



Capital Southwest Corporation

Q4 2017 Earnings Presentation

June 1, 2017

Forward-Looking Statements

- This presentation contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 relating to, among other things, the business, financial condition and results of operations of Capital Southwest, the anticipated investment strategies and investments of Capital Southwest, and future market demand. Any statements that are not statements of historical fact are forward-looking statements. Forward-looking statements are often preceded by, followed by, or include the words "believe," "expect," "intend," "plan," "should" or similar words, phrases or expressions or the negative thereof. These statements are made on the basis of the current beliefs, expectations and assumptions of the management of Capital Southwest and speak only as of the date of this presentation. There are a number of risks and uncertainties that could cause Capital Southwest's actual results to differ materially from the forward-looking statements included in this presentation.
- For a further discussion of some of the risks and uncertainties applicable to Capital Southwest and its business, see Capital Southwest's Annual Report on Form 10-K for the fiscal year ended March 31, 2017 and its subsequent filings with the Securities and Exchange Commission. Other unknown or unpredictable factors could also have a material adverse effect on Capital Southwest's actual future results, performance, or financial condition. As a result of the foregoing, readers are cautioned not to place undue reliance on these forward-looking statements. Capital Southwest does not assume any obligation to revise or to update these forward-looking statements, whether as a result of new information, subsequent events or circumstances, or otherwise, except as may be required by law.

Conference Call Participants

Bowen S. Diehl

President and Chief Executive Officer

Michael S. Sarner

Chief Financial Officer

Chris Rehberger

VP Finance / Treasurer

CSWC Company Overview

CSWC is a credit investment firm focused on supporting the acquisition and growth of middle-market companies across the capital structure

- CSWC was formed in 1961, and became a BDC in 1988
- Publicly-traded on Nasdaq under CSWC ticker
- Internally Managed BDC with RIC status for tax purposes
- In December 2014, announced intent to split into two separate companies with tax-free spin-off of industrial growth company (“CSW Industrials”; Nasdaq: CSWI) which was completed September 30th, 2015
- 17 employees based in Dallas, Texas
- Total Balance Sheet Assets of \$326 MM as of March 31, 2017

Fiscal Year 2017 Highlights

Delivered a 28% all-in return to shareholders during the fiscal year

- Stock Price appreciated 22% from \$13.87 at 3/31/2016 to \$16.91 at year end
- Paid \$0.79 per share in total cash dividends to shareholders during the year
 - Quarterly Dividend Yield increased to 4.5% at 3/31/17 from 1.2% at 3/31/16
 - Paid Special Dividend of \$0.26 generated primarily from realized gains
- Grew quarterly Pre-Tax Net Investment Income (NII) ROE to 5.0% from 1.0%
- Grew NAV per share to \$17.80 at 3/31/17 vs. \$17.34 at 3/31/16
- Exited seven portfolio companies for \$41 MM in proceeds, generating a wtd. avg. IRR of 29%
- Spilled forward \$0.49 per share in Undistributed Taxable Income (UTI) into FY 2018
- Credit portfolio grew by \$75 MM to \$167 MM as of 3/31/17
- I-45 portfolio grew by \$101 MM to \$200 MM as of 3/31/17
- Closed the initial CSWC Credit Facility with ING for \$100 MM in commitments from a syndicate of five lenders, with an accordion up to \$150 MM
- Completed capital raising at I-45 by increasing the Deutsche Bank led Credit Facility to \$165 MM from a syndicate of four lenders

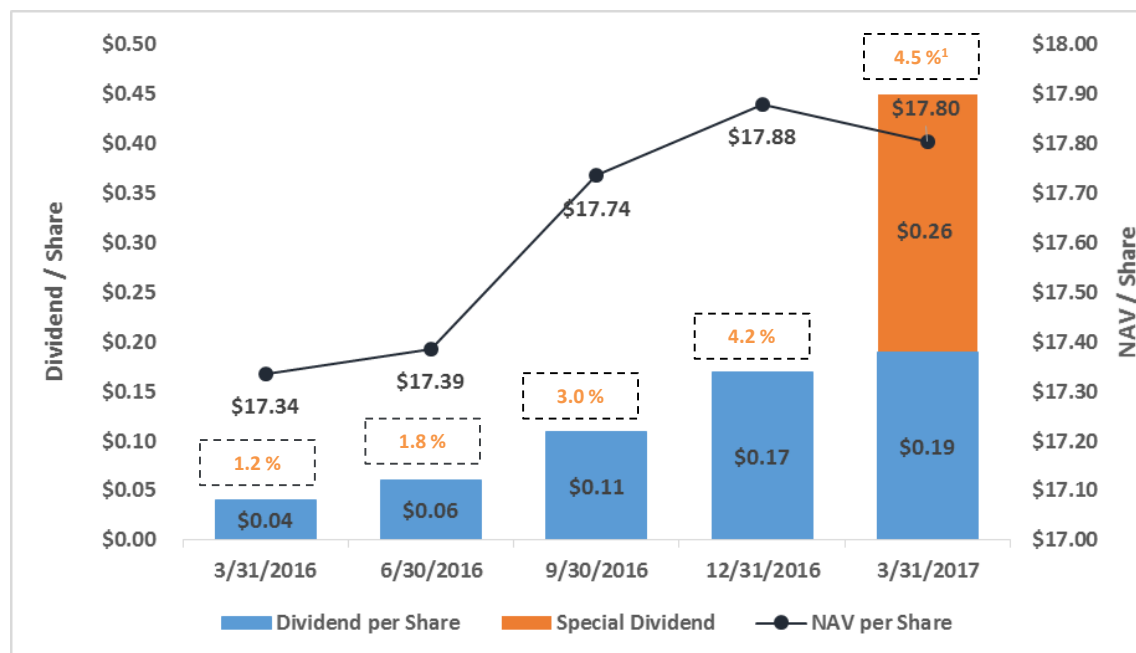
Q4 2017 Highlights

Financial Highlights

- Q4 2017 Pre-Tax Net Investment Income of \$3.6 MM or \$0.22 per weighted average diluted share
- Paid Quarterly Dividend of \$0.19 per share and Special Dividend of \$0.26 per share
- Increased Investment Portfolio to \$287 MM from \$267 MM at fair value
 - \$41 MM deployed in three new originations and one add-on
 - \$23 MM proceeds received from four portfolio exits, generating a wtd. avg. IRR of 38%
- Increased I-45 Senior Loan Fund investment portfolio to \$200 MM from \$187 MM
 - I-45 distributed \$2.1 MM dividend to CSWC
 - \$32 MM deployed in seven new originations and four add-ons
 - \$18 MM proceeds received in five prepayments
- \$22.4 MM in cash available for investment activity as of quarter end
- \$75 MM available to draw on Credit Facility as of quarter end

Evolution of CSWC Generating Consistent Dividend and NAV Growth

- Over the past four quarters, CSWC has generated \$0.61 per share in Pre-Tax Net Investment Income (NII) and paid out \$0.53 per share in regular dividends
 - Dividend coverage of 115% of Pre-Tax NII
- Paid out a Special Dividend of \$0.26 generated primarily from realized gains earned over prior 12 months
- Dividend Yield has increased to 4.5% at 3/31/17 from 1.2% at 3/31/16
- NAV has increased to \$17.80 per share at 3/31/17 from \$17.34 per share at 3/31/16



Dividend Yield – Annualized Quarterly Dividend / CSWC Share Price at Qtr. End

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

Two Pronged Investment Strategy

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

- Companies with EBITDA greater than \$3 MM
- Typically leverage of 2x – 4x Debt to EBITDA through CSWC debt
- Commitment size up to \$20 MM with hold sizes generally \$10 to \$15 MM
- Both Sponsored and Non-sponsored debt investments
- Securities include first lien, unitranche, second lien and subordinated debt
- Frequently make equity co-investments alongside CSWC debt

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

- Companies typically have in excess of \$50 MM in EBITDA
- Typically leverage of 3x – 5.5x Debt to EBITDA through CSWC debt position
- Hold sizes generally \$5 to \$10 MM
- Floating Rate First and Second Lien debt securities
- More liquid assets relative to Lower Middle Market investments
- Provides flexibility to invest/divest opportunistically based on market conditions and liquidity position

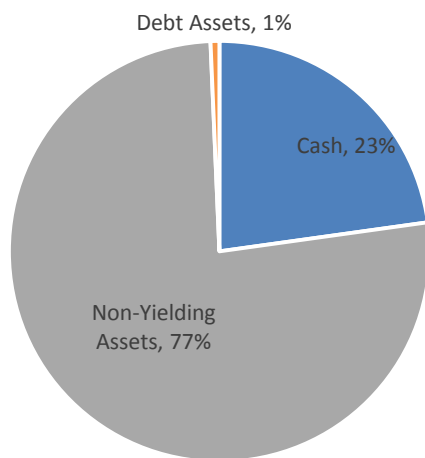
Portfolio Rotation Focused on Credit

Since June 2014, CSWC has transformed its investment portfolio increasing income earning assets from 1% of the investable portfolio to 88%

- Exited 22 legacy portfolio equity investments, generating \$230 MM in proceeds
- Invested \$218 MM in 33 middle-market credit investments on balance sheet
- Invested \$260 MM in 57 credits within I-45 Senior Loan Fund (“I-45”)

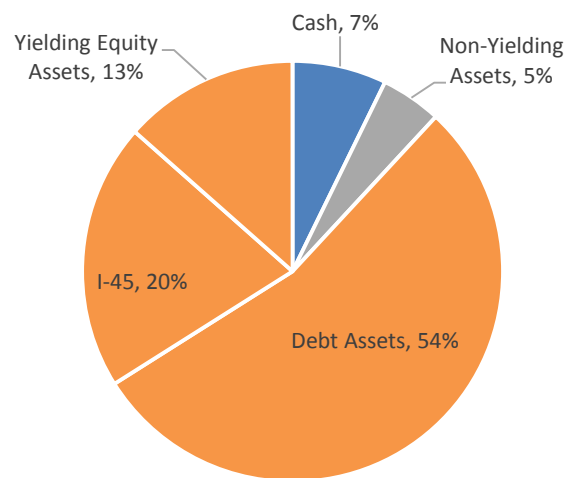
6/30/2014 (excl. CSWI Companies)

1% of Total Assets Generating Recurring Income



3/31/2017 Investable Assets

88% of Total Assets Generating Recurring Income

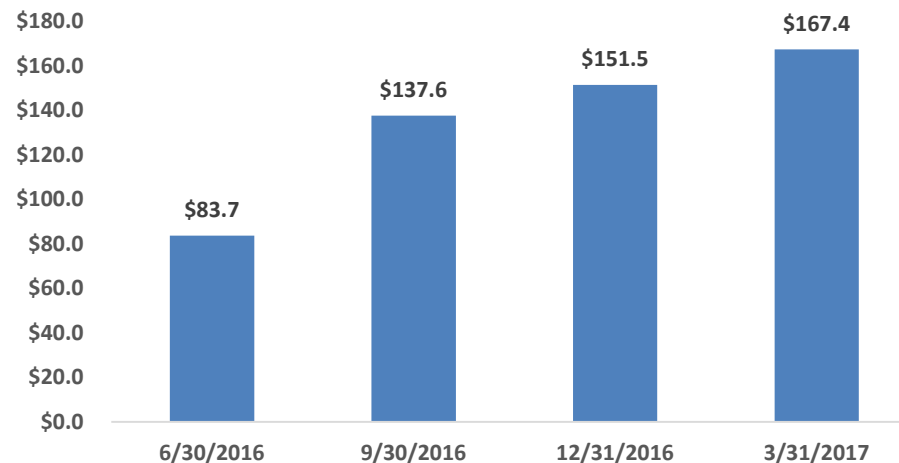


Balance Sheet Credit Portfolio Growth

Credit portfolio has grown to \$167 MM at 3/31/17 from \$93 MM at 3/31/16

<i>(In Millions)</i>	6/30/2016	9/30/2016	12/31/2016	3/31/2017
Debt Investments at Fair Value				
Beginning Total Debt Portfolio (FV)	\$92.8	\$83.7	\$137.6	\$151.5
New Originations (Cost)	\$1.7	\$53.7	\$24.4	\$37.0
Repayments & Exits	(\$10.9)	(\$1.0)	(\$10.6)	(\$22.0)
Appreciation / (Depreciation)	\$0.1	\$1.1	\$0.1	\$1.0
Change in Debt Investments (FV)	(\$9.1)	\$53.9	\$13.9	\$16.0
Ending Total Debt Portfolio (FV)	\$83.7	\$137.6	\$151.5	\$167.4

Debt Portfolio (Fair Value)



Q4 2017 Portfolio Originations

Strong Lower Middle Market portfolio growth with \$41 MM in new investments originated in Q4 2017 at a weighted average YTM of 11.2%

Q4 2017 Portfolio Originations						
Name	Industry	Type	Market	Total Commitment	Coupon	Yield to Maturity
Lighting Retrofit International (Add-on)	Environmental Services	1st Lien	LMM	\$2,222	L + 9.75% (0.5% floor)	11.2%
Elite SEM	Media, Marketing, & Entertainment	Last Out Unitranche and Equity	LMM	\$13,150	L + 8.50% (1.0% floor) ⁽¹⁾	12.4%
Vistar Media	Media, Marketing, & Entertainment	1st Lien and Warrants	LMM	\$11,000	L + 10.00% (1.0% floor)	11.7%
Binswanger	Consumer Products and Retail	1st Lien and Equity	LMM	\$14,152	L + 8.00% (1.0% floor)	9.7%
Total				\$40,524		11.2%

*(1) The investment is structured as a first lien last out term loan and earns interest in addition to the stated rate
Note: Market Segment refers to Upper Middle Market ("UMM") and Lower Middle Market ("LMM")*

Fiscal Year 2017 Portfolio Exits

\$41 MM in Credit Portfolio exits generated 29% weighted average IRR

Portfolio Exits							
Name	Industry	Type	Market	Date of Exit	Proceeds	Realized Gain	IRR
Freedom Truck	Finance	Last Out Unitranche	LMM	April 2016	\$5,998	\$0	14.2%
Bob's Discount Furniture	Retail	2nd Lien	UMM	June 2016	\$5,000	\$191	15.1%
Vivid Seats	Hotel, Gaming & Leisure	1st Lien	UMM	October 2016	\$6,913	\$446	21.5%
Hygea	Healthcare & Pharmaceuticals	1st Lien and Warrants	LMM	January 2017	\$10,804	\$2,866	56.2%
Polycom	Telecommunications	1st Lien	UMM	January 2017	\$4,304	\$74	31.2%
360 Holdings	Consumer Products and Retail	1st Lien	UMM	March 2017	\$6,982	\$233	15.6%
Royal	Specialty Chemicals	2nd Lien	UMM	March 2017	\$552	\$4	9.2%
Total / Wtd. Avg.					\$40,552	\$3,814	28.7%

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

Portfolio Statistics

Continuing to build a performing credit portfolio

	Quarter Ended 6/30/2016	Quarter Ended 9/30/2016	Quarter Ended 12/31/2016	Quarter Ended 3/31/2017
Portfolio Statistics				
Fair Value of Debt Investments	\$83,730	\$137,586	\$151,465	\$167,447
Average Debt Investment Hold Size	\$4,925	\$5,982	\$5,826	\$5,980
Fair Value of Debt Investments as a % of Par	97%	98%	98%	99%
% of Debt Portfolio on Non-Accrual (at Fair Value)	0.0%	1.8%	0.0%	0.0%
Weighted Average Investment Rating ⁽¹⁾	1.9	1.9	1.9	1.9
Weighted Average Yield on Debt Investments	10.08%	10.00%	10.32%	10.28%
Total Fair Value of Portfolio Investments	\$175,915	\$238,319	\$267,131	\$286,880
Weighted Average Yield on all Portfolio Investments ⁽²⁾	9.51%	9.23%	10.72%	10.49%
Investment Mix (Debt vs. Equity) ^{(3) (4)}	62% / 38%	73% / 27%	73% / 27%	75% / 25%
Investment Mix (Yielding vs. Non-Yielding) ⁽⁴⁾	90% / 10%	94% / 6%	94% / 6%	95% / 5%

(1) CSWC utilizes an internal 1 - 4 investment rating system in which 1 represents material outperformance and 4 represents material underperformance. All new investments are initially set to 2.

(2) Includes dividends from Media Recovery, Inc. and I-45 Senior Loan Fund.

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

(4) At Fair Value

Portfolio Statistics by Investment Strategy

Portfolio statistics illustrate CSWC's prudent investment underwriting

Investment Portfolio - Statistics at 3/31/17		
	Upper Middle Market	Lower Middle Market
Number of Portfolio Companies	17	10
Total Cost	\$95,918	\$93,822
Total Fair Value	\$97,180	\$126,305
Average Hold Size (at Cost)	\$5,642	\$9,382
% First Lien Investments (at Cost)	51.2%	61.5%
% Second Lien Investments (at Cost)	48.8%	0.0%
% Subordinated Debt Investments (at Cost)	0.0%	13.2%
% Equity (at Cost)	0.0%	25.2%
Wtd. Avg. EBITDA of Issuer	\$101.3	\$7.4
Wtd. Avg. Leverage through CSWC Security ⁽¹⁾	4.0X	3.1X
Wtd. Avg. Yield ⁽¹⁾	9.6%	11.4%

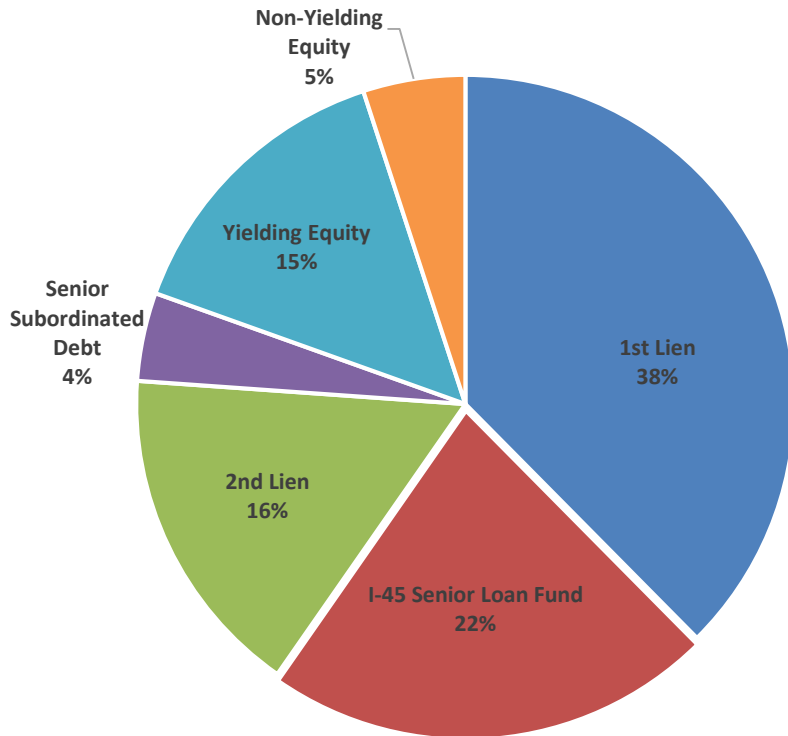
Note: All metrics above exclude the I-45 Senior Loan Fund

(1) Includes only CSWC debt investments

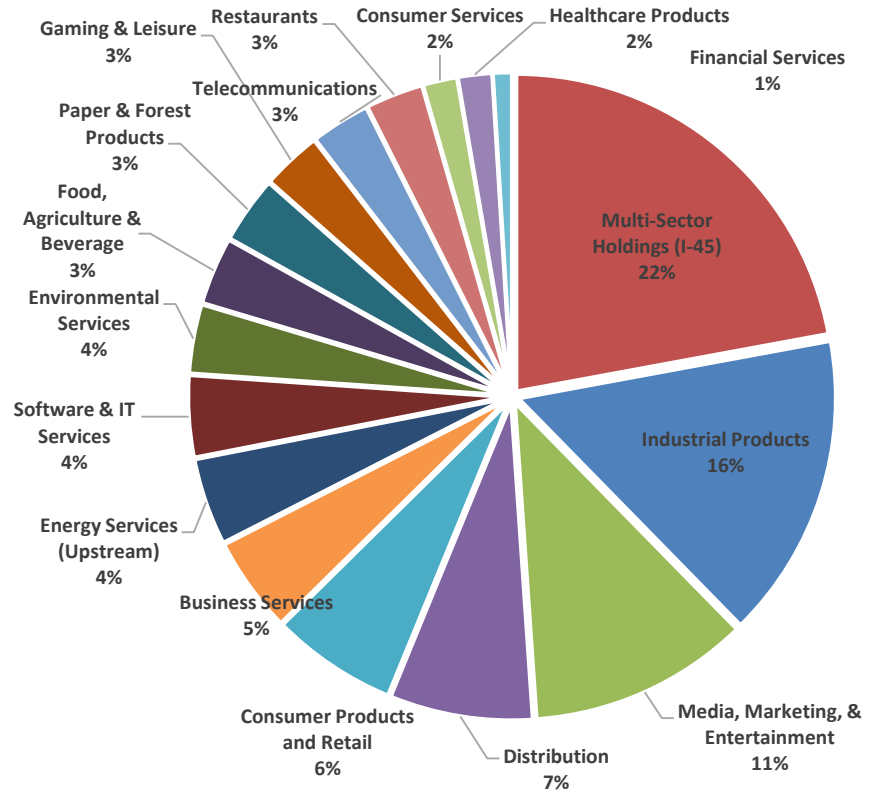
Portfolio Mix as of 3/31/17 at Fair Value

Current Portfolio of \$287 MM continues to be granular, diverse, and focused on income generating securities

Current Investment Portfolio (By Type)



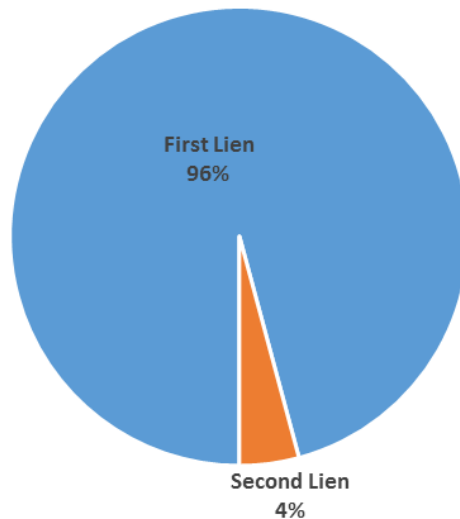
Current Investment Portfolio (By Industry)



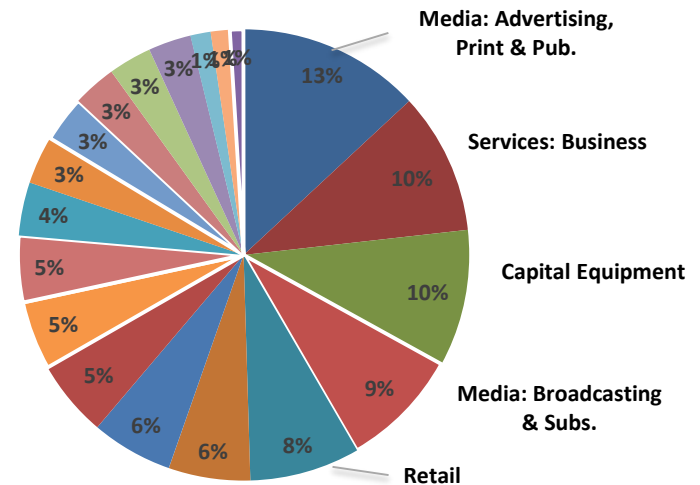
I-45 Portfolio Overview

I-45 portfolio assets grew to \$200 MM while investment size shrunk to 2.3%

Current I-45 Portfolio (By Type)



Current I-45 Portfolio (By Industry)



I-45 Portfolio Statistics				
	<u>6/30/2016</u>	<u>9/30/2016</u>	<u>12/31/2016</u>	<u>3/31/2017</u>
Total Debt Investments at Fair Value	\$134,470	\$172,519	\$186,643	\$200,243
Number of Issuers	31	36	41	43
Wtd. Avg. Issuer EBITDA	\$83,004	\$100,144	\$88,970	\$81,417
Avg. Investment Size as a % of Portfolio	3.23%	2.78%	2.44%	2.33%
Wtd. Avg. Net Leverage on Investments ⁽¹⁾	3.4x	3.3x	3.2x	3.0x
Wtd. Avg. Yield to Maturity	8.36%	8.36%	8.21%	8.43%
Wtd. Avg. Duration (Yrs)	4.2	4.4	4.4	4.3

(1) Through I-45 Security

Balance Sheet

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 6/30/2016	Quarter Ended 9/30/2016	Quarter Ended 12/31/2016	Quarter Ended 3/31/2017
Assets				
Portfolio Investments	\$175,915	\$238,319	\$267,131	\$286,880
Cash & Cash Equivalents	\$96,957	\$57,840	\$32,671	\$22,386
Deferred Tax Asset	\$1,874	\$1,940	\$1,940	\$2,017
Other Assets	\$6,110	\$9,176	\$10,592	\$14,469
Total Assets	\$280,856	\$307,275	\$312,334	\$325,752
Liabilities				
Credit Facility	\$0	\$0	\$15,000	\$25,000
Payable for Unsettled Transaction	\$0	\$19,361	\$0	\$0
Other Liabilities	\$7,572	\$8,985	\$11,890	\$15,680
Total Liabilities	\$7,572	\$28,346	\$26,890	\$40,680
Shareholders Equity				
Net Asset Value	\$273,284	\$278,929	\$285,444	\$285,072
NAV per Share	\$17.39	\$17.74	\$17.88	\$17.80
Debt to Equity	0.0x	0.0x	0.1x	0.1x
Shares Outstanding at Period End	15,718	15,727	15,965	16,011

Income Statement

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 6/30/16	Quarter Ended 9/30/16	Quarter Ended 12/31/16	Quarter Ended 3/31/17
Investment Income				
Interest Income	\$2,292	\$2,630	\$3,611	\$4,049
Dividend Income	\$1,769	\$1,995	\$3,078	\$3,002
Fees and Other Income	\$96	\$101	\$176	\$675
Total Investment Income	\$4,157	\$4,726	\$6,865	\$7,726
Expenses				
Cash Compensation	\$1,484	\$1,404	\$1,476	\$1,704
Share Based Compensation	\$239	\$255	\$321	\$382
General & Administrative	\$1,344	\$1,015	\$1,144	\$1,360
Spin-off Related Expenses	\$172	\$172	\$172	\$172
Total Expenses (excluding Interest)	\$3,239	\$2,846	\$3,113	\$3,618
Interest Expense	\$0	\$103	\$343	\$543
Pre-Tax Net Investment Income	\$918	\$1,777	\$3,409	\$3,565
Taxes and Gain / (Loss)				
Income Tax Benefit (Expense)	(\$547)	(\$412)	(\$536)	(\$284)
Net realized gain (loss) on investments	\$199	\$3,527	\$72	\$4,098
Net increase (decrease) in unrealized appreciation of investments	\$2,127	\$2,026	\$4,940	(\$1,402)
Net increase (decrease) in net assets resulting from operations	\$2,697	\$6,918	\$7,885	\$5,977
Weighted Average Shares Outstanding	15,791	15,806	15,932	16,044
Pre-Tax Net Investment Income Per Weighted Average Share	\$0.06	\$0.11	\$0.21	\$0.22
Dividends Per Share ⁽¹⁾	\$0.06	\$0.11	\$0.17	\$0.45

(1) The quarter ending 3/31/17 includes a Quarterly Dividend of \$0.19 per Share and a Special Dividend of \$0.26 per Share.

Financial Highlights

	Quarter Ended 6/30/2016	Quarter Ended 9/30/2016	Quarter Ended 12/31/2016	Quarter Ended 3/31/2017
Financial Highlights				
Pre-Tax Net Investment Income Per Wtd Avg Diluted Share	\$0.06	\$0.11	\$0.21	\$0.22
Pre-Tax Net Investment Income Return on Equity (ROE)	1.34%	2.54%	4.79%	4.99%
Realized Earnings Per Wtd Avg Diluted Share	\$0.04	\$0.31	\$0.18	\$0.46
Realized Earnings ROE	0.83%	6.98%	4.14%	10.33%
Earnings Per Wtd Avg Diluted Share	\$0.17	\$0.44	\$0.49	\$0.37
Earnings Return on Equity (ROE)	3.93%	9.87%	11.07%	8.37%
Dividends Per Share ⁽¹⁾	\$0.06	\$0.11	\$0.17	\$0.45
NAV Per Share	\$17.39	\$17.74	\$17.88	\$17.80
Cash & Cash Equivalents	\$96,957	\$57,840	\$32,671	\$22,386
Debt to Equity	0.0x	0.0x	0.1x	0.1x

(1) The quarter ending 3/31/17 includes a Quarterly Dividend of \$0.19 per Share and a Special Dividend of \$0.26 per Share.

Investment Income Detail

Constructing a portfolio of investments with recurring cash yield

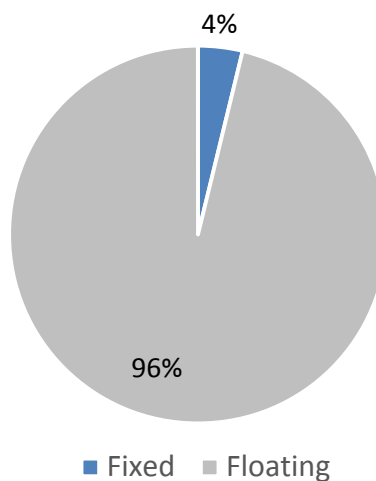
<i>(In Thousands)</i>	Quarter Ended 6/30/2016	Quarter Ended 9/30/16	Quarter Ended 12/31/16	Quarter Ended 3/31/17
Investment Income Breakdown				
Cash Interest	\$2,216	\$2,535	\$3,490	\$3,913
Cash Dividends	\$1,769	\$1,995	\$3,078	\$3,002
PIK Income	\$0	\$0	\$0	\$63
Amortization of purchase discounts and fees	\$76	\$100	\$120	\$136
Management/Admin Fees	\$95	\$95	\$105	\$115
Other Income & Fees	\$1	\$1	\$73	\$497
Total Investment Income	\$4,157	\$4,726	\$6,865	\$7,726
Key Metrics				
Cash Income as a % of Investment Income	98%	98%	98%	97%
% of Total Investment Income that is Recurring ⁽¹⁾	97%	97%	90%	90%

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

Interest Rate Sensitivity

Debt Portfolio Exposure at 3/31/17 Well-Positioned for Changes to Base Interest Rates

Fixed vs. Floating Portfolio Composition (1)



Change in Base Interest Rates	Illustrative NII Change (\$'s)	Illustrative NII Change (Per Share)
(50bps)	\$120,298	\$0.01
50 bps	\$903,421	\$0.06
100bps	\$1,872,378	\$0.12
150bps	\$2,841,335	\$0.18
200bps	\$3,810,292	\$0.24

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

Note: Illustrative change in NII is based on a projection of CSWC's existing debt investments as of 3/31/17, adjusted only for changes in Base Rates. The results of this analysis include the I-45 Senior Loan Fund, which is comprised of 100% floating rate assets and liabilities.

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

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Senior Management

Bowen S. Diehl
President & Chief Executive Officer

Michael S. Sarnier
Chief Financial Officer, Secretary & Treasurer

Investor Relations

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Capital Southwest
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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
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