Capital Southwest Corporation (CSWC)

Updated November 3rd, 2026 by Nikolaos Sismanis

Key Metrics

Current Price:	$23.09	**5 Year Annual Expected Total Return:**	9.7%	**Market Cap:**	$1.54 B
Fair Value Price:	$23.50	**5 Year Growth Estimate:**	1.0%	**Ex-Dividend Date:**	11/13/2026
% Fair Value:	98%	**5 Year Valuation Multiple Estimate:**	0.4%	**Dividend Payment Date:**	11/30/2026
Dividend Yield:	10.1%	**5 Year Price Target**	$24.70	**Years Of Dividend Growth:**	8[1]
Dividend Risk Score:	F	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

Capital Southwest Corporation is an internally managed investment company that has elected to be regulated as a BDC (Business Development Company). The company specializes in providing customized debt and equity financing to lower middle market (LMM) companies and debt capital to upper-middle market (UMM) companies located primarily in the United States. Capital Southwest recorded $232 million in total investment income in FY2026 and is based in Dallas, TX.

On June 11th, 2025, Capital Southwest declared a base monthly dividend of $0.1934 (switching from quarterly payments). The annualized regular dividend is $2.32. Supplemental dividends are excluded from our FY2027 projection and forward yield.

On November 2nd, 2026, Capital Southwest reported its fiscal Q2-2027 results for the period ending September 30th, 2026. Its fiscal year ends on March 31st, which applies to the figures in our tables. Total investment income grew 17.9% year-over-year to $67.2 million, supported by a larger investment portfolio. The weighted-average yield on debt investments was 10.9%.

Operating expenses excluding interest rose to $9.0 million from $6.9 million, while interest expense increased to $21.0 million from $16.0 million. Pre-tax net investment income rose to $37.2 million from $34.0 million, but declined per share to $0.58 from $0.61 as the share base expanded. NAV per share increased sequentially to $16.64 from $16.61, helped by equity issuance above NAV, despite $13.4 million of net realized and unrealized investment losses. Undistributed taxable income was $0.92 per share.

The investment portfolio reached $2.4 billion, following $391.0 million of new commitments across 14 new and 16 existing companies. First-lien loans represented 99% of the credit portfolio. Non-accruals increased to 1.4% of portfolio fair value from 1.1% in the prior quarter. CSWC committed $25 million to Desert Star, a technology-lending joint venture with Trinity Capital, and received approval to expand SBIC II's leverage commitment to $250 million from $175 million. We retain our FY2027 pre-tax NII/share estimate of $2.35.

Growth on a Per-Share Basis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
NII	$0.61	$1.02	$1.48	$1.68	$1.79	$1.90	$2.30	$2.72	$2.50	$2.39	***$2.35***	***$2.47***
DPS	$0.79	$0.99	$2.27	$2.75	$2.05	$2.52	$2.28	$2.47	$2.54	$2.56	***$2.32***	***$2.44***
Shares[2]	15.9	16.1	16.7	18.0	19.0	22.8	30.0	40.7	51.2	65.8	***70.5***	***90.0***

On September 30th, 2015, Capital Southwest completed the spin-off of CSW Industrials (CSWI). This explains the stock price's sudden "nosedive" around this period and the higher financials before the spin-off, as depicted in the table. The company's prolonged history as a BDC company and experienced management team have allowed it to sustain a double-digit investment yield most of the time. The company has refinanced its own loans at lower rates over time, supporting net investment income. With 43 employees as of June 2026, operating expenses as a percentage of average total assets have declined from 4.9% in FY2016 to just 1.4% as of fiscal Q2 2027. In terms of the dividend, the company

[1] Refers to the base dividend rate which excludes supplemental payouts.

[2] Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Capital Southwest Corporation (CSWC)

Updated November 3rd, 2026 by Nikolaos Sismanis

has built a record of base dividend growth since the spin-off in 2015, although the regular rate has remained broadly flat since its 2024 increase. The higher dividends seen over the past few years are due to special dividends that the company can afford from additional gains (e.g., equity sales), which are not recorded as investment income. Such gains and accumulated taxable income can support supplemental and special dividends. We expect both NII/share and the base DPS to grow by around 1% in the medium-term. Floating-rate investments benefit from higher base rates, while lower rates can pressure income. Total dividends are likely to be higher amid one-off additional gains from equities, though since they are impossible to predict, we are not speculating higher figures.

Valuation Analysis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Now	2032
Avg. P/E	26.6	18.9	14.4	12.5	12.8	12.1	8.3	7.6	9.6	9.1	***9.8***	***10.0***
Avg. Yld.	4.9%	5.1%	10.7%	13.1%	9.0%	10.9%	11.9%	12.0%	10.6%	11.8%	***10.1%***	***9.9%***

Capital Southwest is now trading at 9.8x our expected FY2027 pre-tax net investment income. We believe that the stock is approximately fairly valued here. We believe that a 10x multiple accounts for its operating performance and resilient investments, especially in today's market environment. At the current base DPS, the stock yields 10.1%, excluding any supplemental or special dividends. The actual yield should be higher when accounting for these additional payouts.

Safety, Quality, Competitive Advantage, & Recession Resiliency

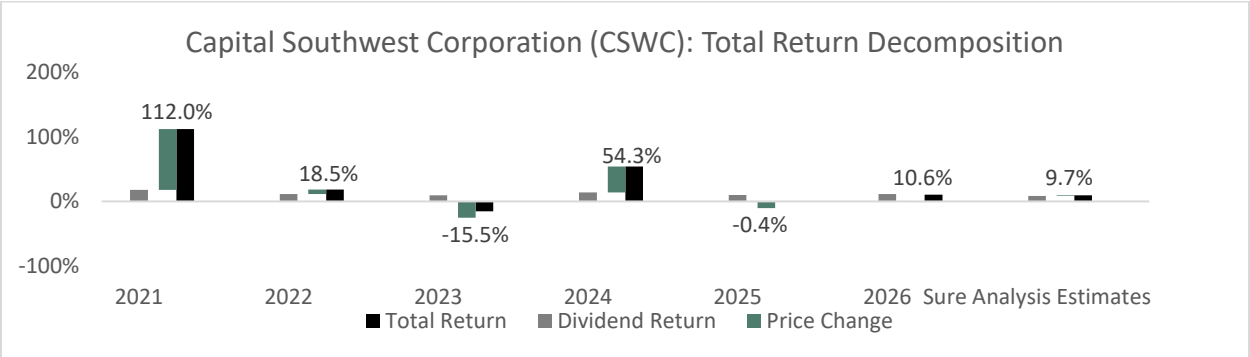
Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
Payout	130%	97%	153%	164%	115%	133%	99%	91%	102%	107%	***99%***	***99%***

Capital Southwest's regular dividend represents 99% of our expected pre-tax NII, leaving a narrow coverage cushion. Realized investment gains and accumulated taxable income can support supplemental payouts, which are excluded from this ratio. A decline in portfolio yields or credit quality could constrain distributions. Overall, the BDC's diversified portfolio has proven very resilient, even during COVID-19, when interest income remained robust. Considering 2015's spin-off transformed the company, this is the closest we can get to measure the company's recession resiliency, which could prove to be quite strong based on its 2020-2021 results. Being an investment company, Capital Southwest does not have a distinct competitive advantage compared to its peers other than management's experience.

Final Thoughts & Recommendation

Capital Southwest is a well-diversified business development company and one of the oldest ones in the market, having prospered through numerous cycles. Its financials have been growing fast following the 2015 spinoff, and its optimal financing costs have resulted in a prudent portfolio expansion. We forecast annualized returns of 9.7% in the medium-term, excluding any supplementary dividends, powered primarily by the stock's hefty dividend yield and our growth rates, with a modest potential contribution from valuation. We rate the stock as a hold due to its dividend risk score.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Capital Southwest Corporation (CSWC)

Updated November 3rd, 2026 by Nikolaos Sismanis

Income Statement Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue	14.4	38.4	53.2	48.9	-0.2	71.6	78.9	109.1	157.7	232.1
SG&A Exp.	11.4	4.4	4.4	4.8	5.6	5.2	2.5	9	0	28.9
D&A Exp.	0.1	0.5	0.9	1.4	2.4	2.0	2.2	---	6	7.0
Net Profit	-5.4	23.5	39.3	33.1	-22.4	50.9	42.8	83.4	69.9	113.0
Net Margin	N/A	61.1%	73.9%	67.6%	N/A	71.1%	54.2%	76.4%	44.3%	48.7%
Free Cash Flow	-111.5	-89.6	-63.9	-94.7	-47.9	-68.3	-184.7	---	107	-193.8
Income Tax	-1.3	2.1	0.1	0.9	6.2	4.7	4.0	1.2	8.8	7.3

Balance Sheet Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Assets	284.5	325.8	417.5	551.8	585.0	735.6	974	1,557	1,885	2,178
Cash & Equivalents	96.0	22.4	7.9	9.9	13.7	31.6	11.4	32.3	44.9	29.0
Total Liabilities	11.9	40.7	109.2	225.9	312.7	399.3	553	801	1,001	1,167
Long-Term Debt	0.0	25.0	95.3	216.1	303.3	381.3	529	771	961	1,131
Shareholder's Equity	272.6	285.1	308.3	326.0	272.2	336.3	421	756	884	1,011
LTD/E Ratio	0.0	0.1	0.3	0.7	1.1	1.1	1.27	1.02	1.09	1.12

Profitability & Per Share Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Return on Assets	-1.0%	7.7%	10.6%	6.8%	-3.9%	7.7%	5.0%	5.9%	4.1%	5.6%
Return on Equity	-1.0%	8.4%	13.2%	10.4%	-7.5%	16.7%	11.3%	12.4%	8.5%	11.9%
ROIC	-1.0%	8.1%	11.0%	7.0%	-4.0%	7.9%	5.1%	6.1%	4.1%	N/A
Shares Out.	15.7	15.9	16.1	16.7	18.0	19.1	22.84	40.73	51.2	65.8
Revenue/Share	0.92	2.42	3.30	2.92	-0.01	3.76	3.46	2.68	3.08	3.53
FCF/Share	-7.09	-5.64	-3.96	-5.66	-2.66	-3.6	-8.09	---	2.08	-2.94

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise. FY2026 revenue is total investment income; SG&A includes operating expenses excluding interest.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.