of 12.4%.

**Trinity 3, LLC:** Proceeds of \$14.1 million, generating an IRR of 13.4%.

#### **Second Fiscal Quarter 2021 Operating Results**

For the quarter ended September 30, 2020, Capital Southwest reported total investment income of \$16.7 million, compared to \$15.2 million in the prior quarter. The increase in investment income was primarily attributable to an increase in average debt investments outstanding and an increase in weighted average yield on debt investments, as well as an increase in non-recurring amendment and prepayment fees received from portfolio companies during the quarter.

For the quarter ended September 30, 2020, total operating expenses (excluding interest expense) were \$4.2 million, compared to \$3.7 million in the prior quarter. The increase in expenses was due mainly to a true-up to our annual bonus accrual based on improvement in our overall portfolio performance, as well as an increase in share-based compensation due to additional restricted stock awards granted in the prior quarter.

For the quarter ended September 30, 2020, interest expense was \$4.4 million as compared to \$4.3 million in the prior quarter. The increase was due to the issuance in August 2020 of the additional 5.375% Notes due 2024.

For the quarter ended September 30, 2020, total pre-tax net investment income was \$8.1 million, compared to \$7.2 million in the prior quarter.

For the quarter ended September 30, 2020, Capital Southwest had a tax benefit of \$0.2 million as compared to tax expense of \$0.4 million in the previous quarter. The decrease was primarily due to losses from partnership investments held in the Taxable Subsidiary.

During the quarter ended September 30, 2020, Capital Southwest recorded total net realized and unrealized gains on investments of \$8.4 million, compared to \$2.1 million in the prior quarter. For the quarter ended September 30, 2020, this included total net realized losses on investments of \$1.3 million and net unrealized appreciation on investments of \$9.6 million, of which \$1.3 million was the reversal of net unrealized depreciation recognized in prior periods due to realized losses noted above. The net increase in net assets resulting from operations was \$16.4 million for the quarter, compared to \$8.9 million in the prior quarter.

The Company's NAV at September 30, 2020 was \$15.36 per share, as compared to \$14.95 at June 30, 2020. The increase in NAV per share from the prior quarter is primarily due to net unrealized appreciation on the investment portfolio.

#### **Liquidity and Capital Resources**

At September 30, 2020, Capital Southwest had approximately \$16.0 million in unrestricted cash and money market balances, \$187.0 million of total debt outstanding on the Credit Facility, \$56.3 million, net of unamortized debt issuance costs, of the December 2022 Notes outstanding, and \$122.6 million, net of unamortized debt issuance costs, of the October 2024 Notes outstanding. As of September 30, 2020, Capital Southwest had \$134.6 million in available borrowings under the Credit Facility. The debt to equity ratio at the end of the quarter was 1.28 to 1.

In September 2019, the Company issued \$65.0 million in aggregate principal amount of 5.375% Notes due 2024 (the "Existing October 2024 Notes"). On October 8, 2019, the Company issued an additional \$10.0 million in aggregate principal amount of the October 2024 Notes (the "Additional October 2024 Notes" together with the Existing October 2024 Notes, the "October 2024 Notes"). In August 2020, the Company issued an additional \$50.0 million in aggregate principal amount of the October 2024 Notes (the "New Notes" together with the Existing October 2024 Notes and the Additional October 2024 Notes, the "October 2024 Notes"). The total net proceeds from the offering of the October 2024 Notes was \$122.5 million, before offering expenses payable by us. The October 2024 Notes mature on October 1, 2024 and may be redeemed in whole or in part at any time prior to July 1, 2024, at par plus a "make-whole" premium, and thereafter at par. The October 2024 Notes bear interest at a rate of 5.375% per year, payable semi-annually on April 1 and October 1 of each year, beginning on April 1, 2020.

On September 29, 2020 (the "Redemption Date"), the Company redeemed \$20 million in aggregate principal of the December 2022 Notes. The December 2022 Notes were redeemed at 100% of their principal amount, plus the accrued and unpaid interest thereon, through, but excluding the Redemption Date. Accordingly, during the three months ended September 30, 2020, the Company recognized realized losses on the extinguishment of debt of \$0.3 million, equal to the write-off of the related unamortized debt issuance costs during the quarter ended September 30, 2020.

In December 2018, the Company entered into the Amended and Restated Senior Secured Revolving Credit Agreement (the "Amended and Restated Agreement"), and a related Amended and Restated Guarantee, Pledge and Security Agreement, to amend and restate its Senior Secured Revolving Credit Facility (the "Credit Facility"). On May 23, 2019, the Company entered into an Incremental Assumption Agreement, which increased the total commitments under the Credit Facility by \$25 million. The increase was executed under the accordion feature of the Credit Facility and increased total commitments from \$270 million to \$295 million. On March 19, 2020, CSWC entered into an Incremental Assumption Agreement, which increased the total commitments under the accordion feature of the Credit Facility by \$30 million, increasing total commitments from \$295 million to \$325 million.

On March 4, 2019, the Company entered into separate equity distribution agreements with certain sales agents through which it may offer and sell, from time to time, shares of its common stock having an aggregate offering price of up to \$50,000,000 (the "Equity ATM Program"). On February 4, 2020, the Company (i) increased the maximum amount of shares of its common stock to be sold through the Equity ATM Program to \$100,000,000 from \$50,000,000 and (ii) added two additional sales agents to the Equity ATM Program.

During the quarter ended September 30, 2020, the Company sold 35,112 shares of its common stock under the Equity ATM Program at a weighted-average price of \$14.99 per share, raising \$0.5 million of gross proceeds. Net proceeds were \$0.5 million after commissions to the sales agents on shares sold. Cumulative to date, the Company has sold 1,903,377 shares of its common stock under the Equity ATM Program at a weighted-average price of \$20.31, raising \$38.7 million of gross proceeds. Net proceeds were \$37.9 million after commissions to the sales agents on shares sold. As of September 30, 2020, the Company has \$61.3 million available under the Equity ATM Program.

Additionally, I-45 SLF has total commitments outstanding of \$150 million from a group of four bank lenders in its Deutsche Bank led credit facility, which is scheduled to mature in November 2024. As of September 30, 2020, I-45 SLF had \$107 million in borrowings outstanding under its credit facility.

#### **Share Repurchase Program**

On January 25, 2016, Capital Southwest announced that its Board of Directors authorized the repurchase of up to \$10.0 million of its common stock at prices below the Company's net asset value per share as reported in its most recent financial statements. The Board authorized the share repurchase program because it believes that the Company's common stock may be undervalued from time to time due to market volatility.

On March 26, 2020, the aggregate amount of the Company's common stock purchased (inclusive of commission fees) pursuant to the share repurchase agreement met the threshold set forth in the share repurchase agreement and, as a result, the Company ceased purchasing common stock under the share repurchase program on such date. Cumulative to date, the Company has repurchased a total of 840,543 shares at an average price of \$11.85 per share, including commissions paid. Accordingly, during the quarter ended September 30, 2020, the Company did not repurchase any shares of the Company's common stock under the share repurchase program.

#### **Declared Dividend of \$0.51 Per Share for Quarter Ended December 31, 2020**

On October 21, 2020, the Board declared total dividends of \$0.51 per share for the quarter ended December 31, 2020, comprised of a Regular Dividend of \$0.41 per share and a Supplemental Dividend of \$0.10 per share.

The Company's dividend will be payable as follows:

#### **December 31, 2020 Dividend**

Amount Per Share: \$0.51  
Ex-Dividend Date: December 14, 2020  
Record Date: December 15, 2020  
Payment Date: December 31, 2020

When declaring dividends, the Board reviews estimates of taxable income available for distribution, which may differ from net investment income under generally accepted accounting principles. The final determination of taxable income for each year, as well as the tax attributes for dividends in such year, will be made after the close of the tax year.

Capital Southwest maintains a dividend reinvestment plan ("DRIP") that provides for the reinvestment of dividends on behalf of its registered stockholders who hold their shares with Capital Southwest's transfer agent and registrar, American Stock Transfer and Trust Company. Under the DRIP, if the Company declares a dividend, registered stockholders who have opted into the DRIP by the dividend record date will have their dividend automatically reinvested into additional shares of Capital Southwest common stock.

#### **Second Quarter 2021 Earnings Results Conference Call and Webcast**

Capital Southwest has scheduled a conference call on Monday, November 2, 2020, at 11:00 a.m. Eastern Time to discuss the second quarter 2021 financial results. You may access the call by dialing (866) 502-8274 and using the Conference

ID 2058491 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](http://www.capitalsouthwest.com), or by using <http://edge.media-server.com/mmc/p/zcmbebos>.

A telephonic replay will be available through November 9, 2020 by dialing (855) 859-2056 and using the Conference ID 2058491. 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 September 30, 2020 to be filed with the Securities and Exchange Commission and Capital Southwest's Second Fiscal Quarter 2021 Earnings Presentation to be posted on the Investor Relations section of Capital Southwest's website at [www.capitalsouthwest.com](http://www.capitalsouthwest.com).

#### **About Capital Southwest**

Capital Southwest Corporation (Nasdaq: CSWC) is a Dallas, Texas-based, internally managed business development company with approximately \$286 million in net assets as of September 30, 2020. Capital Southwest is a middle market lending firm focused on supporting the acquisition and growth of middle market businesses with \$5 million to \$25 million investments across the capital structure, including first lien, unitranche, second lien, subordinated debt and non-control equity co-investments. As a public company with a permanent capital base, Capital Southwest has the flexibility to be creative in its financing solutions and to invest to support the growth of its portfolio companies over long periods of time.

#### **Forward-Looking Statements**

This press release contains historical information and forward-looking statements with respect to the business and investments of Capital Southwest. Forward-looking statements are statements that are not historical statements and can often be identified by words such as "will," "believe," "expect" and similar expressions and variations or negatives of these words. These statements are based on management's current expectations, assumptions and beliefs. They are not guarantees of future results and are subject to numerous risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed in any forward-looking statement. These risks include risks related to: whether the SBA ultimately issues the SBIC license and the timing thereof; changes in the markets in which Capital Southwest invests; changes in the 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 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 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 ability 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.

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, 2020 and subsequent filings, including the "Risk Factors" sections therein, 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)

|  | September 30,<br>2020<br>(Unaudited) | March 31,<br>2020 |
|--|--------------------------------------|-------------------|
| <b>Assets</b>  |                                      |                   |
| Investments at fair value:   |                                      |                   |
| Non-control/Non-affiliate investments (Cost: \$488,474 and \$436,463, respectively)  | \$ 483,552                           | \$ 421,280        |
| Affiliate investments (Cost: \$89,548 and \$94,724, respectively)  | 86,162                               | 92,032            |
| Control investments (Cost: \$80,800 and \$68,000, respectively)  | 61,483                               | 39,760            |
| Total investments (Cost: \$658,822 and \$599,187, respectively)  | 631,197                              | 553,072           |
| Cash and cash equivalents  | 16,011                               | 13,744            |
| Receivables:   |                                      |                   |
| Dividends and interest   | 10,170                               | 10,389            |
| Escrow   | 1,150                                | 1,643             |
| Other  | 300                                  | 51                |
| Income tax receivable  | 344                                  | 147               |
| Deferred tax asset   | 1,421                                | 1,402             |
| Debt issuance costs (net of accumulated amortization of \$3,144 and \$2,720, respectively)   | 2,556                                | 2,980             |
| Other assets   | 1,116                                | 1,531             |
| Total assets   | \$ 664,265                           | \$ 584,959        |
| <b>Liabilities</b>   |                                      |                   |
| December 2022 Notes (Par value: \$57,136 and \$77,136, respectively)   | \$ 56,339                            | \$ 75,812         |
| October 2024 Notes (Par value: \$125,000 and \$75,000, respectively)   | 122,623                              | 73,484            |
| Credit facility  | 187,000                              | 154,000           |
| Other liabilities  | 6,526                                | 4,883             |
| Accrued restoration plan liability   | 3,011                                | 3,082             |
| Income tax payable   | 649                                  | 513               |
| Deferred tax liability   | 1,988                                | 963               |
| Total liabilities  | 378,136                              | 312,737           |
| <b>Commitments and contingencies (Note 10)</b>   |                                      |                   |
| <b>Net Assets</b>  |                                      |                   |
| Common stock, \$0.25 par value: authorized, 40,000,000 shares; issued, 20,962,764 shares at September 30, 2020 and 20,337,610 shares at March 31, 2020 | 5,241                                | 5,085             |
| Additional paid-in capital   | 318,307                              | 310,846           |
| Total distributable earnings (loss)  | (13,482)                             | (19,772)          |
| Treasury stock - at cost, 2,339,512 shares   | (23,937)                             | (23,937)          |
| Total net assets   | 286,129                              | 272,222           |
| Total liabilities and net assets   | \$ 664,265                           | \$ 584,959        |
| Net asset value per share (18,623,252 shares outstanding at September 30, 2020 and 17,998,098 shares outstanding at March 31, 2020)                    | \$ 15.36                             | \$ 15.13          |

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

(In thousands, except shares and per share data)

|  | Three Months Ended |                   | Six Months Ended  |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | September 30,      |                   | September 30,     |                   |
|  | 2020               | 2019              | 2020              | 2019              |
| <b>Investment income:</b>  |                    |                   |                   |                   |
| Interest income:   |                    |                   |                   |                   |
| Non-control/Non-affiliate investments  | \$ 11,879          | \$ 9,236          | \$ 21,948         | \$ 18,267         |
| Affiliate investments  | 2,003              | 2,001             | 4,579             | 4,051             |
| Control investments  | —                  | —                 | —                 | 265               |
| Dividend income:   |                    |                   |                   |                   |
| Non-control/Non-affiliate investments  | 171                | 68                | 354               | 155               |
| Affiliate investments  | —                  | —                 | —                 | 19                |
| Control investments  | 1,689              | 3,519             | 3,463             | 7,432             |
| Interest income from cash and cash equivalents                                     | 4                  | 12                | 7                 | 28                |
| Fees and other income  | 939                | 382               | 1,498             | 800               |
| Total investment income  | <u>16,685</u>      | <u>15,218</u>     | <u>31,849</u>     | <u>31,017</u>     |
| Operating expenses:  |                    |                   |                   |                   |
| Compensation   | 1,961              | 1,708             | 3,681             | 3,729             |
| Share-based compensation   | 853                | 685               | 1,465             | 1,522             |
| Interest   | 4,397              | 3,716             | 8,725             | 7,522             |
| Professional fees  | 583                | 462               | 1,153             | 1,088             |
| Net pension expense  | 33                 | 35                | 66                | 71                |
| General and administrative   | 754                | 1,231             | 1,486             | 2,020             |
| Total operating expenses   | <u>8,581</u>       | <u>7,837</u>      | <u>16,576</u>     | <u>15,952</u>     |
| Income before taxes  | 8,104              | 7,381             | 15,273            | 15,065            |
| Income tax (benefit) expense   | (215)              | 566               | 135               | 890               |
| <b>Net investment income</b>   | <u>\$ 8,319</u>    | <u>\$ 6,815</u>   | <u>\$ 15,138</u>  | <u>\$ 14,175</u>  |
| <b>Realized (loss) gain</b>  |                    |                   |                   |                   |
| Non-control/Non-affiliate investments  | \$ 349             | \$ 267            | \$ (5,198)        | \$ 1,316          |
| Affiliate investments  | (1,628)            | 16                | (1,628)           | 17                |
| Control investments  | —                  | —                 | —                 | 167               |
| <b>Total net realized (loss) gain on investments, net of tax</b>                   | <u>(1,279)</u>     | <u>283</u>        | <u>(6,826)</u>    | <u>1,500</u>      |
| <b>Net unrealized appreciation (depreciation) on investments</b>                   |                    |                   |                   |                   |
| Non-control/Non-affiliate investments  | 3,919              | (809)             | 10,824            | (3,781)           |
| Affiliate investments  | 1,710              | (181)             | (1,257)           | 1,025             |
| Control investments  | 4,732              | (2,904)           | 8,923             | (2,819)           |
| Income tax (provision) benefit   | (725)              | (475)             | (1,249)           | (658)             |
| <b>Total net unrealized appreciation (depreciation) on investments, net of tax</b> | <u>9,636</u>       | <u>(4,369)</u>    | <u>17,241</u>     | <u>(6,233)</u>    |
| <b>Net realized and unrealized gains (losses) on investments</b>                   | <u>8,357</u>       | <u>(4,086)</u>    | <u>10,415</u>     | <u>(4,733)</u>    |
| <b>Realized losses on extinguishment of debt</b>                                   | <u>(286)</u>       | <u>—</u>          | <u>(286)</u>      | <u>—</u>          |
| <b>Net increase in net assets from operations</b>                                  | <u>\$ 16,390</u>   | <u>\$ 2,729</u>   | <u>\$ 25,267</u>  | <u>\$ 9,442</u>   |
| <b>Pre-tax net investment income per share - basic and diluted</b>                 | <u>\$ 0.44</u>     | <u>\$ 0.42</u>    | <u>\$ 0.83</u>    | <u>\$ 0.85</u>    |
| <b>Net investment income per share - basic and diluted</b>                         | <u>\$ 0.45</u>     | <u>\$ 0.38</u>    | <u>\$ 0.82</u>    | <u>\$ 0.80</u>    |
| <b>Net increase in net assets from operations - basic and diluted</b>              | <u>\$ 0.88</u>     | <u>\$ 0.15</u>    | <u>\$ 1.37</u>    | <u>\$ 0.53</u>    |
| <b>Weighted average shares outstanding - basic</b>                                 | <u>18,600,443</u>  | <u>17,770,011</u> | <u>18,375,402</u> | <u>17,653,607</u> |
| <b>Weighted average shares outstanding - diluted</b>                               | <u>18,600,443</u>  | <u>17,770,011</u> | <u>18,375,402</u> | <u>17,653,607</u> |



*Capital Southwest Corporation*

## *Q2 2021 Earnings Presentation*

November 2, 2020

5400 Lyndon B. Johnson Freeway, Suite 1300 | Dallas, Texas 75240 | 214.238.5700 | [capitalsouthwest.com](http://capitalsouthwest.com)

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# Forward-Looking Statements

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- This presentation contains forward-looking statements relating to, among other things, the business, market conditions, financial condition and results of operations of Capital Southwest, the anticipated investment strategy 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 or 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.
- 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.
- 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, 2020 and its subsequent filings with the SEC. 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***

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***Bowen S. Diehl***

***President and Chief Executive Officer***

***Michael S. Sarnier***

***Chief Financial Officer***

***Chris Rehberger***

***VP Finance / Treasurer***



# CSWC Company Overview

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*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

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## Financial Highlights

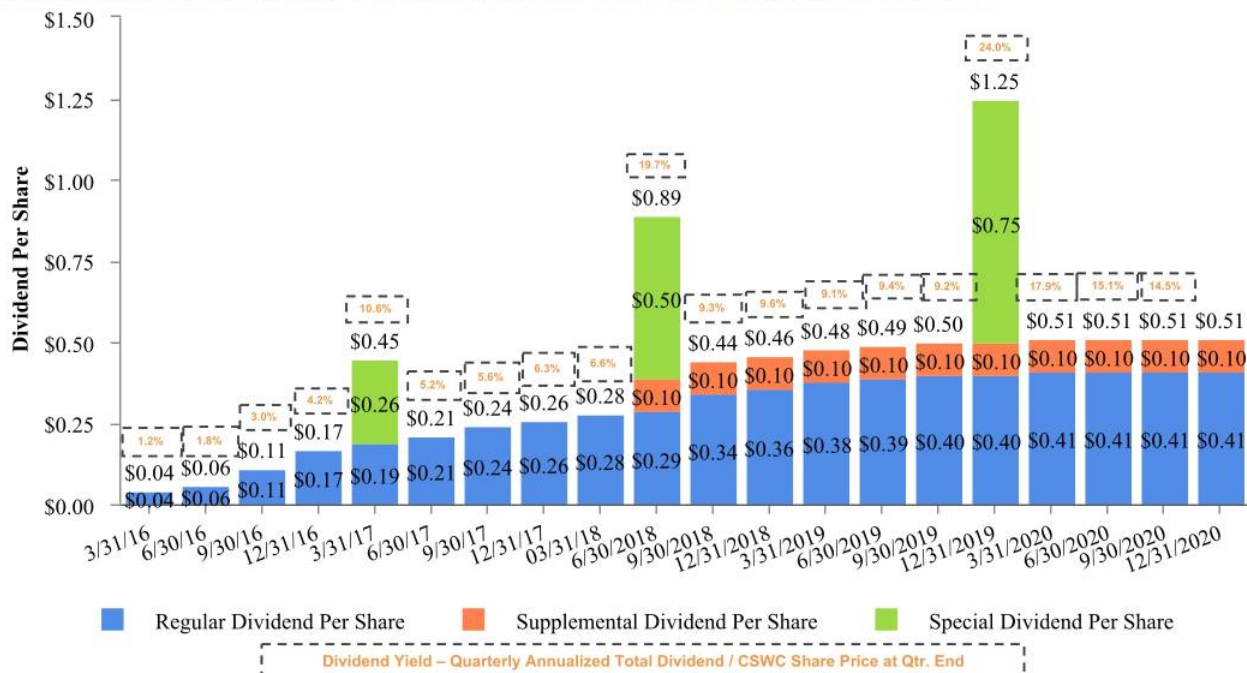
- Q2 2021 Pre-Tax Net Investment Income (“NII”) of \$8.1 MM or \$0.44 per share
- Paid \$0.41 per share Regular Dividend and \$0.10 per share Supplemental Dividend for the quarter ended September 30, 2020
  - Declared \$0.41 per share Regular Dividend and \$0.10 per share Supplemental Dividend for quarter 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





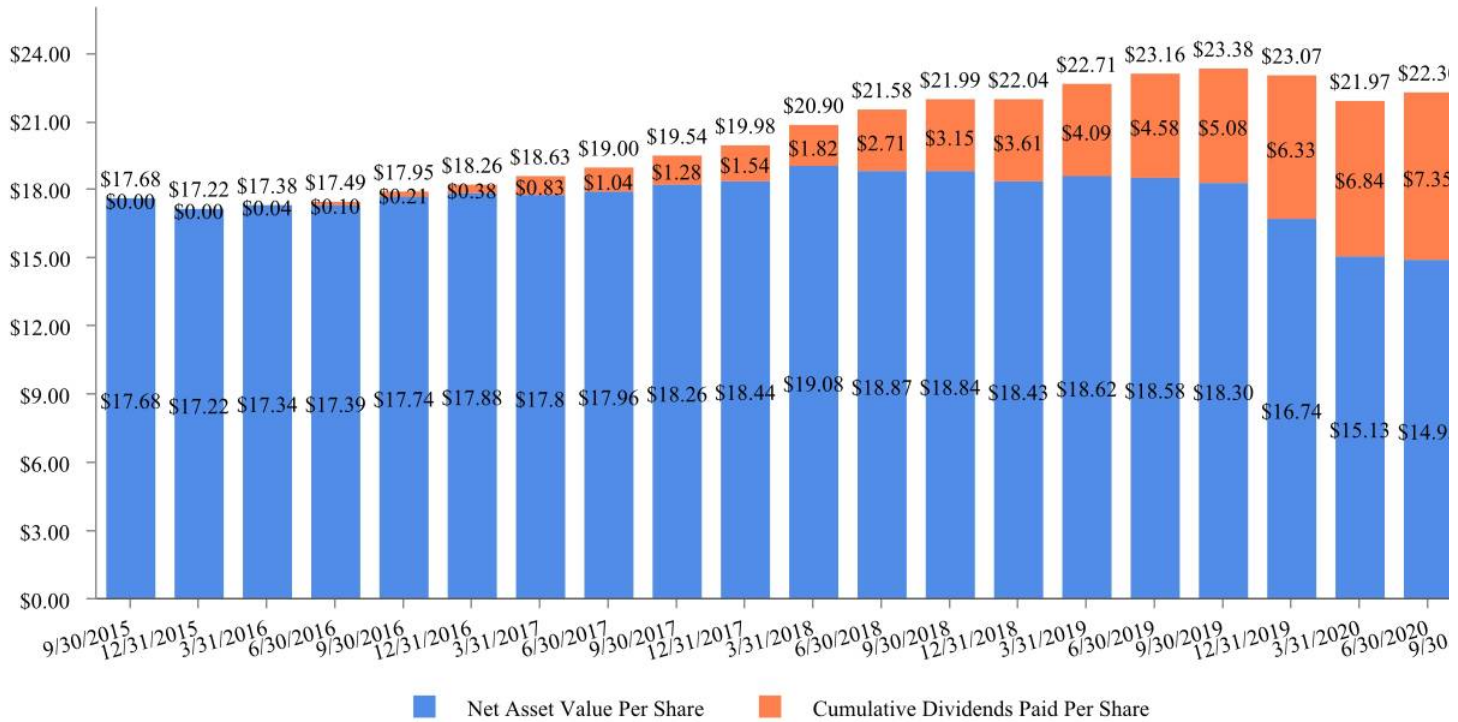
# Track Record of Consistent Dividends Continues

- 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**



# ***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

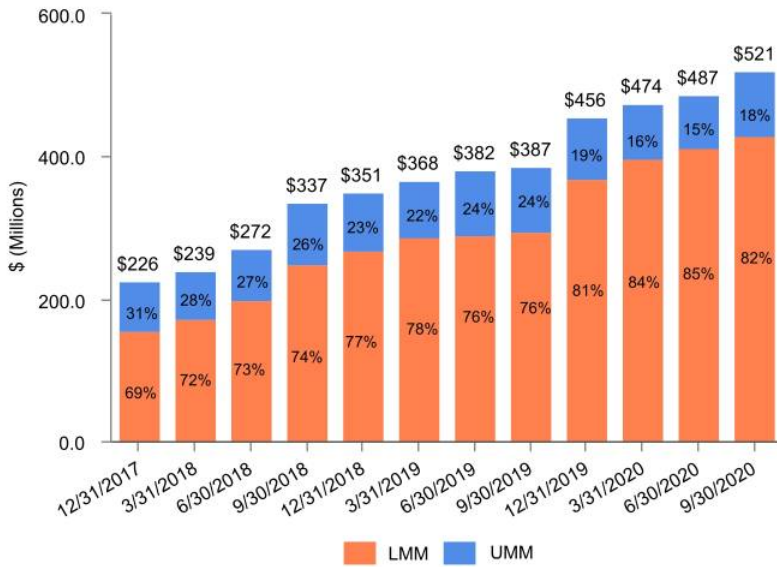
## ***OPPORTUNISTIC: Upper Middle Market (“UMM”): Syndicated or Club First and Second Lien***

- 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 <sup>(1)</sup> | 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%        |    |  |
| <b>Total / Weighted Average</b>                      |                                   |                         |        | <b>\$57,481</b>                     | <b>\$3,024</b>                        | <b>\$5,800</b>                         | <b>7.91%</b> |    |  |

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%        |  |
| <b>Total / Weighted Average</b> |                                    |            |        | <b>\$20,796</b>       | <b>\$333</b>           | <b>13.4%</b> |  |



# 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 <sup>(1)</sup> | 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 <sup>(2)</sup>                          | 10.9%                              | 8.0%                |
| Wtd. Avg. EBITDA of Issuer (\$MM's) <sup>(3)</sup>      | \$8.4                              | \$66.9              |
| Wtd. Avg. Leverage through CSWC Security <sup>(4)</sup> | 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*

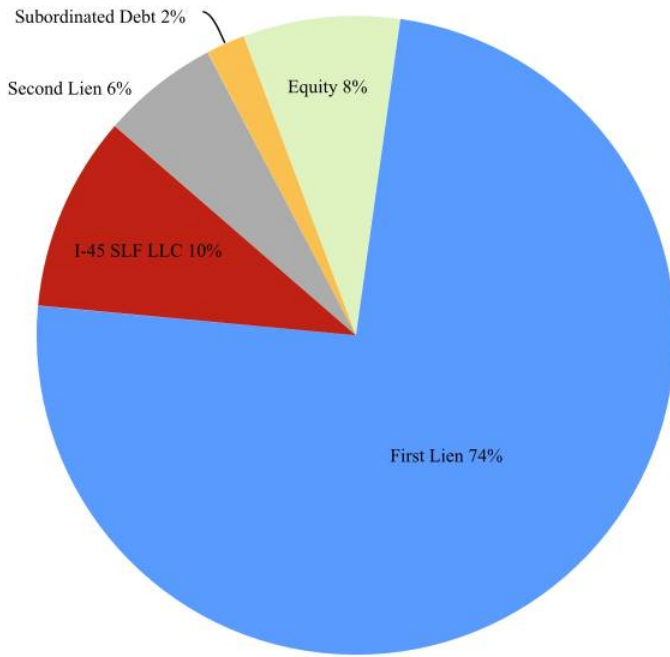
| Investment Rating                            | 6/30/2020  |                   |                     | Investment Rating Upgrades |                   |                     | Investment Rating Downgrades |                   |                     | 9/30/2020  |                   |
|--|------------|-------------------|---------------------|----------------------------|-------------------|---------------------|------------------------------|-------------------|---------------------|------------|-------------------|
|  | # 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            |
| <b>Wtd. Avg. Investment Rating (at Cost)</b> | <b>2.1</b> |                   |                     |                            |                   |                     |                              |                   |                     | <b>2.0</b> |                   |



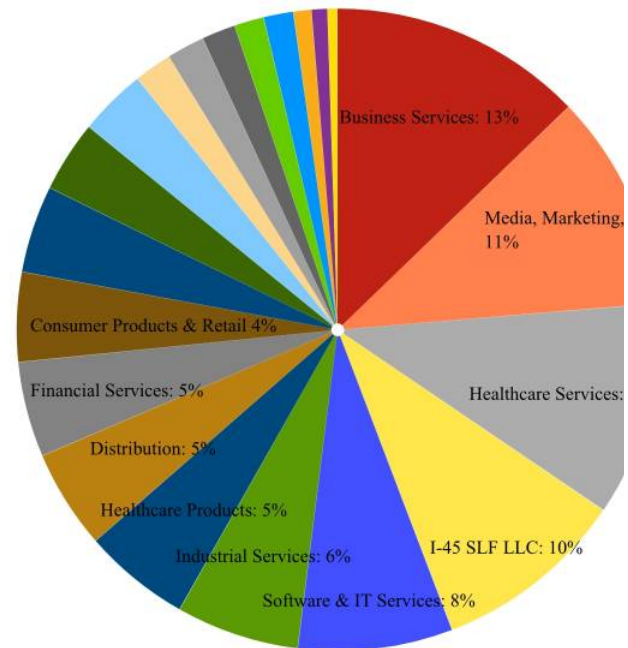
# CSWC Portfolio Mix as of 9/30/2020 at Fair Value

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

Current Investment Portfolio (By Type)



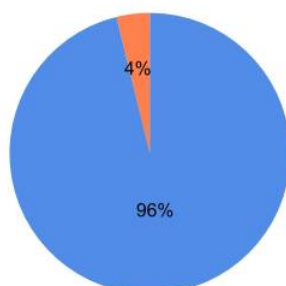
Current Investment Portfolio (By Industry)



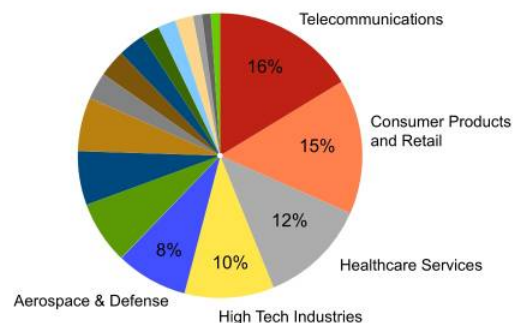
# I-45 Portfolio Overview

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 <sup>(1)(2)</sup> | 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<br>12/31/19 | Quarter Ended<br>3/31/20 | Quarter Ended<br>6/30/20 | Quarter<br>9/30/20 |
|--|---------------------------|--------------------------|--------------------------|--------------------|
| <b>Investment Income</b>   |                           |                          |                          |                    |
| 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                 |
| <b>Total Investment Income</b>   | <b>\$15,984</b>           | <b>\$15,038</b>          | <b>\$15,164</b>          | <b>\$16,584</b>    |
| <b>Expenses</b>  |                           |                          |                          |                    |
| 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              |
| <b>Total Expenses (excluding Interest)</b>                             | <b>\$3,967</b>            | <b>\$3,512</b>           | <b>\$3,667</b>           | <b>\$4,145</b>     |
| Interest Expense   | \$4,142                   | \$4,172                  | \$4,328                  | \$4,315            |
| <b>Pre-Tax Net Investment Income</b>                                   | <b>\$7,875</b>            | <b>\$7,354</b>           | <b>\$7,169</b>           | <b>\$8,124</b>     |
| <b>Taxes and Gain / (Loss)</b>   |                           |                          |                          |                    |
| 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)               |
| <b>Net increase (decrease) in net assets resulting from operations</b> | <b>\$(6,833)</b>          | <b>\$(24,960)</b>        | <b>\$8,877</b>           | <b>\$16,461</b>    |
| Weighted Average Diluted Shares Outstanding                            | 18,100                    | 18,595                   | 18,148                   | 18,645             |
| <b>Pre-Tax NII Per Diluted Weighted Average Share</b>                  | <b>\$0.44</b>             | <b>\$0.40</b>            | <b>\$0.40</b>            | <b>\$0.43</b>      |



# Operating Leverage Trend

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

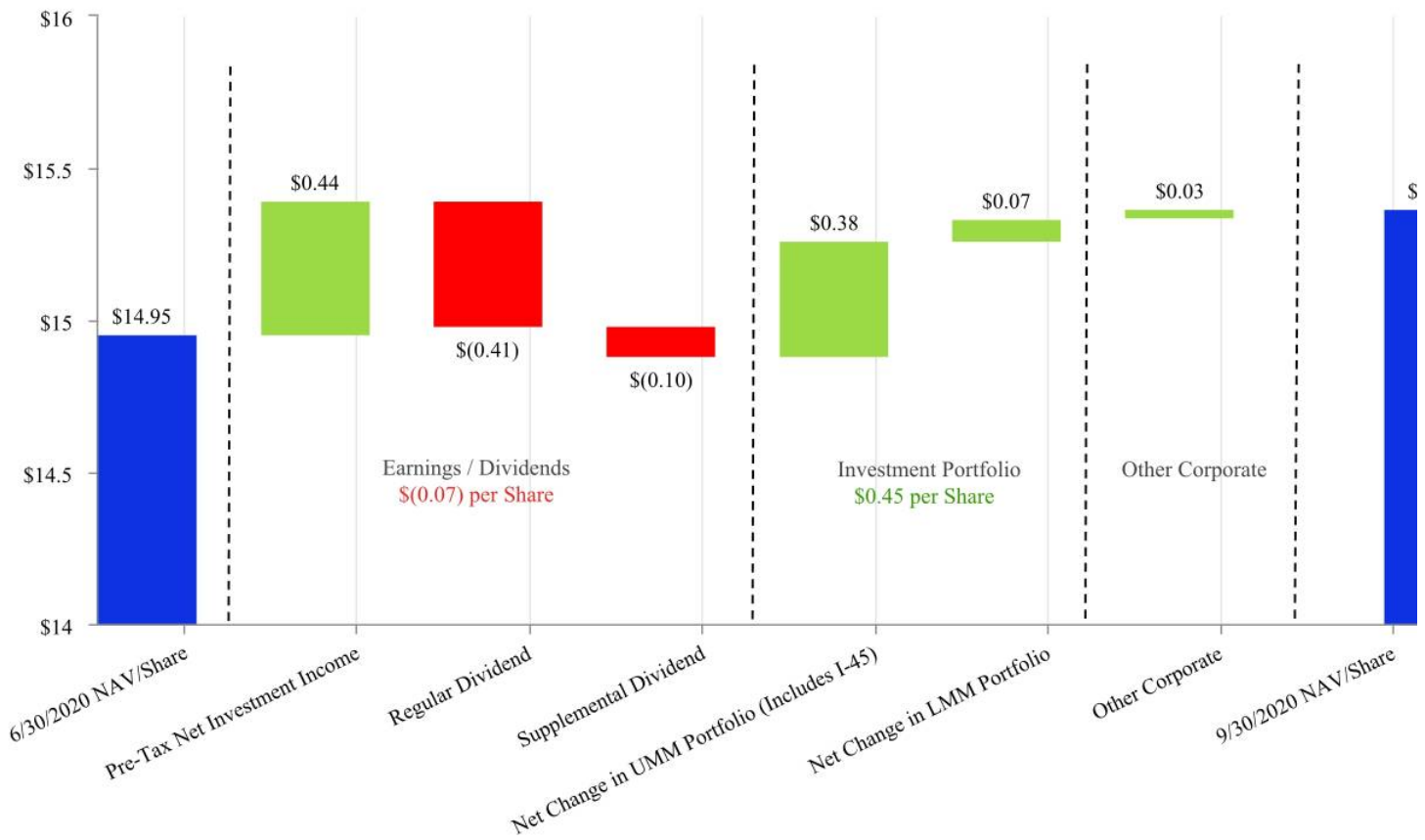


Note: FY16 includes only the quarters after the 2015 spin-off. Q1 and Q2 FY21 are quarterly annualized.  
(1) Operating expenses exclude interest expense

# Balance Sheet

| <i>(In Thousands, except per share amounts)</i> | Quarter Ended<br>12/31/19 | Quarter Ended<br>3/31/20 | Quarter Ended<br>6/30/20 | Quarter Ended<br>9/30/20 |
|---|---------------------------|--------------------------|--------------------------|--------------------------|
| <b>Assets</b>                                   |                           |                          |                          |                          |
| 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                   |
| <b>Total Assets</b>                             | <b>\$599,348</b>          | <b>\$584,959</b>         | <b>\$619,096</b>         | <b>\$664,265</b>         |
| <b>Liabilities</b>                              |                           |                          |                          |                          |
| 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                   |
| <b>Total Liabilities</b>                        | <b>\$287,492</b>          | <b>\$312,737</b>         | <b>\$341,237</b>         | <b>\$378,136</b>         |
| <b>Shareholders Equity</b>                      |                           |                          |                          |                          |
| <b>Net Asset Value</b>                          | <b>\$311,856</b>          | <b>\$272,222</b>         | <b>\$277,859</b>         | <b>\$286,129</b>         |
| <b>Net Asset Value per Share</b>                | <b>\$16.74</b>            | <b>\$15.13</b>           | <b>\$14.95</b>           | <b>\$15.36</b>           |
| <b>Debt to Equity</b>                           | <b>0.88x</b>              | <b>1.11x</b>             | <b>1.19x</b>             | <b>1.28x</b>             |

# NAV per Share Bridge from Quarter Ended 6/30/20

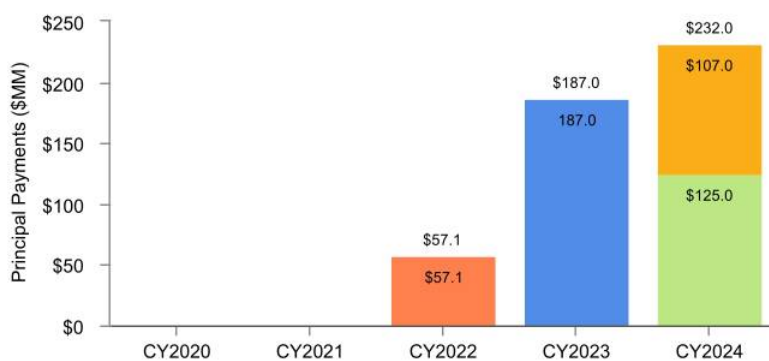


# Significant Unused Debt Capacity with Long-Term Duration

Earliest Debt Maturity occurs in December 2022

| Facility   | Total Commitments | Interest Rate                           | Maturity      | Principal Drawn | Undrawn Co |
|--|-------------------|---|---------------|-----------------|------------|
| Credit Facility <sup>(1)</sup>                       | \$325.0 MM        | L + 2.50% subject to certain conditions | December 2023 | \$187.0 MM      | \$134.6 MM |
| December 2022 Notes (NASDAQ: "CSWCL") <sup>(3)</sup> | \$57.1 MM         | 5.95%                                   | December 2022 | \$57.1 MM       | N/A        |
| October 2024 Notes <sup>(4)</sup>                    | \$125.0 MM        | 5.375%                                  | October 2024  | \$125.0 MM      | N/A        |
| I-45 Credit Facility <sup>(5)</sup>                  | \$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 9/30/20
- (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 9/30/20
- (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<br>12/31/19 | Quarter Ended<br>3/31/20 | Quarter Ended<br>6/30/20 | Quarter Enc<br>9/30/20 |
|--|---------------------------|--------------------------|--------------------------|------------------------|
| <b>Portfolio Statistics</b>                              |                           |                          |                          |                        |
| 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 <sup>(1)</sup>        | 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) <sup>(2)(3)</sup>       | 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<br>12/31/19 | Quarter Ended<br>3/31/20 | Quarter Ended<br>6/30/20 | Quarter Ended<br>9/30/20 |
|--|---------------------------|--------------------------|--------------------------|--------------------------|
| <b>Investment Income Breakdown</b>             |                           |                          |                          |                          |
| 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                      |
| <b>Total Investment Income</b>                 | <b>\$15,984</b>           | <b>\$15,038</b>          | <b>\$15,164</b>          | <b>\$16,685</b>          |
| <b>Key Metrics</b>                             |                           |                          |                          |                          |
| 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<br>12/31/19 | Quarter Ended<br>3/31/20 | Quarter Ended<br>6/30/20 | Quarter Ended<br>9/30/20 |
|---|---------------------------|--------------------------|--------------------------|--------------------------|
| <b>Key Financial Metrics</b>  |                           |                          |                          |                          |
| 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) <sup>(1)</sup> | 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) <sup>(1)</sup>             | 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) <sup>(1)</sup>                      | (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 <sup>(2)</sup>                                       | 24.03%                    | 17.86%                   | 15.13%                   | 14.53%                   |

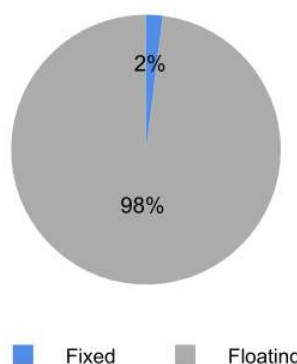
(1) Return on Equity is calculated as the quarterly annualized Pre-Tax NII, Realized Earnings, or Total Earnings, respectively, divided by equity at the end of the prior quarter

(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 <sup>(1)</sup>



| 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

5400 LBJ Freeway  
13th Floor  
Dallas, TX 75240

<http://www.capitalsouthwest.com>

## Investor Relations

Michael S. Sarner  
Capital Southwest  
214-884-3829

[msarner@capitalsouthwest.com](mailto:msarner@capitalsouthwest.com)

## Securities Listing

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

## Transfer Agent

American Stock Transfer & Trust Compa  
800-937-5449

[www.amstock.com](http://www.amstock.com)

## Industry Analyst Coverage

| Firm                    | Analyst                 | Contact Information  |
|-------------------------|-------------------------|----------------------|
| Ladenburg Thalmann      | Mickey M. Schleien, CFA | Direct: 305-572-4131 |
| Janney Montgomery Scott | Mitchel Penn, CFA       | Direct: 410-583-5976 |
| JMP Securities          | TBD                     | Direct: 415-835-8900 |
| B. Riley FBR            | TBD                     | Direct: 703-312-1819 |
| National Securities     | Bryce Rowe              | Direct: 212-417-8211 |
| Jefferies               | Kyle Joseph             | Direct: 510-418-0754 |
| Raymond James           | Robert Dodd             | Direct: 901-579-4560 |



