



*Capital Southwest Corporation*

## *Q2 2022 Earnings Presentation*

November 2, 2021

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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 strategies and investments of Capital Southwest, and future market demand. Any statements that are not statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, preceded by, followed by, or include words such as "believe," "expect," "intend," "plan," "should" or similar words, phrases or expressions or the negative thereof. These statements are made on the basis of the current beliefs, expectations and assumptions of the management of Capital Southwest and speak only as of the date of this presentation. There are a number of risks and uncertainties that could cause Capital Southwest's actual results to differ materially from the forward-looking statements included in this presentation.
- These risks include risks related to: 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; our ability to operate our wholly owned subsidiary, Capital Southwest SBIC I, LP, as a small business investment company ("SBIC"); and uncertainties associated with the continued 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 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, 2021 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. 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”)
- Internally Managed BDC with RIC tax treatment for U.S. federal income tax purposes
- September 2015: completed tax free spin off of CSW Industrials (“Spin Off”) (NASDAQ: “CSWI”)
- April 2021: received SBIC license from the U.S. Small Business Administration
- 24 employees based in Dallas, Texas
- Total Balance Sheet Assets of \$867 MM as of September 30, 2021
- Manage I-45 Senior Loan Fund (“I-45 SLF”) in partnership with Main Street Capital (NYSE: “MAIN”)

# Q2 2022 Highlights

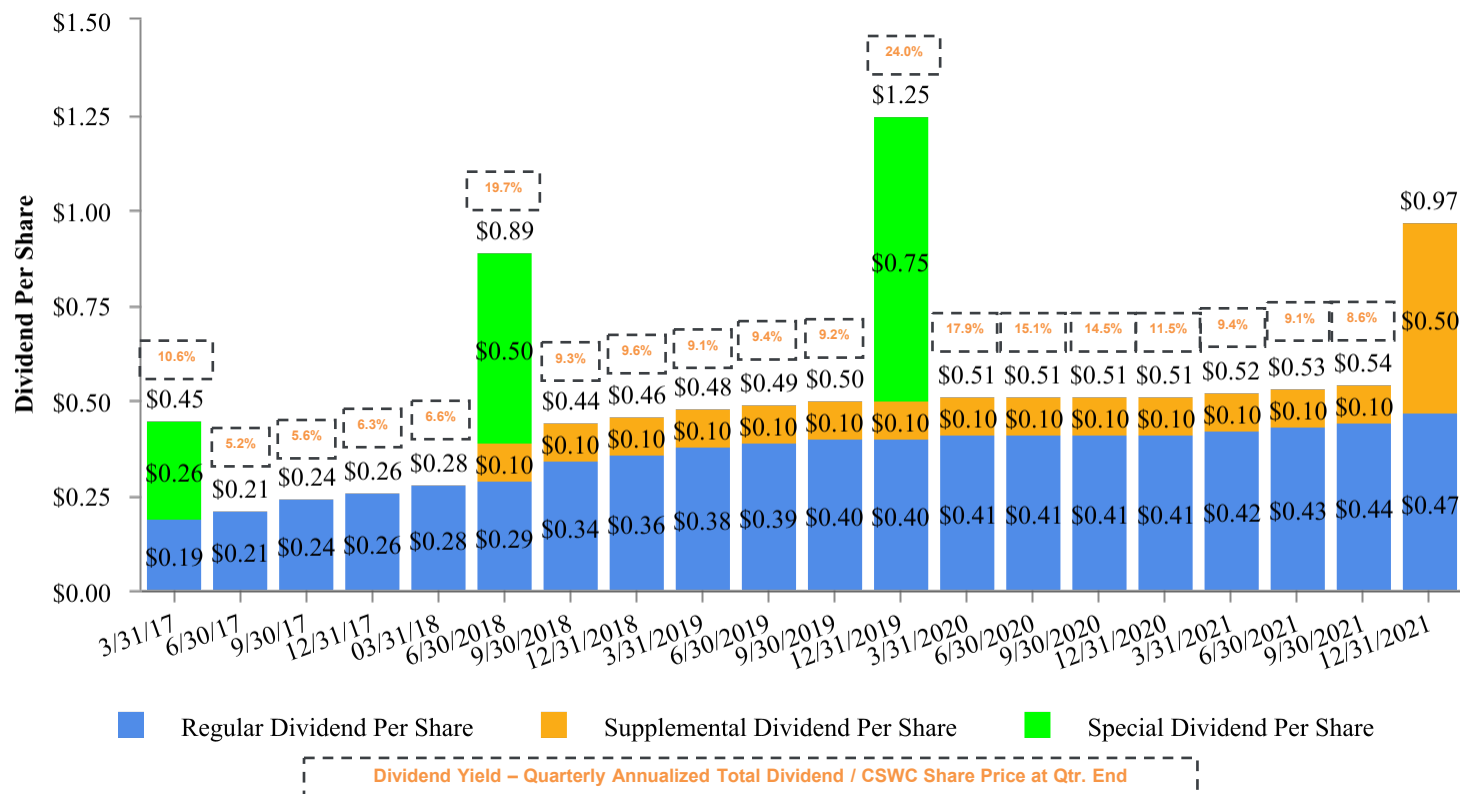
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## Financial Highlights

- Q2 2022 Pre-Tax Net Investment Income (“NII”) of \$10.0 MM or \$0.45 per share
- Paid \$0.44 per share Regular Dividend and \$0.10 per share Supplemental Dividend for the quarter ended September 30, 2021
  - Increased Regular Dividend to \$0.47 per share and declared \$0.50 per share Supplemental Dividend for the quarter ending December 31, 2021
- Investment Portfolio at Fair Value increased to \$818 MM from \$799 MM in prior quarter
  - \$112.9 MM in total new committed investments, of which \$77.2 MM was funded at close
  - \$60.9 MM in total proceeds from six debt prepayments and two equity exits
  - \$2.8 MM net realized and unrealized appreciation on the portfolio
- Completed amendment to our Credit Facility, extending maturity to August 2026 and decreasing interest rate to LIBOR + 2.15% from LIBOR + 2.50%
- Issued \$100 MM in aggregate principal of 3.375% Notes due October (“October 2026 Notes”)
  - 5.375% Notes due 2024 (“October 2024 Notes”) paid off in full (\$125 MM aggregate principal) in conjunction with issuance of October 2026 Notes
- Raised \$30.3 MM in gross proceeds through Equity ATM Program during the quarter
  - Sold shares at weighted-average price of \$26.59 per share, or 160% of the prevailing NAV per share
- \$116.7 MM available on Credit Facility, \$22.5 MM available on SBA leverage commitment to SBIC I, and \$26.8 MM in cash and cash equivalents as of quarter end

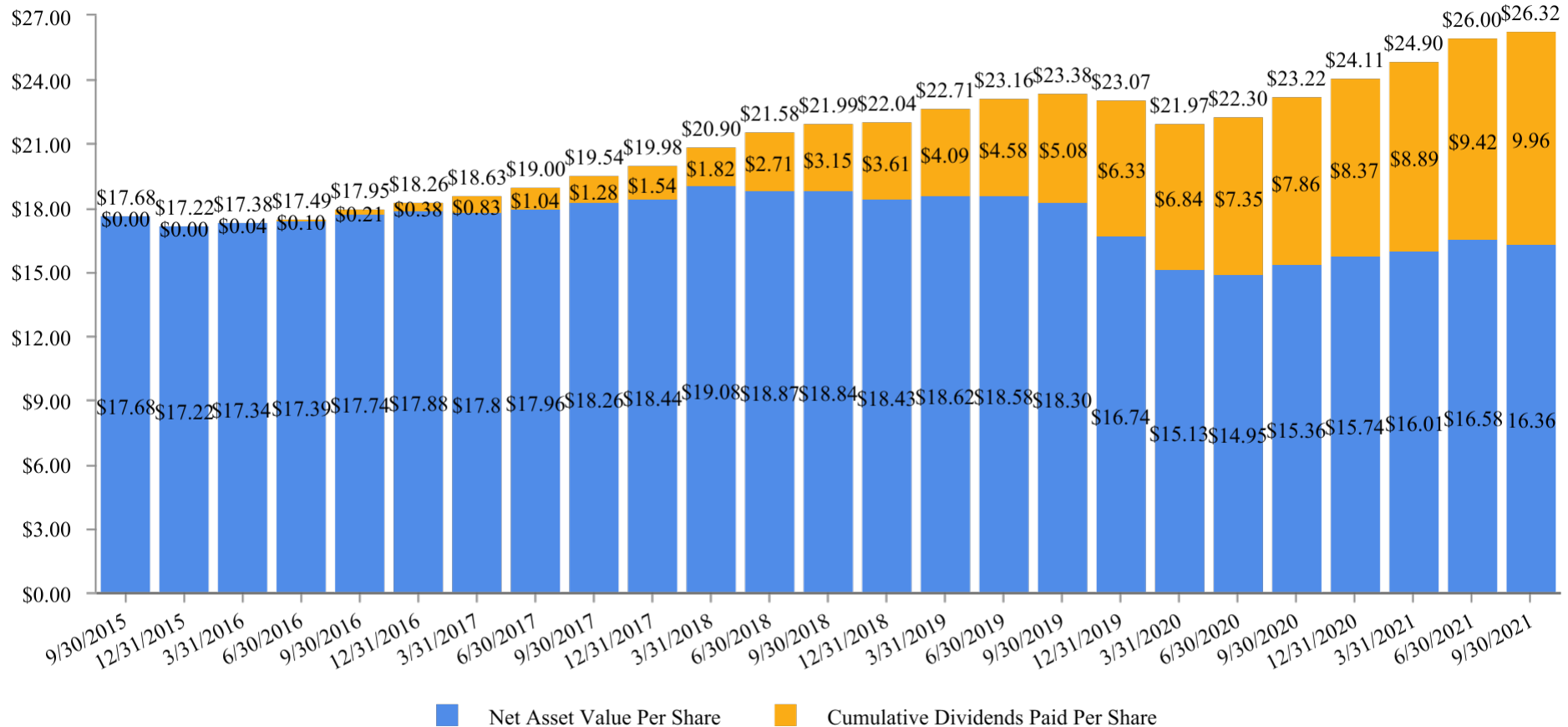
# Track Record of Consistent Dividends Continues

- In the last twelve months ended 9/30/2021, CSWC generated \$1.85 per share in Pre-Tax NII and paid out \$1.70 per share in regular dividends
- Cumulative Pre-Tax NII Regular Dividend Coverage of 107% since the 2015 Spin-Off
- Total Special and Supplemental Dividends of \$3.41 per share since the 2015 Spin-Off
- Undistributed Taxable Income ("UTI") of \$0.69 per share as of September 30, 2021



# History of Value Creation

**Total Value (Net Asset Value + Cumulative Dividends Paid) Increase of \$8.64 per share at 9/30/2021 from 9/30/2015 Spin-off of CSWI**





# Investment Strategy

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

- Companies with EBITDA between \$3 MM and \$20 MM
- Typical leverage of 2.0x – 4.0x Debt to EBITDA through CSWC debt position
- Commitment size up to \$30 MM with hold sizes generally \$10 MM to \$25 MM
- Both Sponsored and Non-sponsored deals
- Securities include first lien, unitranche, and second lien
- Frequently make equity co-investments alongside CSWC debt

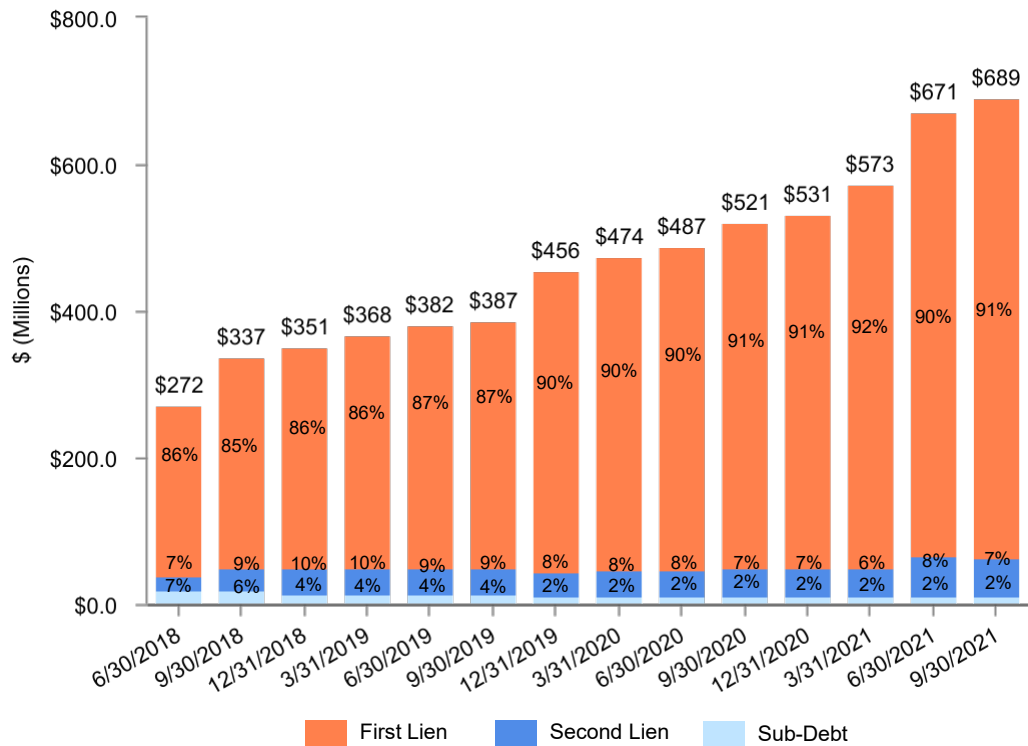
## **OPPORTUNISTIC: Upper Middle Market (“UMM”): Syndicated or Club, First and Second Lien**

- Companies typically have in excess of \$20 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 First Lien Investments

91% of Credit Portfolio as of 9/30/2021 in first lien senior secured loans

## Credit Portfolio Heavily Weighted to First Lien



# Q2 2022 Originations

**\$112.9 MM in total new committed investments to six new portfolio companies and four existing portfolio companies**

- \$77.2 MM funded at close

| Portfolio Originations                      |                              | Q2 2022                  |                                     |                                       |  |              |                        |  |
|---|------------------------------|--------------------------|-------------------------------------|---------------------------------------|--|--------------|------------------------|--|
| Name  | Industry                     | Type                     | Total Debt Funded at Close (\$000s) | Total Equity Funded at Close (\$000s) | Unfunded Commitments at Close (\$000s) | Debt Spread  | Debt Yield to Maturity |  |
| Roof Opco, LLC                              | Consumer services            | First Lien               | \$11,000                            | \$—                                   | \$15,278                               | 6.00%        | 7.50%                  |  |
| Muenster Milling Company, LLC               | Food, agriculture & beverage | First Lien               | \$12,000                            | \$—                                   | \$11,000                               | 7.25%        | 9.15%                  |  |
| Well Foam, Inc.                             | Energy services (upstream)   | First Lien               | \$18,000                            | \$—                                   | \$3,500                                | 8.50%        | 10.40%                 |  |
| Systec Corporation (DBA Inspire Automation) | Business services            | First Lien               | \$9,000                             | \$—                                   | \$5,000                                | 7.50%        | 9.42%                  |  |
| Wall Street Prep, Inc                       | Education                    | First Lien               | \$11,000                            | \$1,000                               | \$1,000                                | 7.00%        | 8.88%                  |  |
| LLFlex, LLC                                 | Containers & packaging       | First Lien               | \$11,000                            | \$—                                   | \$—                                    | 9.00%        | 11.05%                 |  |
| USA Debusk, LLC                             | Industrial services          | First Lien               | \$3,793                             | \$—                                   | \$—                                    | 5.75%        | 7.78%                  |  |
| Dynamic Communities, LLC                    | Business services            | Senior Subordinated Debt | \$149                               | \$—                                   | \$—                                    | 25.00%       | 25.00%                 |  |
| Broad Sky Networks, LLC                     | Telecommunications           | Equity                   | \$—                                 | \$132                                 | \$—                                    | N/A          | N/A                    |  |
| Central Medical Supply LLC                  | Healthcare services          | Equity                   | \$—                                 | \$101                                 | \$—                                    | N/A          | N/A                    |  |
| <b>Total / Weighted Average</b>             |                              |                          | <b>\$75,942</b>                     | <b>\$1,233</b>                        | <b>\$35,778 <sup>(1)</sup></b>         | <b>7.57%</b> | <b>9.44%</b>           |  |

(1) Unfunded Commitments consist of \$14.6 MM in revolving loans and \$21.2 in delayed draw term loans

# Track Record of CSWC Exits Continues

## \$60.9 MM in total proceeds from six portfolio company exits

- During the quarter, CSWC exited six debt investments and two equity investments, generating total proceeds of \$60.9 MM and an IRR of 17.5%
- Cumulative IRR of 15.2% on 45 portfolio company exits generating \$461.6 MM in proceeds since launch of credit strategy in January 2015

| Portfolio Exits                         |                                  | Q2 2022             |                       |                        |               |  |
|---|----------------------------------|---------------------|-----------------------|------------------------|---------------|--|
| Name                                    | Industry                         | Type                | Net Proceeds (\$000s) | Realized Gain (\$000s) | IRR           |  |
| Landpoint, LLC                          | Business Services                | First Lien          | \$18,510              | \$272                  | 13.00%        |  |
| Vistar Media Inc.                       | Media, marketing & entertainment | First Lien / Equity | \$12,833              | \$1,329                | 16.14%        |  |
| Electronic Transaction Consultants, LLC | Software & IT services           | First Lien / Equity | \$12,278              | \$1,471                | 30.60%        |  |
| Ian, Evan and Alexander (DBA EverWatch) | Aerospace & defense              | First Lien          | \$9,229               | \$186                  | 13.80%        |  |
| Driven, Inc.                            | Business Services                | First Lien          | \$5,760               | \$72                   | 13.47%        |  |
| California Pizza Kitchen, Inc.          | Restaurants                      | First Lien          | \$2,332               | \$17                   | 14.97%        |  |
| <b>Total / Weighted Average</b>         |                                  |                     | <b>\$60,942</b>       | <b>\$3,347</b>         | <b>17.45%</b> |  |

# CSWC Investment Portfolio Composition

*Maintaining conservative portfolio leverage while receiving attractive risk-adjusted returns*

| Investment Portfolio - Statistics Q2 2022               |                             |                             |
|---|-----------------------------|-----------------------------|
|   | 6/30/2021                   | 9/30/2021                   |
| (In Thousands)  | <b>Total CSWC Portfolio</b> | <b>Total CSWC Portfolio</b> |
| Number of Portfolio Companies                           | 61                          | 63                          |
| Total Cost  | \$730,286                   | \$749,521                   |
| Total Fair Value  | \$737,375                   | \$758,580                   |
| Average Hold Size (at Fair Value)                       | \$12,088                    | \$12,041                    |
| % First Lien Investments (at Fair Value)                | 82.2%                       | 82.4%                       |
| % Second Lien Investments (at Fair Value)               | 7.2%                        | 6.8%                        |
| % Subordinated Debt Investments (at Fair Value)         | 1.6%                        | 1.6%                        |
| % Equity (at Fair Value)                                | 9.0%                        | 9.1%                        |
| Wtd. Avg. Yield <sup>(2)</sup>                          | 10.0%                       | 9.7%                        |
| Wtd. Avg. EBITDA of Issuer (\$MM's) <sup>(3)</sup>      | \$17.1                      | \$17.4                      |
| Wtd. Avg. Leverage through CSWC Security <sup>(4)</sup> | 4.2x                        | 4.1x                        |

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

(1) At September 30, 2021 and June 30, 2021, we had equity ownership in approximately 49% and 51%, respectively, of our 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, 2021, including accretion of original issue discount but excluding fees payable upon repayment of the debt instruments. As of September 30, 2021, there were three investments on non-accrual status. As of June 30, 2021, there were two investments on non-accrual status. 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 does not 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, 2021, three portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful. For the quarter ended June 30, 2021, four portfolio companies are excluded from this calculation 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, but 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 investment cost 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, 2021, three portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful. For the quarter ended June 30, 2021, four portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful

# Credit Portfolio Investment Rating Migration

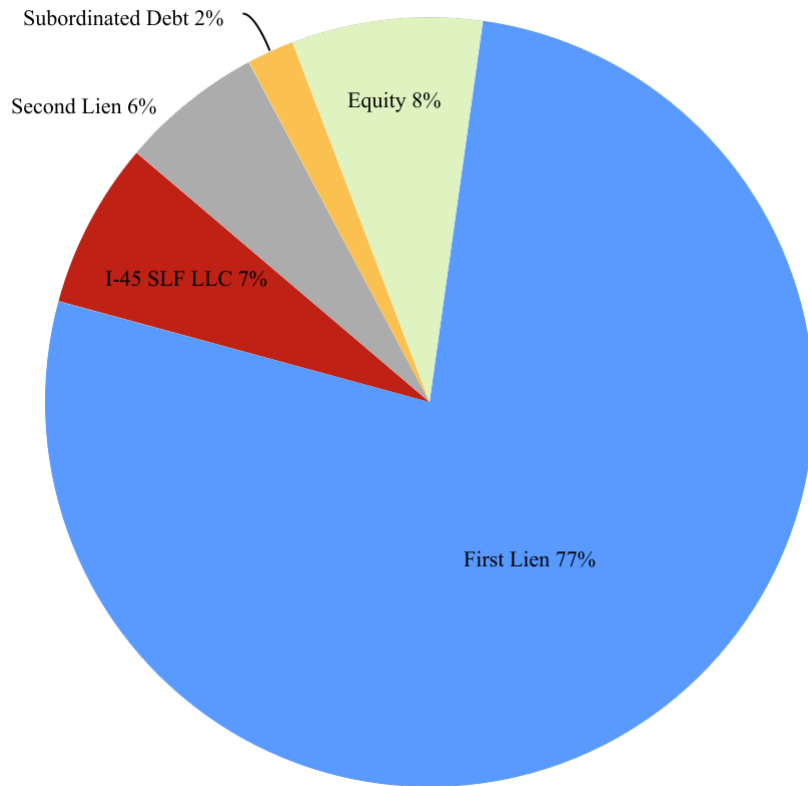
*Two loans upgraded and two loans downgraded during the quarter*

| Investment Rating                            | 6/30/2021   |                   |                     | Investment Rating Upgrades |                   |                     | Investment Rating Downgrades |                   |                     | 9/30/2021   |                   |                     |
|--|-------------|-------------------|---------------------|----------------------------|-------------------|---------------------|------------------------------|-------------------|---------------------|-------------|-------------------|---------------------|
|  | # 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) | % of Portfolio (FV) |
| 1  | 7           | \$90.7            | 13.5%               | 2                          | \$27.9            | 4.0%                | 0                            | \$0.0             | —%                  | 8           | \$112.5           | 15.8%               |
| 2  | 57          | \$528.0           | 78.7%               | 0                          | \$0.0             | —%                  | 0                            | \$0.0             | —%                  | 53          | \$515.8           | 73.7%               |
| 3  | 6           | \$52.5            | 7.8%                | 0                          | \$0.0             | —%                  | 1                            | \$10.6            | 1.5%                | 6           | \$58.9            | 9.7%                |
| 4  | 0           | \$0.0             | —%                  | 0                          | \$0.0             | —%                  | 1                            | \$2.3             | 0.3%                | 1           | \$2.3             | 0.8%                |
| <b>Wtd. Avg. Investment Rating (at Cost)</b> | <b>1.96</b> |                   |                     |                            |                   |                     |                              |                   |                     | <b>1.96</b> |                   |                     |

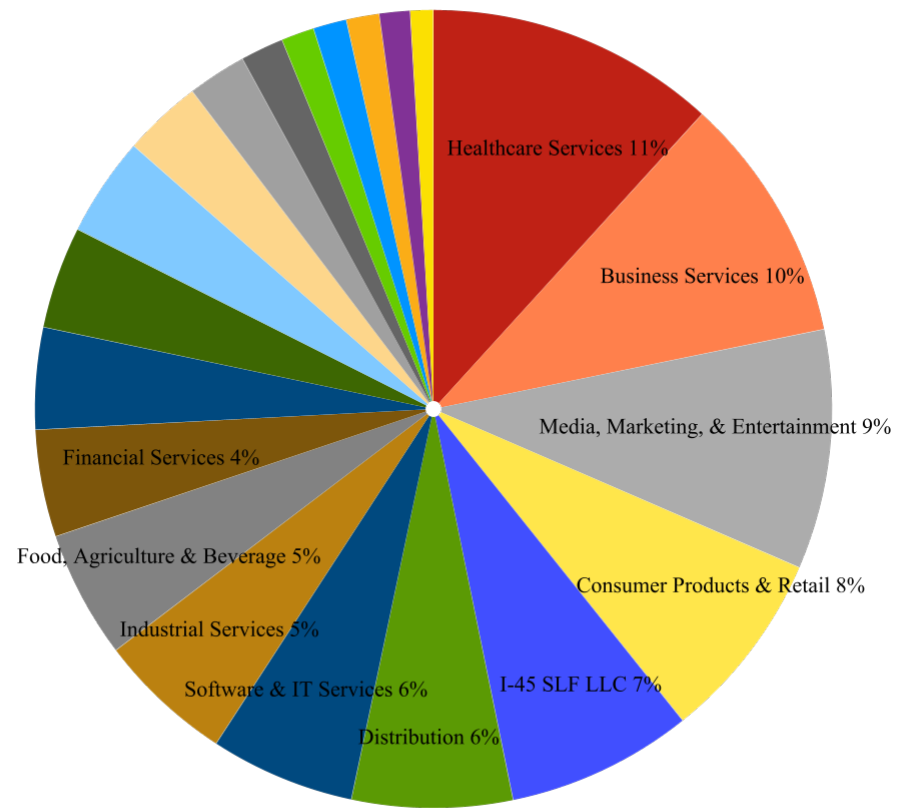
# CSWC Portfolio Mix as of 9/30/2021 at Fair Value

Current Investment Portfolio of \$818 MM continues to be diverse across industries

Current Investment Portfolio (By Type)



Current Investment Portfolio (By Industry)

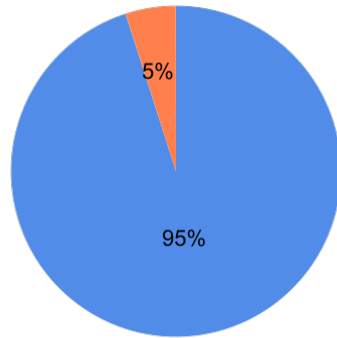


Note: I-45 SLF consists of 95% first lien senior secured debt

# I-45 Portfolio Overview

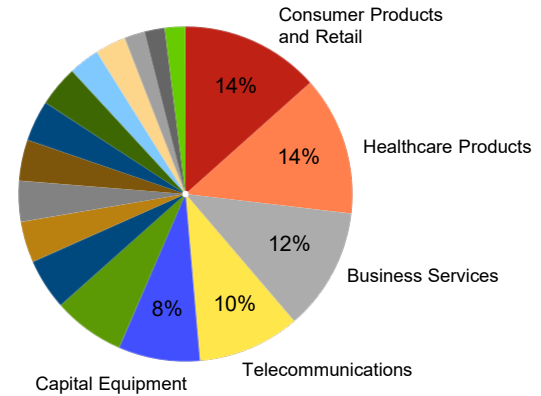
I-45 loan portfolio of \$169.0 MM is 95% first lien senior secured debt with average hold size of 2.6% of the I-45 portfolio

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



■ First Lien    ■ Non-First Lien

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



| <b>I-45 Portfolio Statistics</b>                     |                          |                         |                         |                         |
|--|--------------------------|-------------------------|-------------------------|-------------------------|
| <i>(In Thousands)</i>                                | <b><u>12/31/2020</u></b> | <b><u>3/31/2021</u></b> | <b><u>6/30/2021</u></b> | <b><u>9/30/2021</u></b> |
| Total Investments at Fair Value                      | \$159,598                | \$164,351               | \$169,610               | \$169,042               |
| Fund Leverage (Debt to Equity) at Fair Value         | 1.07x                    | 1.27x                   | 1.40x                   | 1.30x                   |
| Number of Issuers                                    | 38                       | 36                      | 38                      | 38                      |
| Wtd. Avg. Issuer EBITDA                              | \$73,384                 | \$77,649                | \$77,851                | \$75,025                |
| Avg. Investment Size as a % of Portfolio             | 2.6%                     | 2.8%                    | 2.6%                    | 2.6%                    |
| Wtd. Avg. Net Leverage on Investments <sup>(1)</sup> | 4.7x                     | 4.4x                    | 4.8x                    | 4.7x                    |
| Wtd. Avg. Spread to LIBOR                            | 6.1%                     | 6.0%                    | 6.0%                    | 5.9%                    |
| Wtd. Avg. Duration (Yrs)                             | 3.1                      | 3.0                     | 3.0                     | 3.7                     |

(1) Through I-45 security

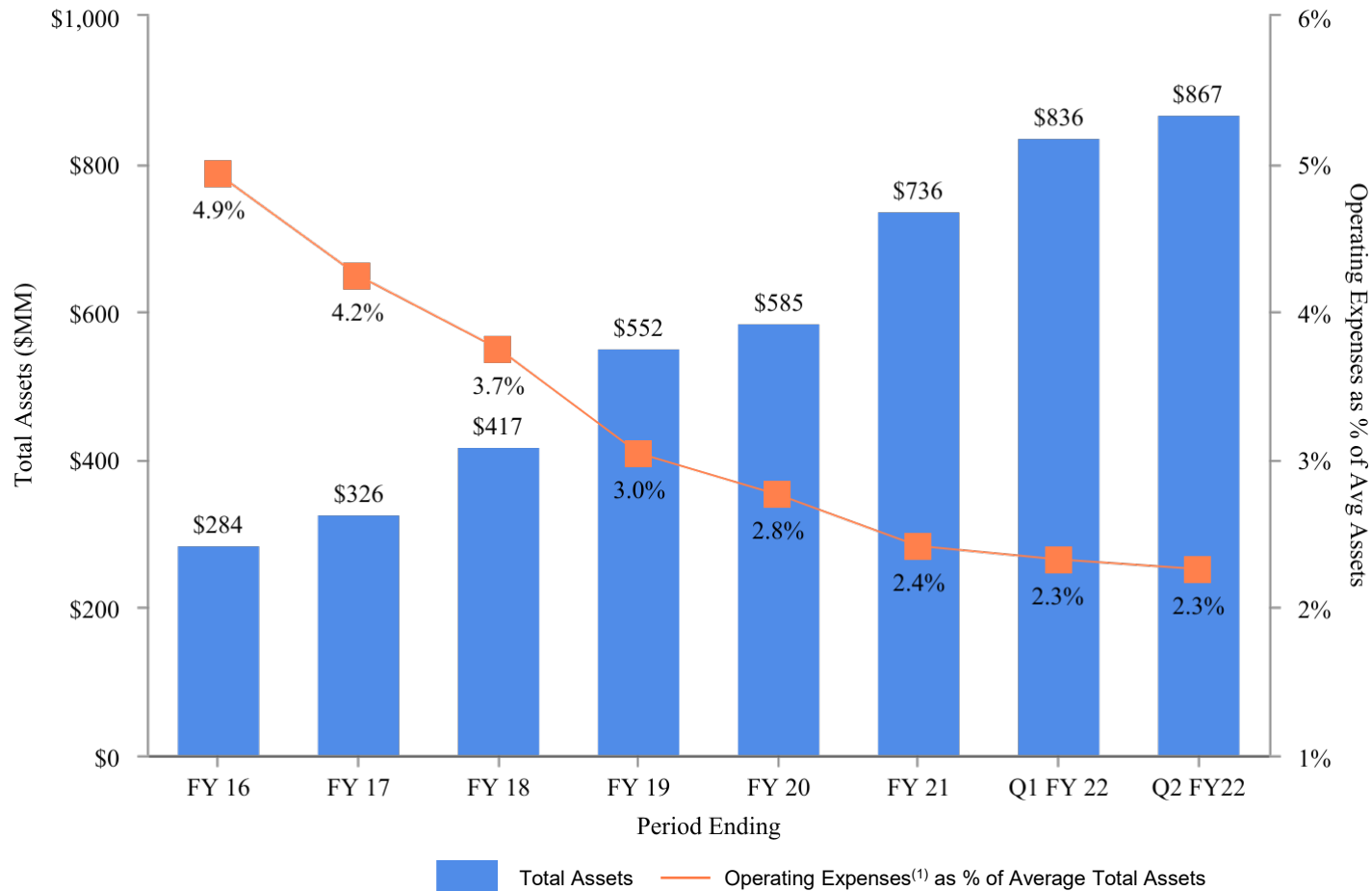


# Income Statement

| <i>(In Thousands, except per share amounts)</i>                        | Quarter Ended<br>12/31/20 | Quarter Ended<br>3/31/21 | Quarter Ended<br>6/30/21 | Quarter Ended<br>9/30/21 |
|--|---------------------------|--------------------------|--------------------------|--------------------------|
| <b>Investment Income</b>   |                           |                          |                          |                          |
| Interest Income  | \$13,079                  | \$12,282                 | \$14,626                 | \$16,100                 |
| PIK Interest Income  | 1,608                     | 2,796                    | 975                      | 879                      |
| Dividend Income  | 2,916                     | 1,661                    | 2,657                    | 2,070                    |
| Fees and Other Income  | 1,437                     | 434                      | 321                      | 1,247                    |
| <b>Total Investment Income</b>   | <b>\$19,040</b>           | <b>\$17,173</b>          | <b>\$18,579</b>          | <b>\$20,296</b>          |
| <b>Expenses</b>  |                           |                          |                          |                          |
| Cash Compensation  | \$2,444                   | \$1,631                  | \$1,432                  | \$2,298                  |
| Share Based Compensation   | 771                       | 708                      | 1,076                    | 923                      |
| General & Administrative   | 1,325                     | 1,278                    | 1,677                    | 1,630                    |
| <b>Total Expenses (excluding Interest)</b>                             | <b>\$4,540</b>            | <b>\$3,617</b>           | <b>\$4,185</b>           | <b>\$4,851</b>           |
| Interest Expense   | \$4,528                   | \$4,688                  | \$4,955                  | \$5,405                  |
| <b>Pre-Tax Net Investment Income</b>                                   | <b>\$9,972</b>            | <b>\$8,868</b>           | <b>\$9,439</b>           | <b>\$10,040</b>          |
| <b>Gains / Losses and Taxes</b>  |                           |                          |                          |                          |
| Net Realized and Unrealized Gains on Investments                       | \$7,144                   | \$2,660                  | \$6,099                  | \$2,805                  |
| Realized Losses on Extinguishment of Debt                              | (262)                     | (459)                    | —                        | (17,087)                 |
| Income Tax Expense   | (1,455)                   | (852)                    | (396)                    | (314)                    |
| <b>Net increase (decrease) in Net Assets Resulting from Operations</b> | <b>\$15,399</b>           | <b>\$10,217</b>          | <b>\$15,142</b>          | <b>\$(4,556)</b>         |
| Weighted Average Diluted Shares Outstanding                            | 19,135                    | 20,376                   | 21,202                   | 22,534                   |
| <b>Pre-Tax NII Per Diluted Weighted Average Share</b>                  | <b>\$0.52</b>             | <b>\$0.44</b>            | <b>\$0.45</b>            | <b>\$0.45</b>            |

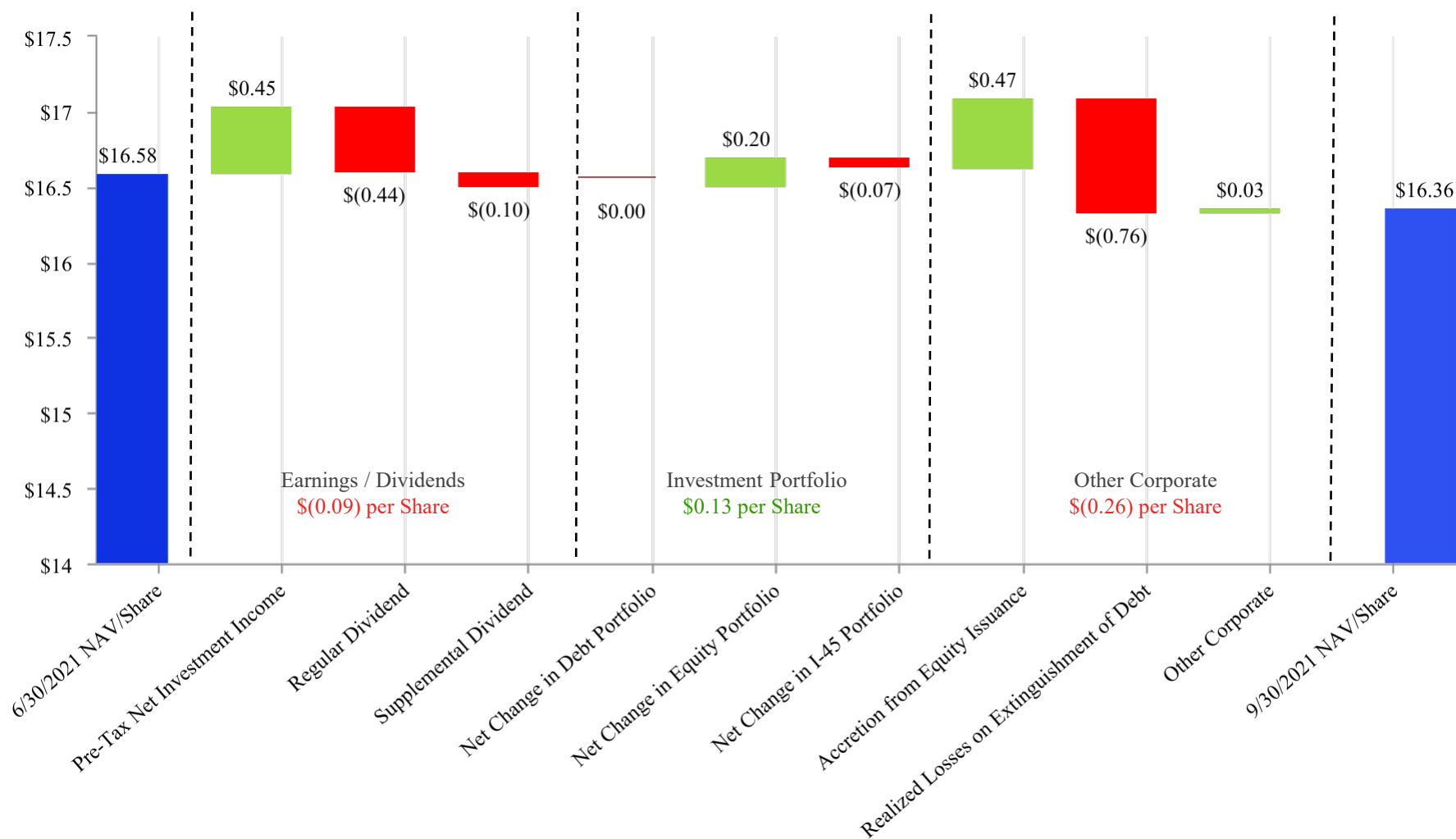
# Operating Leverage Trend

Continue to realize operating efficiencies of internally managed structure



Note: Operating Leverage calculated as last twelve months operating expenses (excluding interest expense) divided by average annual assets  
 (1) Operating expenses exclude interest expense

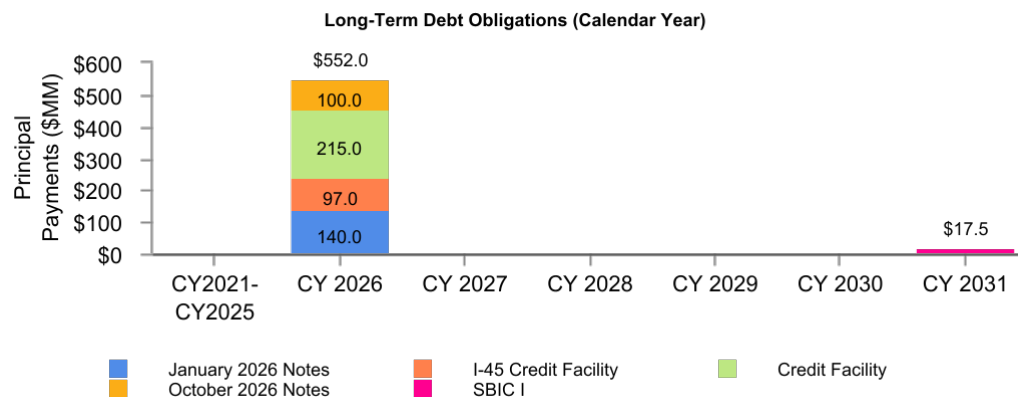
# NAV per Share Bridge from Quarter Ended 6/30/2021



# Significant Unused Debt Capacity with Long-Term Duration

## Earliest debt maturity occurs in January 2026

| Facility                            | Total Commitments | Interest Rate        | Maturity                      | Principal Drawn | Undrawn Commitment        |
|-------------------------------------|-------------------|----------------------|-------------------------------|-----------------|---------------------------|
| January 2026 Notes <sup>(1)</sup>   | \$140.0 MM        | 4.50%                | January 2026                  | \$140.0 MM      | N/A                       |
| I-45 Credit Facility <sup>(2)</sup> | \$150.0 MM        | L + 2.15%            | March 2026                    | \$97.0 MM       | \$53.0 MM                 |
| Credit Facility <sup>(3)</sup>      | \$335.0 MM        | L + 2.15%            | August 2026                   | \$215.0 MM      | \$116.7 MM <sup>(4)</sup> |
| October 2026 Notes <sup>(5)</sup>   | \$100.0 MM        | 3.375%               | October 2026                  | \$100.0 MM      | N/A                       |
| SBA Debentures                      | \$40.0 MM         | 0.85% <sup>(6)</sup> | September 2031 <sup>(7)</sup> | \$17.5 MM       | \$22.5 MM <sup>(8)</sup>  |



(1) Redeemable in whole or in part at any time prior to October 31, 2025, at par plus a "make whole" premium, and thereafter at par

(2) CSWC owns 80% of the equity and 50% of the voting rights of I-45 SLF LLC with a joint venture partner

(3) The Credit Facility has an accordion feature that allows for an increase in total commitments up to \$400 MM

(4) Net of \$3.3 MM in letters of credit outstanding

(5) Redeemable in whole or in part at any time prior to July 1, 2026, at par plus a "make whole" premium, and thereafter at par

(6) Weighted average interest rate of all pooled and non-pooled SBA Debentures for the three months ended September 30, 2021

(7) First pooled SBA Debentures mature on September 1, 2031

(8) Current statutes and regulations permit SBIC I to borrow up to \$175 million in SBA Debentures with at least \$87.5 million in regulatory capital, subject to SBA approval

# Balance Sheet

| <i>(In Thousands, except per share amounts)</i> | Quarter Ended<br>12/31/20 | Quarter Ended<br>3/31/21 | Quarter Ended<br>6/30/21 | Quarter Ended<br>9/30/21 |
|---|---------------------------|--------------------------|--------------------------|--------------------------|
| <b>Assets</b>                                   |                           |                          |                          |                          |
| Portfolio Investments                           | \$648,773                 | \$688,432                | \$798,647                | \$818,218                |
| Cash & Cash Equivalents                         | 43,724                    | 31,613                   | 16,543                   | 26,840                   |
| Other Assets                                    | 16,337                    | 15,539                   | 20,858                   | 21,764                   |
| <b>Total Assets</b>                             | <b>\$708,834</b>          | <b>\$735,584</b>         | <b>\$836,048</b>         | <b>\$866,822</b>         |
| <b>Liabilities</b>                              |                           |                          |                          |                          |
| SBA Debentures                                  | \$—                       | \$—                      | \$—                      | \$16,709                 |
| December 2022 Notes                             | 36,689                    | —                        | —                        | —                        |
| October 2024 Notes                              | 122,775                   | 122,879                  | 123,041                  | —                        |
| January 2026 Notes                              | 73,410                    | 138,425                  | 138,504                  | 138,545                  |
| October 2026 Notes                              | —                         | —                        | —                        | 97,264                   |
| Credit Facility                                 | 150,000                   | 120,000                  | 190,000                  | 215,000                  |
| Other Liabilities                               | 13,310                    | 18,029                   | 16,408                   | 17,359                   |
| <b>Total Liabilities</b>                        | <b>\$396,184</b>          | <b>\$399,333</b>         | <b>\$467,953</b>         | <b>\$484,877</b>         |
| <b>Shareholders Equity</b>                      |                           |                          |                          |                          |
| <b>Net Asset Value</b>                          | <b>\$312,650</b>          | <b>\$336,251</b>         | <b>\$368,095</b>         | <b>\$381,945</b>         |
| <b>Net Asset Value per Share</b>                | <b>\$15.74</b>            | <b>\$16.01</b>           | <b>\$16.58</b>           | <b>\$16.36</b>           |
| <b>Regulatory Debt to Equity</b>                | <b>1.22x</b>              | <b>1.13x</b>             | <b>1.23x</b>             | <b>1.18x</b>             |

# Portfolio Statistics

*Continuing to build a well performing credit portfolio*

| <i>(In Thousands)</i>                                    | Quarter Ended<br>12/31/20 | Quarter Ended<br>3/31/21 | Quarter Ended<br>6/30/21 | Quarter Ended<br>9/30/21 |
|--|---------------------------|--------------------------|--------------------------|--------------------------|
| <b>Portfolio Statistics</b>                              |                           |                          |                          |                          |
| Fair Value of Debt Investments                           | \$531,103                 | \$572,614                | \$671,257                | \$689,421                |
| Average Debt Investment Hold Size                        | \$11,300                  | \$11,228                 | \$11,377                 | \$11,490                 |
| Fair Value of Debt Investments as a % of Par             | 96%                       | 97%                      | 97%                      | 97%                      |
| % of Investment Portfolio on Non-Accrual (at Fair Value) | 0.1%                      | 0.0%                     | 1.8%                     | 3.0%                     |
| Weighted Average Investment Rating <sup>(1)</sup>        | 2.01                      | 2.00                     | 1.96                     | 1.96                     |
| Weighted Average Yield on Debt Investments               | 10.64%                    | 10.76%                   | 10.04%                   | 9.66%                    |
| Total Fair Value of Portfolio Investments                | \$648,773                 | \$688,432                | \$798,647                | \$818,218                |
| Weighted Average Yield on all Portfolio Investments      | 11.20%                    | 10.22%                   | 10.12%                   | 9.60%                    |
| Investment Mix (Debt vs. Equity) <sup>(2)(3)</sup>       | 91% / 9%                  | 92% / 8%                 | 91% / 9%                 | 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>12/31/20 | Quarter Ended<br>3/31/21 | Quarter Ended<br>6/30/21 | Quarter Ended<br>9/30/21 |
|--|---------------------------|--------------------------|--------------------------|--------------------------|
| <b>Investment Income Breakdown</b>             |                           |                          |                          |                          |
| Cash Interest                                  | \$12,413                  | \$11,668                 | \$13,939                 | \$15,370                 |
| Cash Dividends                                 | 2,916                     | 1,660                    | 2,657                    | 2,069                    |
| PIK Income                                     | 1,608                     | 2,796                    | 975                      | 879                      |
| Amortization of purchase discounts and fees    | 667                       | 616                      | 688                      | 731                      |
| Management/Admin Fees                          | 199                       | 234                      | 227                      | 327                      |
| Prepayment Fees & Other Income                 | 1,237                     | 199                      | 93                       | 920                      |
| <b>Total Investment Income</b>                 | <b>\$19,040</b>           | <b>\$17,173</b>          | <b>\$18,579</b>          | <b>\$20,296</b>          |
| <b>Key Metrics</b>                             |                           |                          |                          |                          |
| Cash Income as a % of Investment Income        | 88%                       | 80%                      | 91%                      | 92%                      |
| % of Total Investment Income that is Recurring | 92%                       | 99%                      | 96%                      | 95%                      |

# Key Financial Metrics

**Strong Pre-Tax Net Investment Income and Dividend Yield driven by net portfolio growth and investment performance**

|   | Quarter Ended<br>12/31/20 | Quarter Ended<br>3/31/21 | Quarter Ended<br>6/30/21 | Quarter Ended<br>9/30/21 |
|---|---------------------------|--------------------------|--------------------------|--------------------------|
| <b>Key Financial Metrics</b>  |                           |                          |                          |                          |
| Pre-Tax Net Investment Income Per Wtd Avg Diluted Share             | \$0.52                    | \$0.44                   | \$0.45                   | \$0.45                   |
| Pre-Tax Net Investment Income Return on Equity (ROE) <sup>(1)</sup> | 13.57%                    | 11.06%                   | 11.12%                   | 10.75%                   |
| Realized Earnings Per Wtd Avg Diluted Share                         | \$0.42                    | \$0.29                   | \$0.38                   | \$(0.17)                 |
| Realized Earnings Return on Equity (ROE) <sup>(1)(2)</sup>          | 11.06%                    | 7.45%                    | 9.53%                    | (4.14)%                  |
| Earnings Per Wtd Avg Diluted Share                                  | \$0.80                    | \$0.50                   | \$0.71                   | \$(0.20)                 |
| Earnings Return on Equity (ROE) <sup>(1)(2)</sup>                   | 20.96%                    | 12.74%                   | 17.84%                   | (4.88)%                  |
| Regular Dividends per Share   | \$0.41                    | \$0.42                   | \$0.43                   | \$0.44                   |
| Supplemental/Special Dividends per Share                            | \$0.10                    | \$0.10                   | \$0.10                   | \$0.10                   |
| Total Dividends per Share   | \$0.51                    | \$0.52                   | \$0.53                   | \$0.54                   |

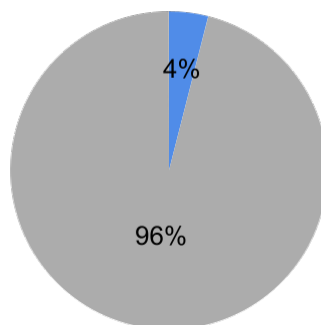
(1) Return on Equity is calculated as the quarterly annualized Pre-Tax NII, Realized Earnings, or Total Earnings, respectively, divided by equity at the end of the prior quarter

(2) Realized Earnings and Earnings include (\$17.1) MM or (\$0.76) per weighted average diluted share for realized losses on extinguishment of debt



# Interest Rate Sensitivity

## Fixed vs. Floating Credit Portfolio Exposure <sup>(1)</sup>



■ Fixed    ■ Floating

| Change in Base Interest Rates | Illustrative Annual NII Change (\$'s) | Illustrative Annual NII Change (Per Share) |
|-------------------------------|---------------------------------------|--|
| (25 bps)                      | 354,564                               | 0.02                                       |
| 25 bps                        | (681,172)                             | (0.03)                                     |
| 50 bps                        | (1,362,344)                           | (0.06)                                     |
| 75 bps                        | (2,000,089)                           | (0.09)                                     |
| 100 bps                       | (1,856,097)                           | (0.08)                                     |
| 125 bps                       | (1,019,327)                           | (0.04)                                     |
| 150 bps                       | (139,669)                             | (0.01)                                     |

(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 9/30/2021, adjusted only for changes in Base Interest Rate. Base Interest Rate used in this analysis is 3-Month LIBOR of 0.13% at 9/30/2021. The results of this analysis include the I-45 Senior Loan Fund, which is comprised of 98% floating rate debt assets and 100% floating rate 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

Ramona Rogers-Windsor

## Senior Management

Bowen S. Diehl

*President & Chief Executive Officer*

Michael S. Sarnar

*Chief Financial Officer, Secretary & Treasurer*

Joshua S. Weinstein

*Senior Managing Director*

## Fiscal Year End

March 31

## Independent Auditor

RSM US LLP  
Chicago, IL

## Corporate Counsel

Eversheds Sutherland (US) LLP

## Corporate Offices & Website

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Capital Southwest

214-884-3829

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

## Securities Listing

Nasdaq: "CSWC" (Common Stock)

## Transfer Agent

American Stock Transfer & Trust Company, LLC

800-937-5449

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

## Industry Analyst Coverage

| Firm                           | Analyst                 | Contact Information  |
|--------------------------------|-------------------------|----------------------|
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| B. Riley Securities            | Sarkis Sherbetchyan     | Direct: 310-689-5221 |
| Hovde Group                    | Bryce Rowe              | Direct: 804-318-0969 |
| Jefferies, LLC                 | Kyle Joseph             | Direct: 510-418-0754 |
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