



*Capital Southwest Corporation*

## *Q4 2019 Earnings Presentation*

June 4, 2019

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# ***Conference Call Participants***

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***Bowen S. Diehl***

***President and Chief Executive Officer***

***Michael S. Sarner***

***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 (“Spin Off”)
- 22 employees based in Dallas, Texas
- Total Balance Sheet Assets of \$551.8MM as of March 31, 2019
- Manage I-45 Senior Loan Fund (“I-45 SLF”) in partnership with Main Street Capital (NYSE: “MAIN”)



# ***Fiscal Year 2019 Highlights***

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## ***Financial Highlights***

- 37% Total Return to Shareholders in FY 2019
  - Share price appreciated to \$21.04 from \$17.02 in prior year, an increase of 24%
  - Total dividends of \$2.27 per share compared to \$0.99 per share in prior year, an increase of 129%
- Investments at Fair Value of \$524.1MM compared to \$393.1MM in Prior Year, an Increase of 33%
  - Originated \$218.2MM in total commitments in 18 portfolio companies
  - Commitments include \$19.9MM in equity co-investments across nine portfolio companies
- Total Investment Revenue of \$51.9MM compared to \$35.1MM in Prior Year, an Increase of 48%
- Completed Successful Sale of Two of Last Three Legacy Equity Investments
  - Exited TitanLiner for net proceeds of \$24.3MM, generating an IRR of 49.1% since 2015 Spin Off
  - Exited Deepwater for net proceeds of \$9.4MM, generating an IRR of 25.8% since 2015 Spin Off
- Since Spin Off, Cumulative IRR of 18.2% on 26 Portfolio Exits Generating \$187.4MM

# ***Fiscal Year 2019 Highlights cont.***

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## ***Financial Highlights***

- Strengthened Balance Sheet Through Variety of Capital Raising Activities
  - Amended and upsized the CSWC Revolving Credit Facility to \$270MM from \$180MM
    - Subsequent to fiscal year end, upsized Credit Facility by additional \$25MM to \$295MM
  - Raised \$13.2MM in net proceeds through Secondary Equity Offering
  - Raised \$19.5MM in net proceeds through December 2022 Notes ATM Program
  - Raised \$5.5MM in net proceeds through Equity ATM Program
- Operating Leverage<sup>(1)</sup> Decreased to 2.8% as of 3/31/19 from 3.4% as of 3/31/18

(1) Operating Leverage calculated as Quarterly Annualized Operating Expenses excluding Interest Expense divided by Average Total Assets



# Q4 2019 Highlights

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## Financial Highlights

- Q4 2019 Pre-Tax Net Investment Income (“NII”) of \$7.2MM or \$0.42 Per Share
- Paid \$0.38 Per Share in Regular Dividends, Plus \$0.10 Per Share Supplemental Dividend
  - Total Dividends for the quarter of \$0.48 per share
  - UTI Balance at quarter end of \$1.14 per share
- Net Asset Value Increased to \$18.62 from \$18.43 in Prior Quarter
  - Increase driven primarily by \$3.6MM in Net Portfolio Appreciation
- Investment Portfolio at Fair Value Increased to \$524.1MM from \$496.7MM in Prior Quarter
- Received \$2.5MM Dividend from I-45 SLF, an Annualized Yield of 15.0% at Fair Value
- Commenced Equity ATM Program in March 2019 with Raymond James and Jefferies as Sales Agents
  - Raised \$5.5MM in net proceeds with the issuance of 263,656 new shares
  - Sold shares at average price of \$21.47, or 117% of the prevailing NAV per share
- \$125.6MM Available on Credit Facility as of Quarter End, Prior to \$25MM Upsize in May 2019



# CSWC Originations and Prepayments - Q4 2019

**\$28.9MM in New Committed Investments During the Quarter**  
**(\$28.1MM funded at close) at a Weighted Average Debt YTM of 12.5%**

| Portfolio Originations          |                     | Q4 2019                          |        |                                     |                                       |  |                        |            |
|---------------------------------|---------------------|----------------------------------|--------|-------------------------------------|---------------------------------------|--|------------------------|------------|
| Name                            | Industry            | Type                             | Market | Total Debt Funded at Close (\$000s) | Total Equity Funded at Close (\$000s) | Unfunded Commitments at Close (\$000s) | Debt Spread over LIBOR | Debt Yield |
| Scrip, Inc.                     | Healthcare Products | 1st Lien <sup>(1)</sup> / Equity | LMM    | \$16,750                            | \$1,000                               | \$0                                    | 10.0%                  |            |
| JVMC Holdings (d/b/a RJO'Brien) | Financial Services  | 1st Lien / DDTL                  | UMM    | \$9,152                             | \$0                                   | \$848                                  | 6.5%                   |            |
| AAC Holdings                    | Healthcare Services | Priming 1st Lien                 | UMM    | \$1,170                             | \$0                                   | \$0                                    | 11.0%                  |            |
| Total / Weighted Average        |                     |                                  |        | \$27,072                            | \$1,000                               | \$848                                  | 8.9%                   |            |

(1) The investment is structured as a first lien last out term loan

| Portfolio Prepayments           |                    | Q4 2019  |        |                      |                        |       |  |  |
|---------------------------------|--------------------|----------|--------|----------------------|------------------------|-------|--|--|
| Name                            | Industry           | Type     | Market | Net Proceeds (\$000) | Realized Gain (\$000s) | IR    |  |  |
| JVMC Holdings (d/b/a RJO'Brien) | Financial Services | 1st Lien | UMM    | \$6,938              | \$47                   | 10.0% |  |  |
| Total / Weighted Average        |                    |          |        | \$6,938              | \$47                   | 10.0% |  |  |

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



## CSWC Originations and Prepayments Subsequent to Quarter End

**\$22.7MM in New Committed Investments (all funded at close) at a Weighted Average Debt YTM of 10.6%**

| Portfolio Originations   |                                  |            |        |                                     |                                       |  |                        |               |
|--------------------------|----------------------------------|------------|--------|-------------------------------------|---------------------------------------|--|------------------------|---------------|
| Name                     | Industry                         | Type       | Market | Total Debt Funded at Close (\$000s) | Total Equity Funded at Close (\$000s) | Unfunded Commitments at Close (\$000s) | Debt Spread over LIBOR | Debt Maturity |
| Vistar Media Inc.        | Media, Marketing & Entertainment | First Lien | LMM    | \$6,600                             | \$0                                   | \$0                                    | 10.0%                  |               |
| Zenfolio Inc.            | Business Services                | First Lien | LMM    | \$1,108                             | \$0                                   | \$0                                    | 9.0%                   |               |
| iEnergizer Limited       | Business Services                | First Lien | UMM    | \$15,000                            | \$0                                   | \$0                                    | 6.0%                   |               |
| Total / Weighted Average |                                  |            |        | \$22,708                            | \$0                                   | \$0                                    | 7.3%                   |               |

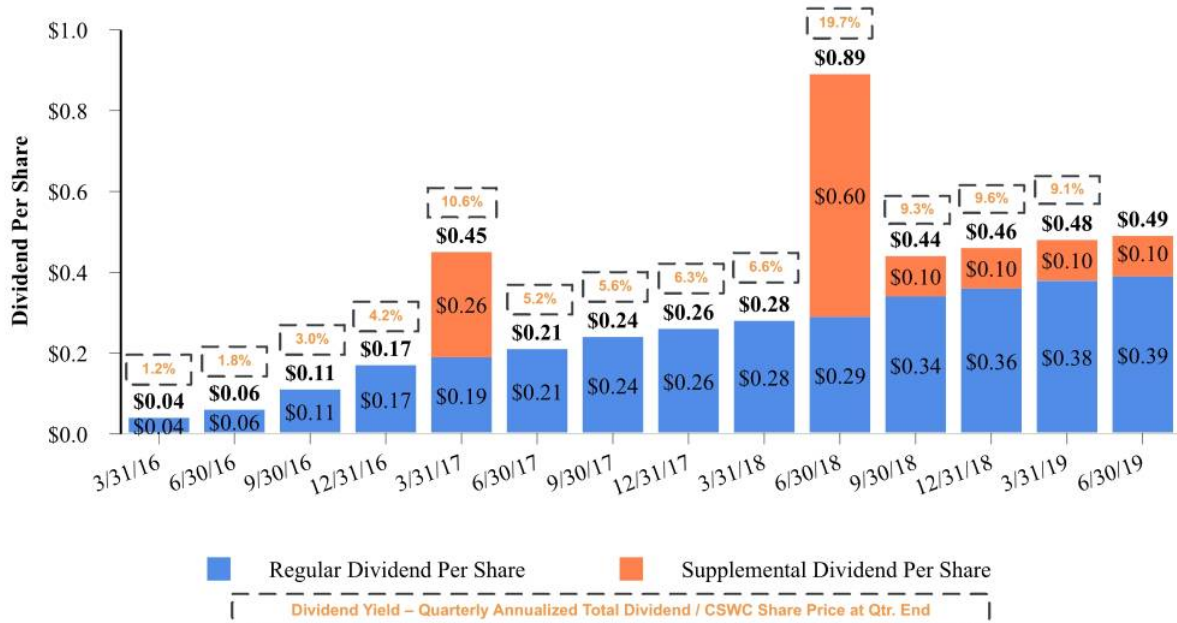
| Portfolio Prepayments    |                        |                     |        |                      |                        |       |
|--------------------------|------------------------|---------------------|--------|----------------------|------------------------|-------|
| Name                     | Industry               | Type                | Market | Net Proceeds (\$000) | Realized Gain (\$000s) | IR    |
| Prism Spectrum Holdings  | Environmental Services | First Lien / Equity | LMM    | \$20,000             | \$226                  | 10.0% |
| Total / Weighted Average |                        |                     |        | \$20,000             | \$226                  | 10.0% |

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



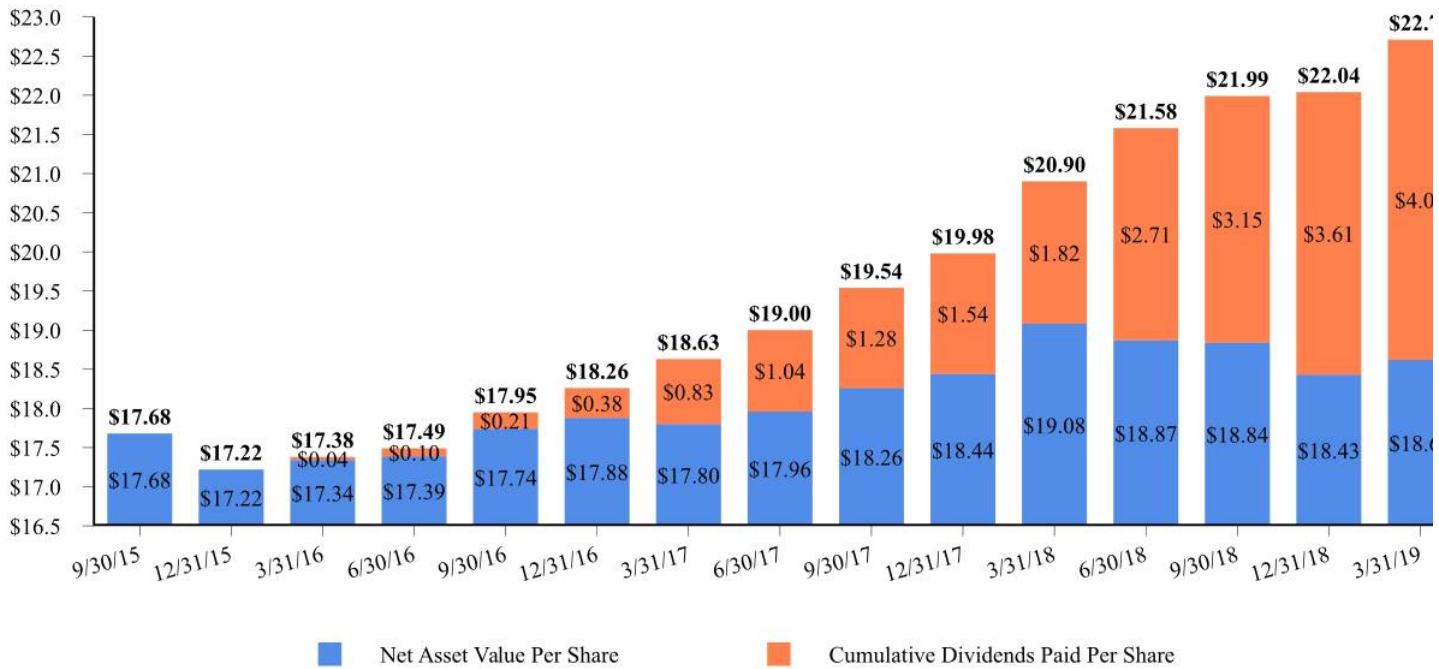
# Track Record of Increasing Dividends Continues

- In the Last Twelve Months Ending 3/31/19, CSWC Generated \$1.48 Per Share in Pre-Tax NII and Paid Out \$1.3 Per Share in Regular Dividends
  - Fourteen consecutive quarters of regular dividend per share growth
- Cumulative Regular Dividend Coverage of 104% 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
  - Fiscal Year End 2019 UTI Balance of \$1.14 per share



# History of Value Creation

**Total Value (Net Asset Value + Cumulative Dividends Paid) Increase of \$5.03 at 3/31/19 from 9/30/15 Spin-off of CSWI**





# Two Pronged Investment Strategy

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## **CORE: Lower Middle Market (“LMM”): CSWC led or Club Deals**

- Companies with EBITDA between \$3 MM and \$15 MM
- Typical leverage of 2.0x – 4.0x Debt to EBITDA through CSWC debt position
- Commitment size up to \$25 MM with hold sizes generally \$10 MM to \$20 MM
- Both Sponsored and Non-sponsored deals
- Securities include first lien, unitranche, second lien and subordinated debt
- Frequently make equity co-investments alongside CSWC debt

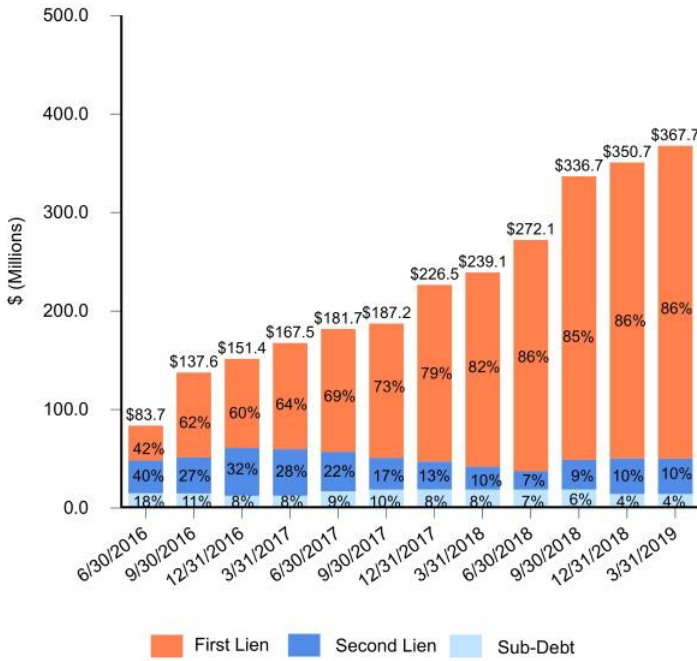
## **OPPORTUNISTIC: Upper Middle Market (“UMM”): Syndicated or Club, First and Second Lien**

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

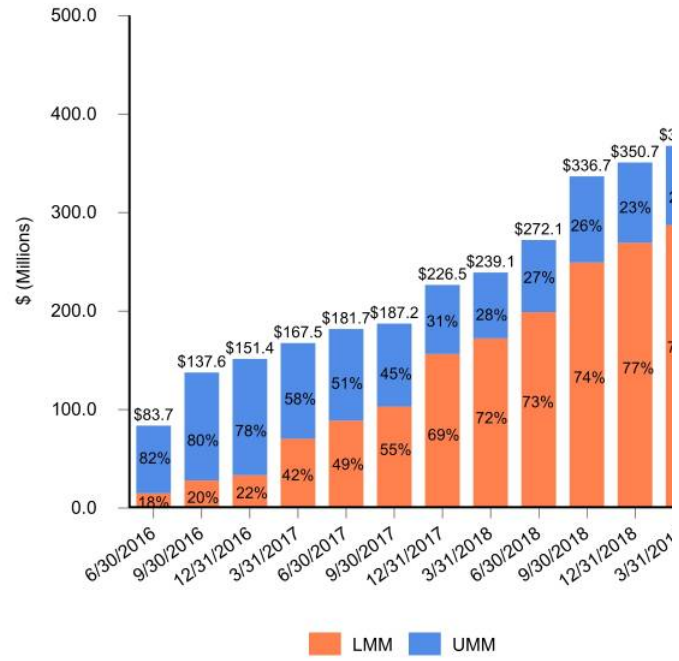
# CSWC Credit Portfolio Heavily Weighted Towards First Lien and LMM Investments

First Lien and LMM Investments have Increased to 86% and 78% of the Credit Portfolio as of 3/31/19, Respectively

### Credit Portfolio Heavily Weighted to First Lien



### Robust LMM Credit Portfolio Growth



# CSWC Portfolio Asset Mix by Market

## Maintaining Conservative Portfolio Leverage While Receiving Attractive Risk Adjusted Returns

| Investment Portfolio - Statistics Q4 2019                  |                                    |                     |
|--|------------------------------------|---------------------|
| (In Thousands)   | Lower Middle Market <sup>(1)</sup> | Upper Middle Market |
| Number of Portfolio Companies                              | 26                                 | 10                  |
| Total Cost   | \$325,343                          | \$84,712            |
| Total Fair Value   | \$377,792                          | \$80,536            |
| Average Hold Size (at Cost)                                | \$12,513                           | \$8,471             |
| % First Lien Investments (at Cost)                         | 76.6%                              | 82.6%               |
| % Second Lien Investments (at Cost)                        | 6.5%                               | 17.4%               |
| % Subordinated Debt Investments (at Cost)                  | 4.4%                               | 0.0%                |
| % Equity (at Cost)   | 12.5%                              | 0.0%                |
| Wtd. Avg. Yield <sup>(2)(3)</sup>                          | 12.2%                              | 9.7%                |
| Wtd. Avg. EBITDA of Issuer (\$MM's) <sup>(3)</sup>         | \$9.2                              | \$66.5              |
| Wtd. Avg. Leverage through CSWC Security <sup>(3)(4)</sup> | 3.3x                               | 4.8x                |

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

(1) At March 31, 2019, we had equity ownership in approximately 73.1% 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 March 31, 2019, including accretion of original issue discount but excluding fees payable upon repayment of the debt instruments. Weighted-average annual effective yield is higher than what an investor in shares in our common stock will realize on its investment because it does not reflect our expenses or any sales load paid by an investor.

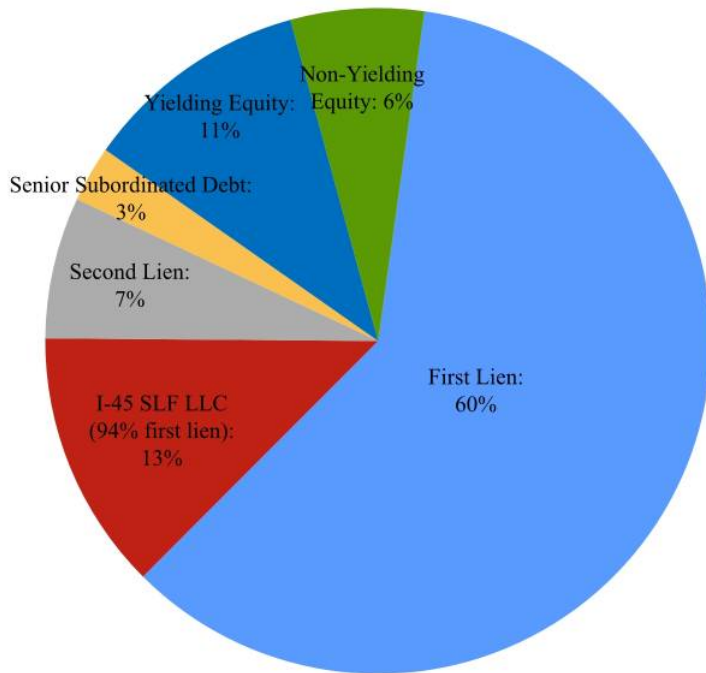
(3) Weighted average metrics are calculated using investment cost basis weighting

(4) Includes CSWC debt investments only. Calculated as the amount of each portfolio company's debt (including CSWC's position and debt senior or pari passu to CSWC's position, but excluding debt subordinated to CSWC's position) in the capital structure divided by each portfolio company's adjusted EBITDA. Management uses this metric as a guide to evaluate relative risk of its position in each portfolio debt investment

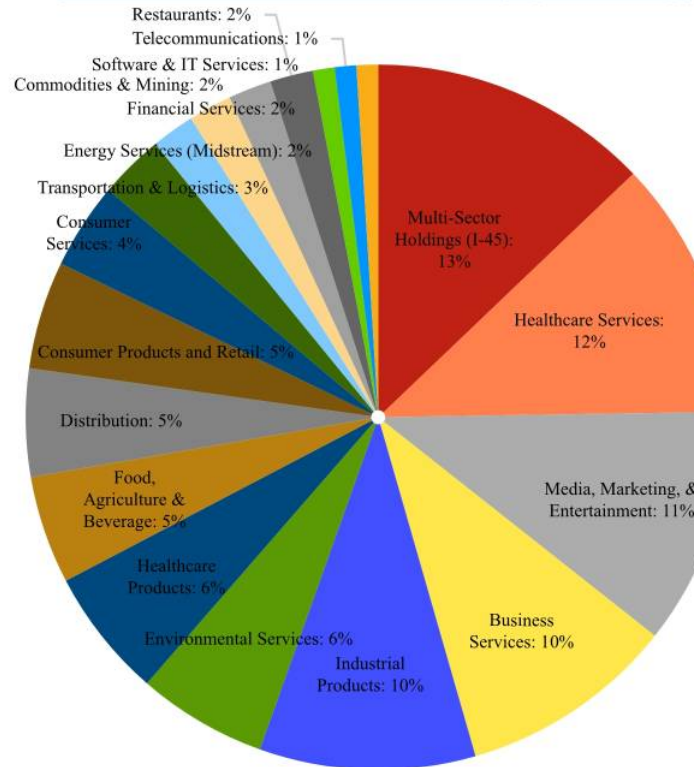
# CSWC Portfolio Mix as of 3/31/19 at Fair Value

Current Investment Portfolio of \$524.1MM Continues to be Diverse Across Industries

Current Investment Portfolio (By Type)



Current Investment Portfolio (By Industry)

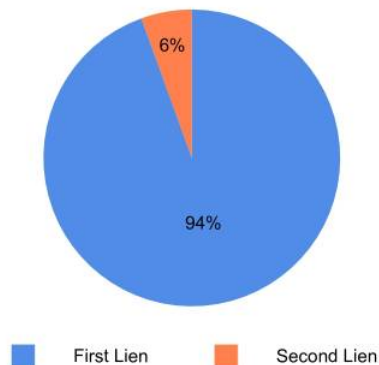




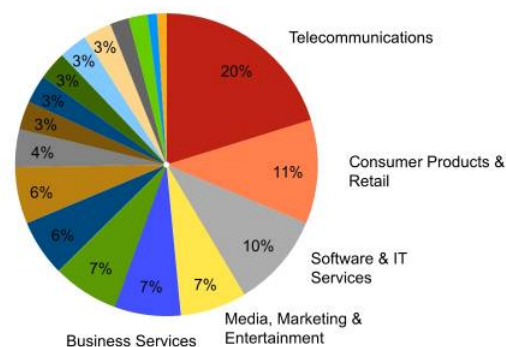
# I-45 Portfolio Overview

**I-45 Loan Portfolio of \$237.5MM is 94% First Lien with Average Hold Size of 2.1% of the I-45 Portfolio**

**Current I-45 Portfolio (By Type)**



**Current I-45 Portfolio (By Industry)**



| I-45 Portfolio Statistics                            |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| (In Thousands)                                       | 6/30/18   | 9/30/18   | 12/31/18  | 3/31/19   |
| Total Debt Investments at Fair Value                 | \$228,468 | \$229,711 | \$238,727 | \$237,547 |
| Number of Issuers                                    | 45        | 46        | 48        | 48        |
| Wtd. Avg. Issuer EBITDA                              | \$72,607  | \$72,253  | \$69,738  | \$68,109  |
| Avg. Investment Size as a % of Portfolio             | 2.2%      | 2.2%      | 2.1%      | 2.1%      |
| Wtd. Avg. Net Leverage on Investments <sup>(1)</sup> | 3.7x      | 3.8x      | 3.7x      | 3.9x      |
| Wtd. Avg. Spread to LIBOR                            | 6.3%      | 6.3%      | 6.3%      | 6.3%      |
| Wtd. Avg. Duration (Yrs)                             | 4.5       | 4.4       | 4.2       | 3.9       |

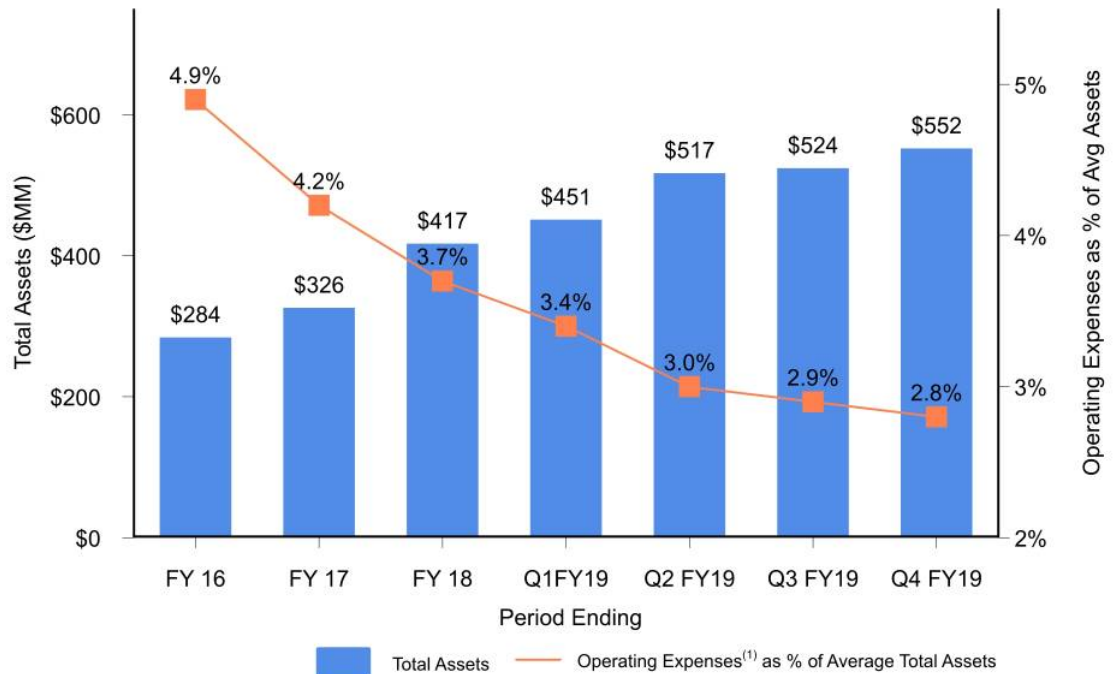
(1) Through I-45 Security

# Income Statement

| <i>(In Thousands, except per share amounts)</i>                        | Quarter Ended<br>6/30/18 | Quarter Ended<br>9/30/18 | Quarter Ended<br>12/31/18 | Quarter Ended<br>3/31/19 |
|--|--------------------------|--------------------------|---------------------------|--------------------------|
| <b>Investment Income</b>   |                          |                          |                           |                          |
| Interest Income  | \$7,643                  | \$9,232                  | \$10,070                  | \$10,325                 |
| Dividend Income  | 3,075                    | 3,158                    | 3,352                     | 3,342                    |
| Fees and Other Income  | 389                      | 205                      | 449                       | 646                      |
| <b>Total Investment Income</b>   | <b>\$11,107</b>          | <b>\$12,595</b>          | <b>\$13,871</b>           | <b>\$14,313</b>          |
| <b>Expenses</b>  |                          |                          |                           |                          |
| Cash Compensation  | \$1,910                  | \$1,963                  | \$2,007                   | \$1,835                  |
| Share Based Compensation   | 475                      | 482                      | 607                       | 707                      |
| General & Administrative   | 1,353                    | 1,239                    | 1,134                     | 1,233                    |
| <b>Total Expenses (excluding Interest)</b>                             | <b>\$3,738</b>           | <b>\$3,684</b>           | <b>\$3,748</b>            | <b>\$3,775</b>           |
| Interest Expense   | \$2,373                  | \$3,109                  | \$3,347                   | \$3,345                  |
| <b>Pre-Tax Net Investment Income</b>                                   | <b>\$4,996</b>           | <b>\$5,802</b>           | <b>\$6,776</b>            | <b>\$7,184</b>           |
| <b>Taxes and Gain / (Loss)</b>   |                          |                          |                           |                          |
| Income Tax Benefit (Expense)   | \$(379)                  | \$(256)                  | \$(101)                   | \$(312)                  |
| Net realized gain (loss) on investments                                | 18,819                   | 94                       | 1,883                     | 58                       |
| Net increase (decrease) in unrealized appreciation of investments      | (11,783)                 | 948                      | (4,238)                   | 3,567                    |
| <b>Net increase (decrease) in net assets resulting from operations</b> | <b>\$11,653</b>          | <b>\$6,588</b>           | <b>\$4,320</b>            | <b>\$10,499</b>          |
| Weighted Average Diluted Shares Outstanding                            | 16,201                   | 16,323                   | 17,123                    | 17,296                   |
| <b>Pre-Tax Net Investment Income Per Dil. Wtd. Average Share</b>       | <b>\$0.31</b>            | <b>\$0.36</b>            | <b>\$0.40</b>             | <b>\$0.42</b>            |

# Operating Leverage Improves

Continue to Realize Operating Efficiencies of Internally-Managed Structure Migrating to a Target Operating Leverage of sub-2.5%



Note: FY16 includes only the quarters after the 2015 spin-off. Q1 2019, Q2 2019, Q3 2019, and Q4 2019 are quarterly annualized  
 (1) Operating Expenses exclude Interest Expense

# Balance Sheet

| <i>(In Thousands, except per share amounts)</i> | Quarter Ended<br>6/30/18 | Quarter Ended<br>9/30/18 | Quarter Ended<br>12/31/18 | Quarter Ended<br>3/31/19 |
|---|--------------------------|--------------------------|---------------------------|--------------------------|
| <b>Assets</b>                                   |                          |                          |                           |                          |
| Portfolio Investments                           | \$411,330                | \$491,601                | \$496,740                 | \$524,071                |
| Cash & Cash Equivalents                         | 12,532                   | 10,193                   | 10,774                    | 9,924                    |
| Deferred Tax Asset                              | 2,116                    | 2,060                    | 2,294                     | 1,807                    |
| Other Assets                                    | 24,948                   | 12,653                   | 13,973                    | 16,041                   |
| <b>Total Assets</b>                             | <b>\$450,926</b>         | <b>\$516,507</b>         | <b>\$523,781</b>          | <b>\$551,843</b>         |
| <b>Liabilities</b>                              |                          |                          |                           |                          |
| December 2022 Notes <sup>(1)</sup>              | \$56,646                 | \$73,407                 | \$74,960                  | \$75,099                 |
| Credit Facility                                 | 65,000                   | 127,000                  | 122,000                   | 141,000                  |
| Other Liabilities                               | 21,899                   | 8,252                    | 9,145                     | 9,781                    |
| <b>Total Liabilities</b>                        | <b>\$143,545</b>         | <b>\$208,659</b>         | <b>\$206,105</b>          | <b>\$225,880</b>         |
| <b>Shareholders Equity</b>                      |                          |                          |                           |                          |
| <b>Net Asset Value</b>                          | <b>\$307,381</b>         | <b>\$307,848</b>         | <b>\$317,676</b>          | <b>\$325,963</b>         |
| <b>NAV per Share<sup>(2)</sup></b>              | <b>\$18.87</b>           | <b>\$18.84</b>           | <b>\$18.43</b>            | <b>\$18.62</b>           |
| <b>Debt to Equity<sup>(3)</sup></b>             | <b>0.40x</b>             | <b>0.66x</b>             | <b>0.63x</b>              | <b>0.67x</b>             |

(1) Net of unamortized debt issuance costs

(2) NAV per Share includes the impact of \$0.90 per share in supplemental dividends paid over the last 12 months

(3) Debt to Equity ratio is calculated using the principal debt balance



# Significant Unused Debt Capacity with Long-Term Duration

## Earliest Debt Maturity Occurs in July 2022

| Facility   | Total Commitments | Interest Rate                           | Maturity      | Principal Drawn | Undrawn Com |
|--|-------------------|---|---------------|-----------------|-------------|
| Credit Facility <sup>(1)</sup>                       | \$270.0 MM        | L + 2.50% subject to certain conditions | December 2023 | \$141.0 MM      | \$125.6 MM  |
| December 2022 Notes (NASDAQ: "CSWCL") <sup>(2)</sup> | \$77.1 MM         | 5.95%                                   | December 2022 | \$77.1 MM       | N/A         |
| I-45 Credit Facility <sup>(4)</sup>                  | \$165.0 MM        | L + 2.40%                               | July 2022     | \$160.0 MM      | \$5.0 MM    |

### Long-Term Debt Obligations (Calendar Year)



(1) Total Commitments and Principal Drawn are based upon outstanding balances as of 3/31/19. The facility has an accordion feature that allows for an increase in Total Commitments up to \$350MM

(2) Redeemable at CSWC's option beginning December 2019. Principal drawn is based upon outstanding balances as of 3/31/19

(3) Credit Facility increased to \$295MM subsequent to quarter end; Net of \$3.4MM in letters of credit outstanding

(4) CSWC owns 80% of the equity and 50% of the voting rights of I-45 SLF LLC with a joint venture partner. I-45 SLF LLC is not a consolidated subsidiary and therefore CSWC does not consolidate the debt of the I-45 Credit Facility

# Portfolio Statistics

## Continuing to Build a Well Performing Credit Portfolio

| <i>(In Thousands)</i>  | Quarter Ended<br>6/30/18 | Quarter Ended<br>9/30/18 | Quarter Ended<br>12/31/18 | Quarter Ended<br>3/31/19 |
|--|--------------------------|--------------------------|---------------------------|--------------------------|
| <b>Portfolio Statistics</b>  |                          |                          |                           |                          |
| Fair Value of Debt Investments                                     | \$272,133                | \$336,717                | \$350,685                 | \$367,727                |
| Average Debt Investment Hold Size (at Fair Value)                  | \$9,719                  | \$10,204                 | \$10,627                  | \$10,506                 |
| Average Debt Investment Hold Size (% of Total Fair Value)          | 3.6%                     | 3.0%                     | 3.0%                      | 2.9%                     |
| Fair Value of Debt Investments as a % of Par                       | 98.7%                    | 98.6%                    | 98.0%                     | 97.5%                    |
| % of Investment Portfolio on Non-Accrual (at Fair Value)           | 0.0%                     | 0.0%                     | 1.7%                      | 1.6%                     |
| Weighted Average Investment Rating <sup>(1)</sup>                  | 2.0                      | 2.0                      | 1.9                       | 1.9                      |
| Weighted Average Yield on Debt Investments (at Cost)               | 11.73%                   | 11.61%                   | 11.56%                    | 11.58%                   |
| Total Fair Value of Portfolio Investments                          | \$411,330                | \$491,601                | \$496,740                 | \$524,071                |
| Weighted Average Yield on all Portfolio Investments <sup>(2)</sup> | 10.60%                   | 11.02%                   | 11.08%                    | 10.96%                   |
| Investment Mix - Debt vs. Equity <sup>(3)</sup> (at Fair Value)    | 79% / 21%                | 79% / 21%                | 81% / 19%                 | 80% / 20%                |
| Investment Mix - Yielding vs. Non-Yielding (at Fair Value)         | 94% / 6%                 | 92% / 8%                 | 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) Displayed at Fair Value; Includes dividends from Media Recovery, Inc. and I-45 Senior Loan Fund

(3) Excludes CSWC equity investment in I-45 Senior Loan Fund

# Investment Income Detail

## Constructing a Portfolio of Investments with Recurring Cash Yield

- Non-Cash and Non-Recurring investment income remain a minor portion of Total Investment Income

| <i>(In Thousands)</i>   | Quarter Ended<br>6/30/18 | Quarter Ended<br>9/30/18 | Quarter Ended<br>12/31/18 | Quarter Ended<br>3/31/19 |
|---|--------------------------|--------------------------|---------------------------|--------------------------|
| <b>Investment Income Breakdown</b>                            |                          |                          |                           |                          |
| Cash Interest   | \$7,324                  | \$8,815                  | \$9,561                   | \$9,760                  |
| Cash Dividends  | 3,008                    | 3,112                    | 3,295                     | 3,282                    |
| PIK Income  | 79                       | 93                       | 211                       | 298                      |
| Amortization of purchase discounts and fees                   | 312                      | 375                      | 367                       | 336                      |
| Management/Admin Fees   | 181                      | 191                      | 206                       | 197                      |
| Prepayment Fees & Other Income                                | 203                      | 9                        | 231                       | 435                      |
| <b>Total Investment Income</b>                                | <b>\$11,107</b>          | <b>\$12,595</b>          | <b>\$13,871</b>           | <b>\$14,308</b>          |
| <b>Key Metrics</b>  |                          |                          |                           |                          |
| Cash Income as a % of Investment Income                       | 96%                      | 96%                      | 96%                       | 96%                      |
| % of Total Investment Income that is Recurring <sup>(1)</sup> | 97%                      | 99%                      | 98%                       | 97%                      |

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

# Key Financial Metrics

**Strong Pre-Tax Net Investment Income and Regular Dividend Growth  
Driven by Net Portfolio Growth and Investment Performance**

|   | Quarter Ended<br>6/30/2018 | Quarter Ended<br>9/30/18 | Quarter Ended<br>12/31/18 | Quarter En<br>3/31/19 |
|---|----------------------------|--------------------------|---------------------------|-----------------------|
| <b>Key Financial Metrics</b>  |                            |                          |                           |                       |
| Pre-Tax Net Investment Income Per Wtd Avg Diluted Share             | \$0.31                     | \$0.36                   | \$0.40                    | \$0.42                |
| Pre-Tax Net Investment Income Return on Equity (ROE) <sup>(1)</sup> | 6.46%                      | 7.53%                    | 8.40%                     | 9.01%                 |
| Realized Earnings Per Wtd Avg Diluted Share                         | \$1.45                     | \$0.35                   | \$0.50                    | \$0.40                |
| Realized Earnings Return on Equity (ROE) <sup>(1)</sup>             | 30.32%                     | 7.32%                    | 10.61%                    | 8.70%                 |
| Earnings Per Wtd Avg Diluted Share                                  | \$0.72                     | \$0.40                   | \$0.25                    | \$0.61                |
| Total Earnings Return on Equity (ROE) <sup>(1)</sup>                | 15.08%                     | 8.56%                    | 5.36%                     | 13.17%                |
| Regular Dividends per Share   | \$0.29                     | \$0.34                   | \$0.36                    | \$0.38                |
| Supplemental Dividends per Share                                    | \$0.60                     | \$0.10                   | \$0.10                    | \$0.10                |
| <b>Total Dividends per Share</b>                                    | <b>\$0.89</b>              | <b>\$0.44</b>            | <b>\$0.46</b>             | <b>\$0.48</b>         |
| Dividend Yield <sup>(2)</sup>                                       | 19.66%                     | 9.27%                    | 9.57%                     | 9.13%                 |

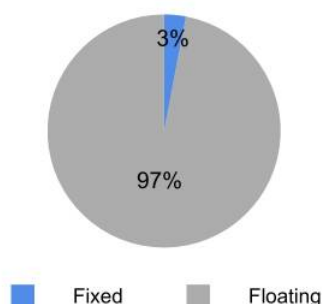
(1) Return on Equity is calculated as the quarterly annualized Pre-Tax NII, Realized Earnings, or Total Earnings, respectively, divided by equity at the end of the prior quarter

(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) |
|-------------------------------|---------------------------------------|--|
| (100 bps)                     | \$(2,491,237)                         | \$(0.14)                                   |
| (75 bps)                      | \$(1,964,093)                         | \$(0.11)                                   |
| (50 bps)                      | \$(1,381,136)                         | \$(0.08)                                   |
| (25 bps)                      | \$(700,681)                           | \$(0.04)                                   |
| 25 bps                        | \$700,681                             | \$0.04                                     |
| 50 bps                        | \$1,401,361                           | \$0.08                                     |
| 75 bps                        | \$2,102,042                           | \$0.12                                     |
| 100 bps                       | \$2,802,723                           | \$0.16                                     |

(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 3/31/19, adjusted only for changes in Base Interest Rate. Base Interest Rate used in this analysis is 3-Month LIBOR of 2.60% at 3/31/19. The results of this analysis include the I-45 Senior Loan Facility 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

John H. Wilson

## 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) LLP  
Chicago, IL

## Corporate Counsel

Eversheds Sutherland (US) LLP

## Transfer Agent

American Stock Transfer & Trust Company

800-937-5449

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

## Corporate Offices & Website

5400 Lyndon B. Johnson Freeway

13th Floor

Dallas, TX 75240

<http://www.capitalsouthwest.com>

## Industry Analyst Coverage

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



