



Capital Southwest Corporation

Q4 2016 Earnings Presentation

June 8, 2016

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Conference Call Participants

Bowen S. Diehl

President and Chief Executive Officer

Michael S. Sarner

Chief Financial Officer

Chris Rehberger

VP Finance / Treasurer

CSWC Company Overview

CSWC has refocused its investment strategy to become a lender to middle-market companies across the capital structure

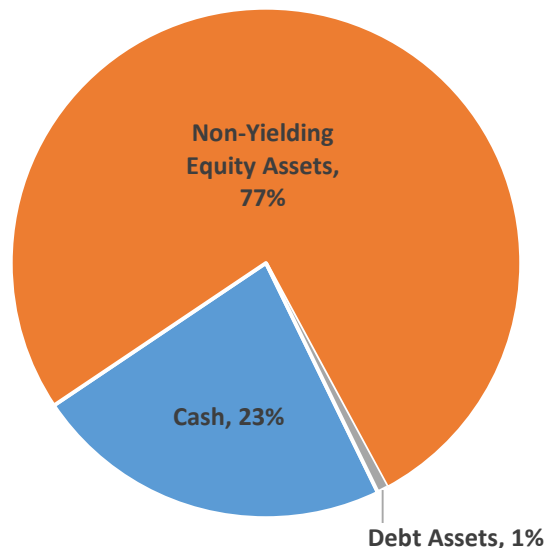
- CSWC was formed in 1961, and became a BDC in 1988
- Publicly-traded on Nasdaq under CSWC ticker
- Internally-managed BDC with RIC status for tax purposes
- Management transition over the last two years has resulted in a new Chairman, CEO, CFO, and credit team
- In December 2014, announced split into two separate companies with spin-off of industrial growth company (“CSW Industrials”; Nasdaq: CSWI) which was completed September 30th, 2015
- Over the past 18 months, CSWC has made significant strides towards rotating its investment portfolio from equity to credit

Portfolio Rotation Focused on Credit

- Since June 2014, CSWC has made significant strides towards rotating its investment assets from equity to credit
 - Exited 21 legacy portfolio companies for \$222 MM in proceeds
 - Invested \$91 MM in 17 middle-market credit investments
 - Invested \$100 MM in 24 credits within I-45 Senior Loan Fund (“I-45”), a joint venture with Main Street Capital
- Below is a depiction of the asset rotation of the CSWC portfolio, excluding the businesses that were spun-off as CSW Industrials

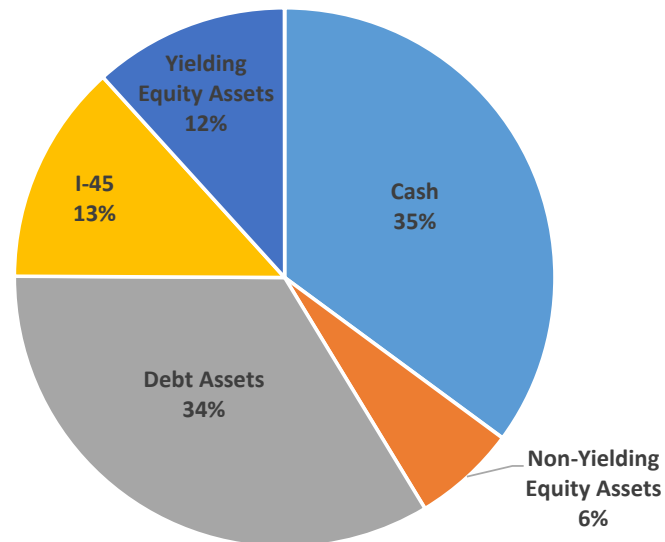
6/30/2014 (excl. CSWI Companies)

1% of Total Assets Generating Recurring Income



3/31/2016 Investable Assets

59% of Total Assets Generating Recurring Income



Q4 2016 Portfolio Originations

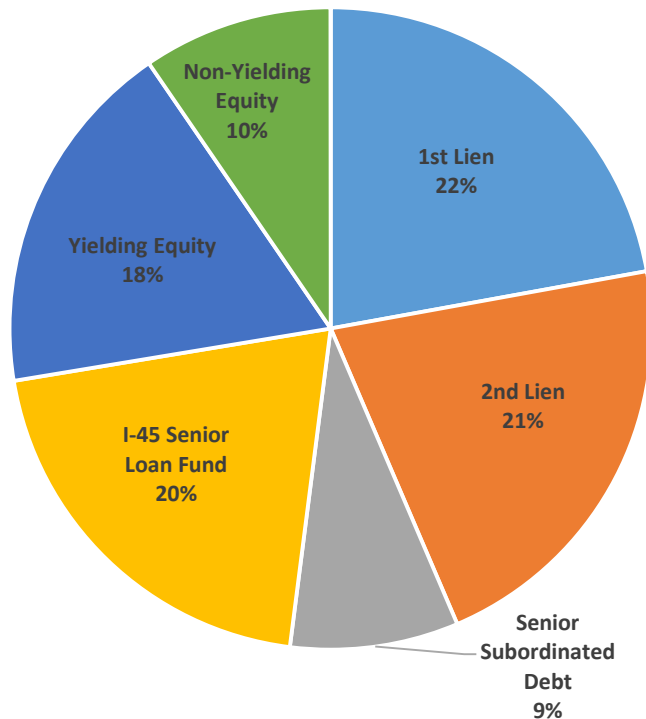
In Thousands

Q4 2016 Portfolio Originations					
Name	Industry	Type	Market Segment	Par Value	Yield
Imagine! Print Solutions	Media, Marketing, & Entertainment	1st Lien	Upper Middle Market	\$4,000	L + 6.0% (1% Floor)
Vivid Seats	Media, Marketing, & Entertainment	1st Lien	Upper Middle Market	\$7,000	L + 6.0% (1% Floor)
Digital River	Software & IT Services	1st Lien	Upper Middle Market	\$4,632	L + 6.0% (1% Floor)
Tax Act / HD Vest	Financial Services	1st Lien	Upper Middle Market	\$5,000	L + 6.0% (1% Floor)
Hygea Holdings Corporation	Healthcare Services	1st Lien w/ Warrants	Lower Middle Market	\$8,000	L + 9.25%
Chandler Signs	Services: Business	Secured Subordinated Debt	Lower Middle Market	\$4,500	12% Fixed
Chandler Signs	Services: Business	Equity	Lower Middle Market	\$1,500	N/A
Total				\$34,632	

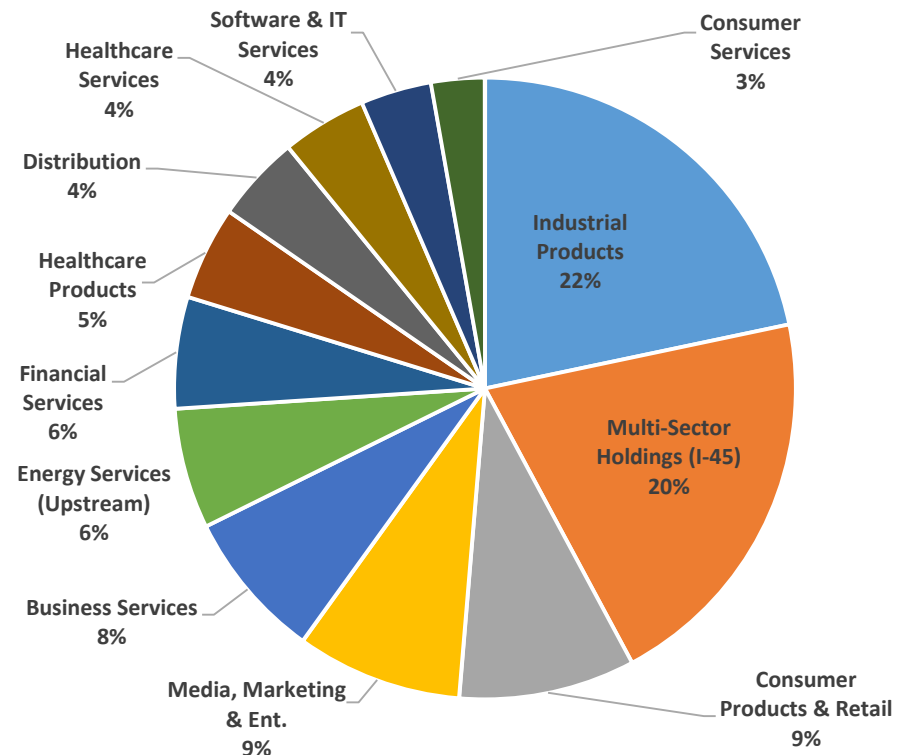
Portfolio Mix as of 3/31/16 at Fair Value

For the quarter ended 3/31/16, increased Investment Portfolio to \$178 MM from \$135 MM;
On Balance Sheet Loan Portfolio increased to \$93 MM from \$61 MM

Current Investment Portfolio (By Type)



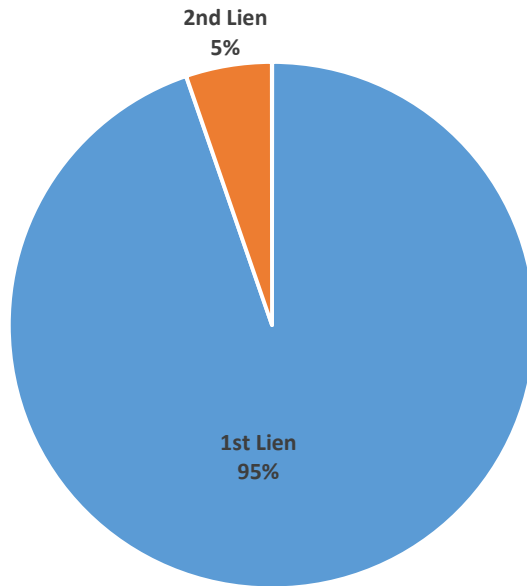
Current Investment Portfolio (By Industry)



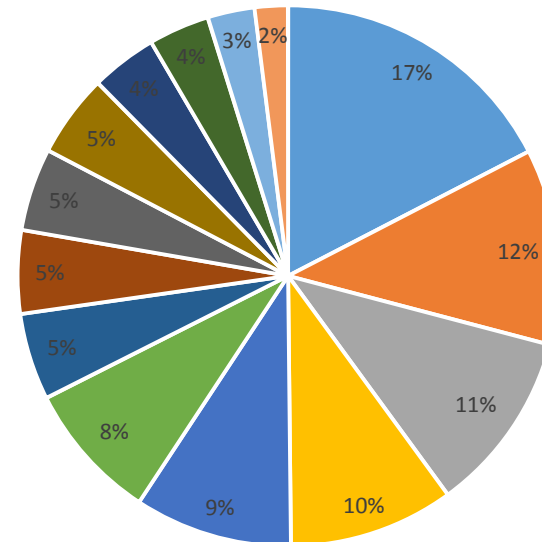
I-45 Senior Loan Fund Portfolio

Invested \$8 MM additional equity to fund I-45 loan portfolio growth to \$100 MM

Current I-45 Portfolio (By Type)



Current I-45 Portfolio (By Industry)



I-45 Portfolio Statistics		
	<u>Q3 2016</u>	<u>Q4 2016</u>
Total Debt Investments at Cost	\$82,508	\$99,836
Number of Issuers	19	24
Avg. Investment Size as a % of Portfolio	5.26%	4.17%
Wtd. Avg. CSWC Leverage on Investments	3.3x	3.3x
Wtd. Avg. Yield to Maturity	7.59%	7.85%
Wtd. Avg. Duration (Yrs)	4.5	4.2

Q4 2016 Highlights

Financial Highlights

- Grew investment portfolio to \$178 MM from \$135 MM
- Q4 2016 Pre-Tax Net Investment Income of \$708 K or \$0.04 per weighted average diluted share
- Paid quarterly dividend of \$0.04 per share
- No non-accruals or watch list companies within debt investment portfolio
- \$96 MM in cash available for investment activity

Key Updates

- Declared \$0.06 dividend per share for Q1 2017
- Continue to ramp I-45 Senior Loan Fund
 - I-45 distributed \$1.1 MM dividend to CSWC during the quarter
 - Increased Deutsche Bank Credit Facility to \$100 MM from \$75 MM
- Exited Freedom Truck Finance loan, generating a 14.3% IRR

Key Highlights

	Quarter Ended 9/30/2015	Quarter Ended 12/31/2015	Quarter Ended 3/31/2016
Financial Highlights			
Pre-Tax Net Investment Income / (Loss) Per Wtd. Avg. Diluted Share	(\$0.59)	(\$0.04)	\$0.04
Dividends Per Share	\$0.00	\$0.00	\$0.04
NAV Per Share	\$17.68	\$17.22	\$17.34
Cash & Cash Equivalents	\$184,111	\$143,680	\$95,969
Debt to Equity	0.0x	0.0x	0.0x
Shares Outstanding	15,583	15,725	15,726
Weighted Average Shares Outstanding (Diluted)	15,680	15,751	15,795
Portfolio Statistics			
Fair Value of Debt Investments	\$45,115	\$60,929	\$92,832
Average Debt Investment Hold Size	\$5,013	\$5,077	\$5,157
Fair Value of Debt Investments as a % of Cost	100%	100%	99%
% of Debt Portfolio on Non-Accrual (at Fair Value)	0.3%	0.0%	0.0%
Weighted Average Investment Rating ¹	N/A	2.0	2.0
Weighted Average Yield on Debt Investments	10.11%	10.31%	10.67%
Total Fair Value of Portfolio Investments	\$93,339	\$134,935	\$178,436
Weighted Average Yield on all Portfolio Investments	4.37%	10.82%	9.46%
Investment Mix (Debt vs. Equity) ²	47% / 53%	57% / 43%	65% / 35%
Investment Mix (Yielding vs. Non-Yielding)	80% / 20%	89% / 11%	90% / 10%

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 Excludes CSWC equity investment in I-45 Senior Loan Fund

Balance Sheet Highlights

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 9/30/2015	Quarter Ended 12/31/2015	Quarter Ended 3/31/2016
Assets			
Portfolio Investments	\$93,339	\$134,935	\$178,436
Cash & Cash Equivalents	\$184,111	\$143,680	\$95,969
Deferred Tax Asset	\$1,649	\$1,544	\$2,342
Other Assets	\$6,551	\$6,421	\$7,746
Total Assets	\$285,650	\$286,580	\$284,493
Liabilities			
Payable for Unsettled Transaction	\$0	\$4,850	\$3,940
Income Tax Payable	\$0	\$2,948	\$0
Other Liabilities	\$10,059	\$7,997	\$7,918
Total Liabilities	\$10,059	\$15,795	\$11,858
Shareholders Equity			
Net Asset Value	\$275,591	\$270,785	\$272,635
Shares Outstanding at Period End	15,583	15,725	15,726
NAV per Share	\$17.68	\$17.22	\$17.34
Debt to Equity	0.0x	0.0x	0.0x

Income Statement Highlights

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 9/30/15	Quarter Ended 12/31/15	Quarter Ended 3/31/16
Investment Income			
Interest Income	\$945	\$1,415	\$2,110
Dividend Income	\$0	\$1,612	\$1,578
Fees and Other Income	\$133	\$280	\$123
Total Investment Income	\$1,078	\$3,307	\$3,811
Expenses			
Cash Compensation	\$3,411	\$1,675	\$1,403
Share Based Compensation	\$370	\$195	\$257
General & Administrative	\$1,070	\$1,354	\$1,192
Spin-off Related Expenses	\$5,474	\$710	\$251
Total Expenses	\$10,325	\$3,934	\$3,103
Pre-Tax Net Investment Income / (Loss)	(\$9,247)	(\$627)	\$708
Taxes and Gain / (Loss)			
Income Tax Benefit (Expense)	(\$88)	\$607	\$788
Net realized gain (loss) on investments	(\$3,396)	(\$8,170)	\$12
Net increase (decrease) in unrealized appreciation of investments	\$3,783	\$7,060	\$1,001
Net increase (decrease) in net assets resulting from operations	(\$8,948)	(\$1,130)	\$2,509
Weighted Average Shares Outstanding	15,680	15,751	15,795
Pre-Tax Net Investment Income Per Weighted Average Share	(\$0.59)	(\$0.04)	\$0.04
Dividends Per Share	\$0.00	\$0.00	\$0.04

Investment Income Detail

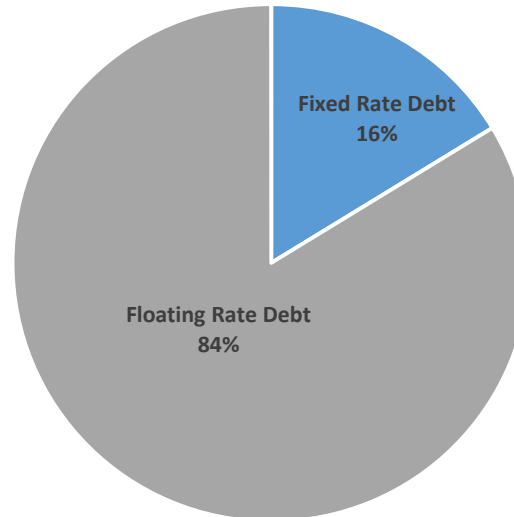
Constructing a portfolio of investments with recurring cash yield

<i>(In Thousands)</i>	Quarter Ended 9/30/2015	Quarter Ended 12/31/2015	Quarter Ended 3/31/2016
Investment Income Breakdown			
Cash Interest	\$930	\$1,392	\$2,063
Cash Dividends	\$0	\$1,612	\$1,578
Management Fees	\$133	\$275	\$115
Amortization of purchase discounts and fees	\$15	\$23	\$47
Other Income (non-recurring)	\$0	\$5	\$8
Total Investment Income	\$1,078	\$3,307	\$3,811
Key Metrics			
Cash Income as a % of Investment Income	98.6%	99.3%	98.8%
% of Total Investment Income that is Recurring	100.0%	99.8%	99.8%

Interest Rate Sensitivity

Impact of Base Rate Changes on Net Investment Income

Debt Portfolio Composition



Change in Base Interest Rates	Illustrative NII Change (\$'s)	Illustrative NII Change (Per Share)
50 bps	\$43,267	\$0.00
100bps	\$598,027	\$0.04
150bps	\$1,185,873	\$0.08
200bps	\$1,773,720	\$0.11

Note: Illustrative change in NII is based on a projection of our existing debt investments as of 3/31/16, adjusted only for changes in Base Rates. The results of this analysis include the I-45 Senior Loan Fund, which is comprised of 100% floating rate assets and liabilities.

Corporate Information

Board of Directors

Inside Directors

Joseph B. Armes
Bowen S. Diehl

Independent Directors

John H. Wilson
William R. Thomas
T. Duane Morgan
David R. Brooks
Jack D. Furst

Corporate Offices & Website

5400 LBJ Freeway
13th Floor
Dallas, TX 75240
<http://www.capitalsouthwest.com>

Senior Management

Bowen S. Diehl
President & Chief Executive Officer

Michael S. Sarnier
Chief Financial Officer, Secretary & Treasurer

Investor Relations

Michael S. Sarnier
Capital Southwest
214-884-3829
msarnier@capitalsouthwest.com

Securities Listing

NASDAQ: CSWC

Fiscal Year End

March 31

Independent Auditor

Grant Thornton
Dallas, TX

Corporate Counsel

Thompson & Knight / Jones Day
Dallas, TX

Transfer Agent

American Stock Transfer & Trust Company, LLC
800-937-5449
www.amstock.com