



**CSW**  
INDUSTRIALS

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# Company Presentation

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July 28, 2015

## 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 manner, tax-free nature and expected benefits associated with the proposed spin-off of certain control assets of Capital Southwest into a new, independent, publicly traded company, CSW Industrials, Inc. ("CSWI"), the expected timing of the completion of the transaction and the business, financial condition and results of operations of Capital Southwest, including the businesses of CSWI. Any statements preceded or followed by or that include the words "believe," "expect," "intend," "plan," "should" or words, phrases or similar expressions or the negative thereof, are intended to identify forward-looking statements. These statements are made on the basis of the current beliefs, expectations and assumptions of the management of Capital Southwest. 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 and uncertainties include, but are not limited to, risks relating to Capital Southwest's ability to complete the proposed spin-off transaction and to achieve the expected benefits therefrom.
- In light of these risks, uncertainties, assumptions, and other factors inherent in forward-looking statements, actual results may differ materially from those discussed in this presentation. Other unknown or unpredictable factors could also have a material adverse effect on CSWI's actual future results, performance, or achievements. For a further discussion of these and other risks and uncertainties applicable to CSWI and its business, see CSWI's filings with the SEC, including the Information Statement filed as an exhibit to CSWI's Registration Statement on Form 10. As a result of the foregoing, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Neither Capital Southwest nor CSWI assumes any obligation to update these forward-looking statements to reflect any new information, subsequent events or circumstances, or otherwise, except as may be required by law.

## Pro-Forma and Non-GAAP Financial Information

- The pro forma financial data in this presentation represents the combined financial information of CSWI for the fiscal year ended March 31, 2015 as adjusted (a) to include the acquisition of substantially all the assets of Strathmore Products, Inc. and (b) to give effect to the proposed spin-off of CSWI and the related transactions. The pro forma financial data does not purport (i) to represent what CSWI's results of operations actually would have been if the spin-off and Strathmore acquisition had occurred prior to the fiscal year presented or (ii) to project CSWI's financial performance for any future period.
- This presentation includes non-GAAP financial measures including EBITDA. Reconciliations to the most directly comparable GAAP measures are included on page 32 of this presentation. These measures should be considered in addition to results prepared in accordance with GAAP, but are not a substitute for GAAP results.

# Transaction Overview

The separation is designed to unlock shareholder value immediately and to enhance long-term shareholder value by establishing two strong, independent companies with distinct growth strategies

- Structured as a tax-free spin transaction
- Form 10 Registration Statement for CSWI initially filed with the SEC on June 16, 2015

Ticker	• CSWI
Exchange	• NASDAQ
Exchange Ratio	• 1 Share of CSWI for every 1 share of CSWC
Expected Number of Shares	• 15.6mm
Record Date	• [TBD]
Distribution of CSWI Shares	• [TBD]
First Day of Regular-Way Trading	• [TBD]

# Experienced Management Team

## Executive Officers



**Joseph B. Armes**  
*Chairman and CEO*



**Kelly Tacke**  
*CFO*



**Christopher J. Mudd**  
*President & COO*

## Board of Directors

**Michael  
Gambrell**

*Former Executive  
Vice President of  
The Dow Chemical  
Company*

**Linda  
Livingstone, Ph.D.**  
*Dean of The George  
Washington University  
School of Business*

**William F.  
Quinn**  
*Executive Chairman  
and Founder of  
American Beacon  
Advisors*

**Robert  
Swartz**  
*Lead director of the  
CSWI Board  
Executive Vice President  
and Chief Operating  
Officer for Glazer's, Inc*

Management team including portfolio company executives averages 25 years of experience in the industrial manufacturing and specialty chemicals industries

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# I. Company Overview

## Investment Highlights

- Broad Portfolio of Leading Industrial Brands and Solutions
- Sustainable Organic Revenue Growth and Operating Performance
- Stable Platform for Acquisitions with Proven Track Record
- Culture of Product Enhancement and Customer Centric Solutions
- Diverse Sales and Distribution Channels Serving Attractive End Markets

## CSWI Overview

- A diversified industrial growth company with well-established, scalable platforms
- Deep domain expertise across three segments:
  - Industrial Products
  - Coatings, Sealants & Adhesives
  - Specialty Chemicals
- PF<sup>(1)</sup> Net Revenues: \$325mm, PF<sup>(1)</sup> EBITDA: \$60mm
- Broad portfolio of leading industrial products providing performance optimizing solutions to our diversified customer base. Products include mechanical products for heating, ventilation and air conditioning (“HVAC”) and refrigeration applications, coatings and sealants and high performance specialty lubricants

We seek to deliver solutions to our professional customers that provide superior performance and reliability

(1) PF2015 includes Strathmore FY2014 results and other pro forma adjustments; Strathmore fiscal year ends December 31



## CSWI Corporate Culture

CSWI's corporate culture will **SHAPE** and **GUIDE** our company by helping each team member understand how to make his/her contribution to the company we serve. Our culture manifests the **OBSERVED BEHAVIORS**, the **NORMS**, and the **DOMINANT VALUES** of the company. Our culture should be effective in **REINFORCING** certain behaviors and **ERADICATING** others.

**THE GOAL OF OUR CORPORATE CULTURE IS TO MAXIMIZE  
PERFORMANCE.**

## CSWI Corporate Culture (Cont'd)

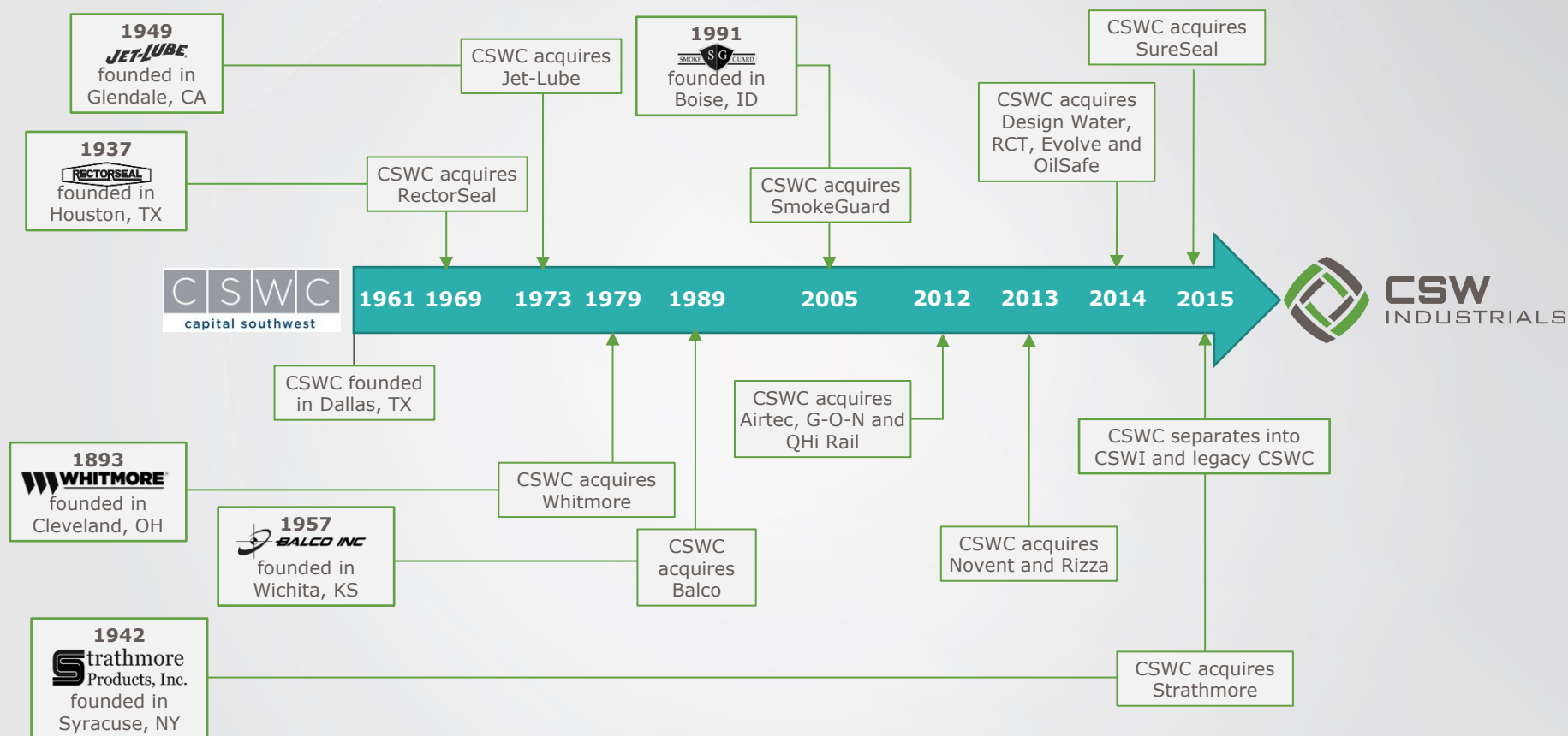
Our corporate culture will be based on our core values:

- **Integrity**
- **Respect**
- **Excellence**
- **Stewardship**
- **Citizenship**
- **Accountability**
- **Teamwork**

# CSWI Business Segments



# History of CSWI Businesses



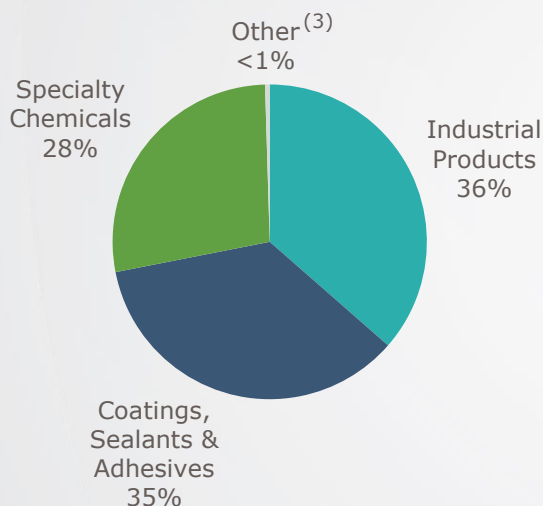
- CSW Industrials employs over 750 individuals worldwide



# CSWI Business Segments

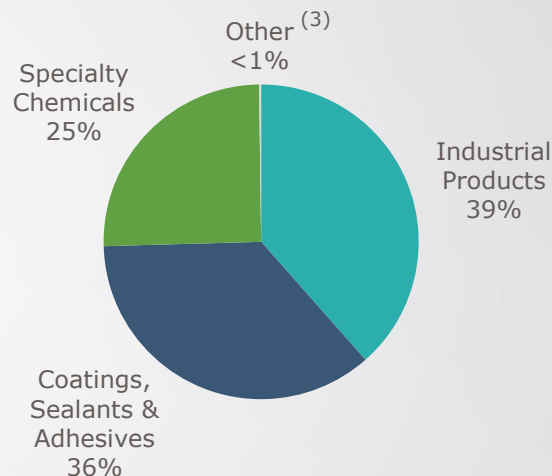
Well-balanced portfolio of businesses with strong organic growth profiles and numerous product line and strategic acquisition opportunities in each segment

PF2015 Net Revenues <sup>(1)</sup>



Total Net Revenues: \$325.0mm

PF2015 EBITDA <sup>(1)(2)</sup>



Total EBITDA: \$60.1mm

(1) PF2015 includes Strathmore FY2014 results and other pro forma adjustments; Strathmore fiscal year ends December 31

(2) Reflects pro rata allocation of other pro forma adjustments of \$3.2mm to segment EBITDA based on segment revenues

(3) Other includes CapStar, a real estate holding company, whose operations are not material to CSWI

## CSWI Key Growth Drivers



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## II. Key Growth Drivers



# Benefits from Reorganization

As an independent, publicly traded company, CSWI will have greater focus on its core businesses and greater flexibility to pursue growth opportunities including organic investments, product line and strategic acquisitions

## Post Spin-Off Structure



## Benefits from Spin-Off

- Organize the CSWI businesses around key market segments
- Grow the CSWI businesses by allocating capital more efficiently
- Offer greater investor choice through separate entities
- Unlock shareholder value
- Increase management focus
- Better align interests of management and stockholders

(\*) Also includes CapStar, a real estate holding company, whose operations are not material to CSWI

## Leverage Existing Relationships and Products

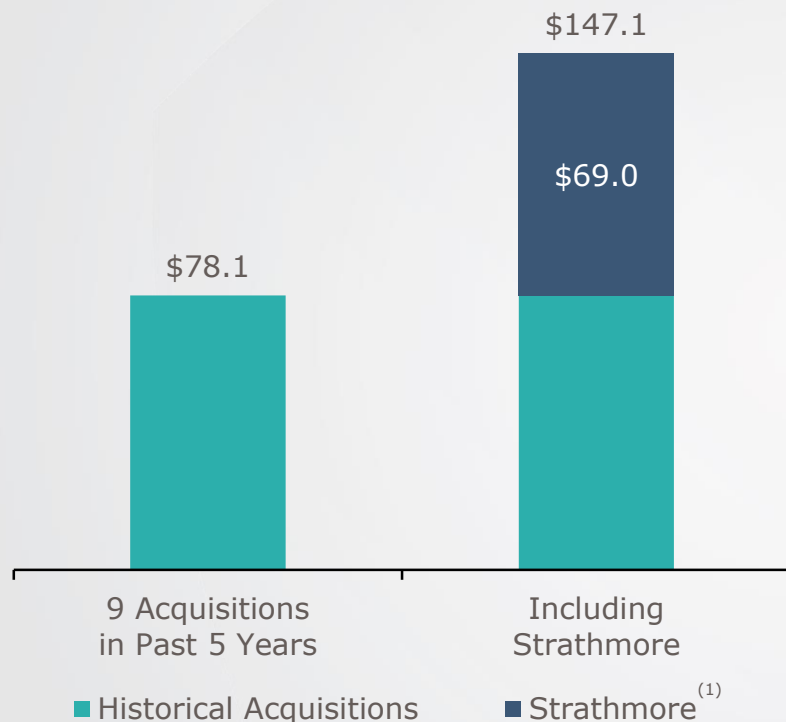
Key End Use Markets <sup>(1)</sup>	Industrial Products	Coatings, Sealants & Adhesives	Specialty Chemicals
Plumbing	✓	✓	✓
HVAC	✓	✓	✓
Refrigeration	✓	✓	
Electrical	✓	✓	✓
Commercial construction	✓	✓	
Rail	✓	✓	✓
General industrial	✓	✓	✓
Oil & Gas		✓	✓
Mining			✓

Ability to leverage customer base and cross-sell products across three segments

(1) Other key end use markets include Drilling & Boring, Water well drilling, Steel, Power Generation, Cement and Aviation

## Focused Acquisitions

### Capital Invested for Acquisitions (\$mm)



### Strategy & Execution Plan

- Identify and execute acquisitions that will broaden our portfolio of industrial brands and products, and support our business segments
- Eliminate costs and overhead in strategic acquisitions and most non-manufacturing related costs in product line acquisitions
- Focus on commercially proven products and solutions that:
  - Are attractive to customers in our target end markets
  - Currently have limited distribution
  - Would benefit from a broader distribution network
- Utilize strong free cash flow or third-party financing to fund these acquisitions

There are further attractive synergistic acquisitions available to achieve higher growth and profitability

(1) Strathmore purchase price of \$69.0mm does not include potential earn out consideration of up to \$16.5mm

## Operational Excellence

- Focus on operational excellence in all aspects of CSWI's business, leading to improved efficiencies and increased profitability
- Examples of achieving savings through operational excellence:
  - CSWI is consolidating the manufacturing of all lubricant and grease products currently manufactured in a Houston, TX facility to the Rockwall, TX facility to optimize capacity, efficiency and quality
  - CSWI recently organized a technology summit among the technical and commercial leaders of our Coatings, Sealants & Adhesives and Specialty Chemicals segments in order to accelerate the process of leveraging best practices across these business segments
  - CSWI expects to benefit from exploiting new opportunities by applying its best practices when integrating acquisitions

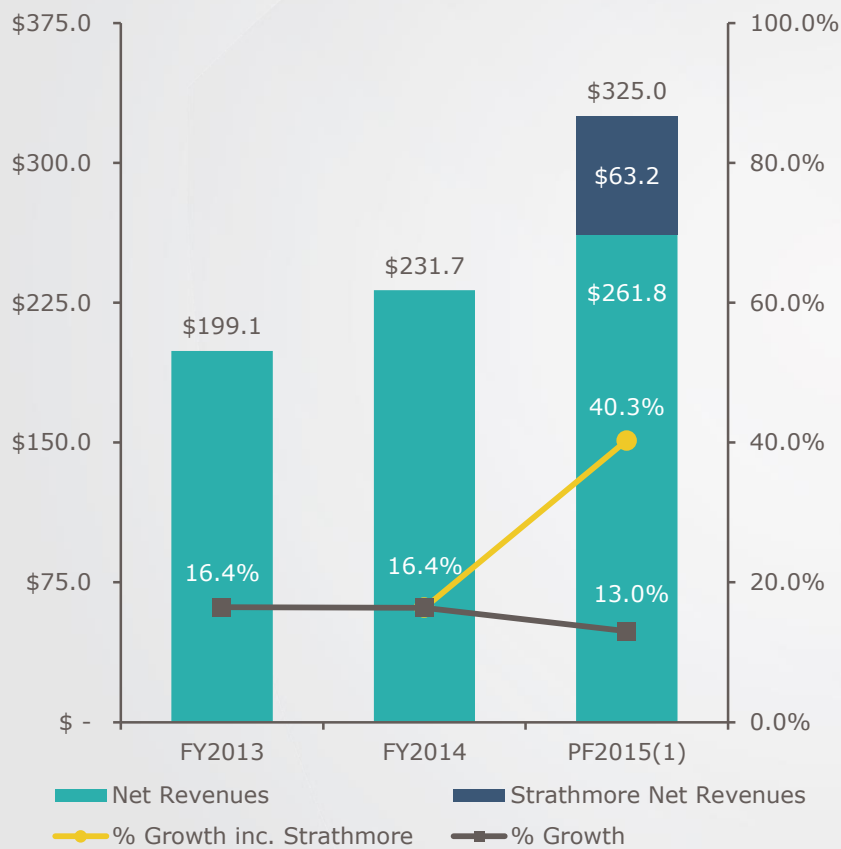
Continue to expand improvement initiatives and information sharing across CSWI's entire platform, promoting best practices

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# III. Financial Overview

# Combined Financials – Net Revenues

## Net Revenues (\$mm, %)



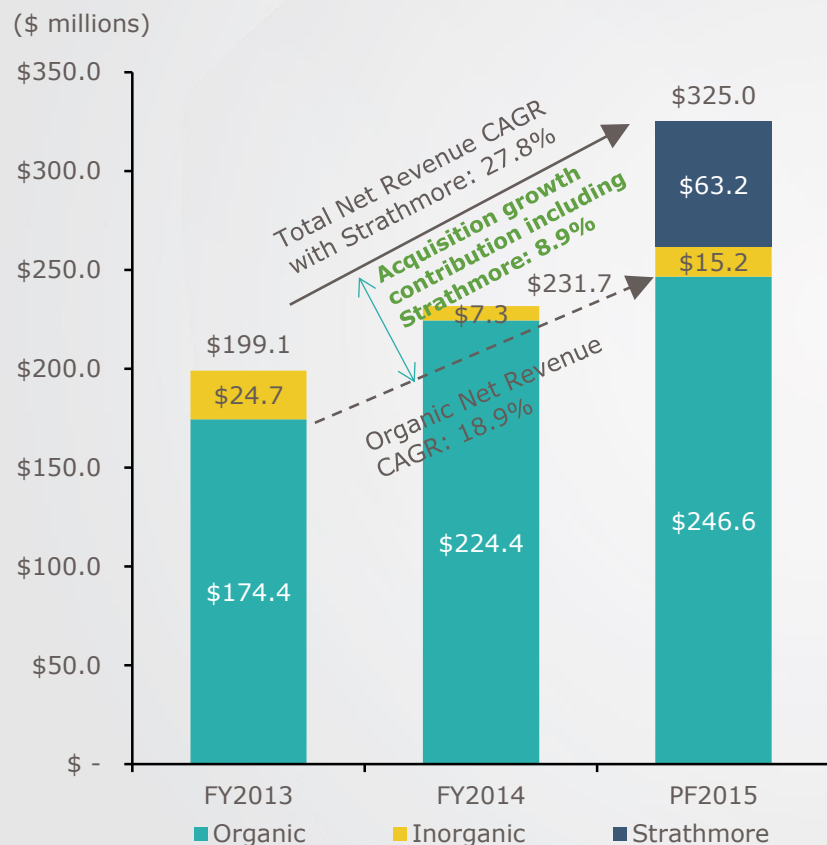
## Highlights

- Consistent mid double-digit net revenue growth (16.4%, 16.4% and 13.0% in FY2013, FY2014 and FY2015, respectively) supported by industry leading products in high growth end markets with a diversified customer base
  - Net revenue growth driven by a combination of robust organic growth and acquisitions
- 40.3% net revenue growth in PF2015 including Strathmore
- Strong track record of capitalizing on product line and strategic acquisition opportunities

(1) PF2015 includes Strathmore FY2014 results and other pro forma adjustments; Strathmore fiscal year ends December 31

# Organic vs. Acquisition Growth

## Net Revenues (\$mm, %)<sup>(1)</sup>



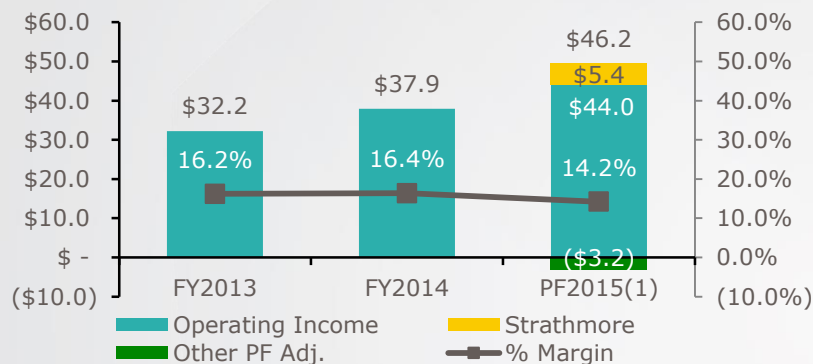
(1) Inorganic revenue calculated based on standard rolling 12 months method

## Highlights

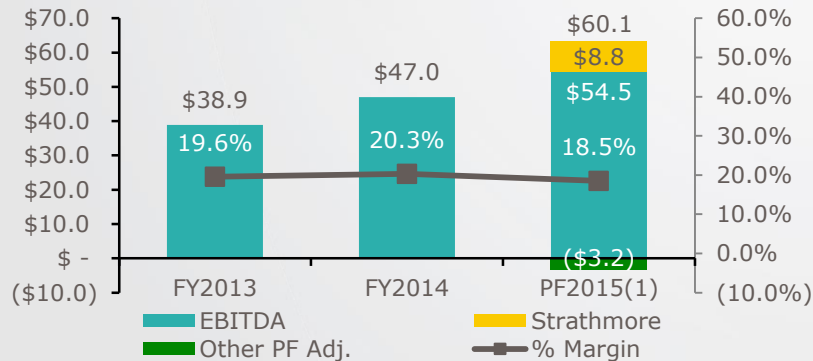
- 27.8% total net revenue CAGR over the last two years, including Strathmore
  - Strong compounded organic net revenue growth of 18.9% as a result of CSWI's focus on end markets with attractive growth trends
  - Additional 8.9% contribution to total net revenue CAGR from acquisitions over the last two years including product line and strategic acquisitions (including Strathmore)

# Combined Financials – Margins

## Operating Income (\$mm, %)<sup>(1)</sup>



## EBITDA (\$mm, %)<sup>(1)</sup>



## Highlights

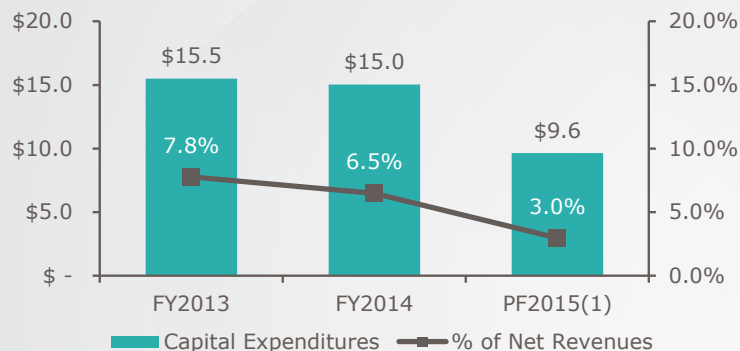
- Attractive operating and EBITDA margins with potential improvement from integration of businesses and shared best practices
  - EBITDA margins higher than those of peers, partly due to CSWI's loyal and diverse customer base that recognizes the performance and quality of the products and solutions
  - Disciplined product line acquisition strategy
  - Continued improvement of profitability through targeted investments in manufacturing processes

(1) PF2015 includes Strathmore FY2014 results and other pro forma adjustments; Strathmore fiscal year ends December 31

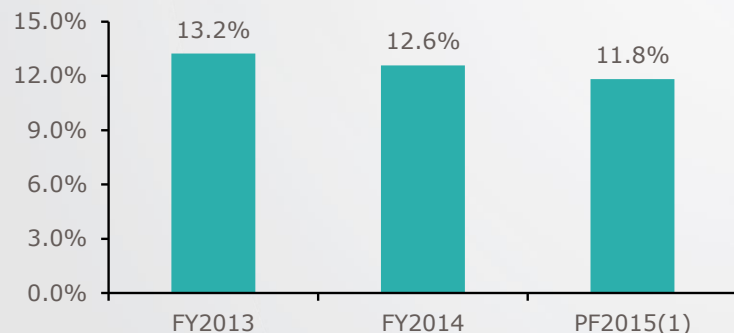


# Combined Financials – Capital Investment & ROIC

## Capital Expenditures (\$mm, %)



## ROIC<sup>(2)</sup> (%)



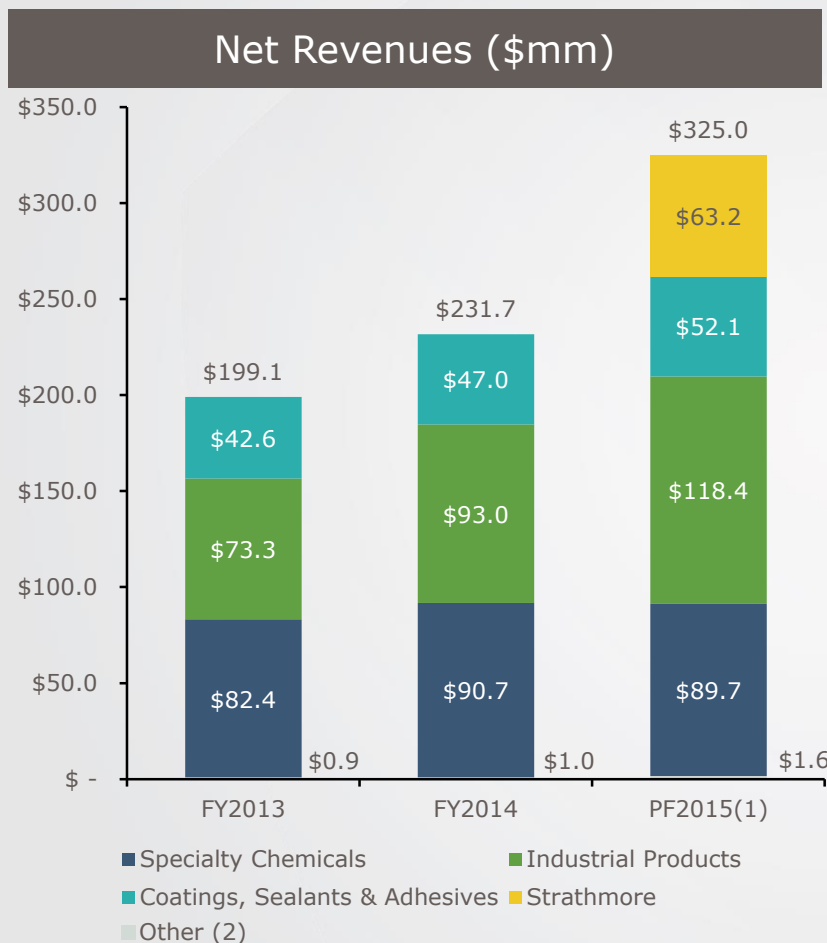
## Highlights

- Historical capital expenditures to net revenue ratio averaged 5.7% in the last three years
  - Capital expenditures declined in PF2015 primarily due to completion of facility expansion project for Whitmore
- Average ROIC of 12.5% for the last three years, including Strathmore and other PF adjustments
  - Excluding other PF adjustments of \$3.2mm results in ROIC of 12.6% in PF2015

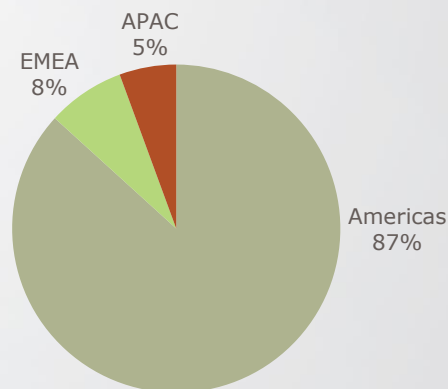
(1) PF2015 includes Strathmore FY2014 results and other pro forma adjustments; Strathmore fiscal year ends December 31

(2) ROIC calculated using average balance of invested capital (defined as net debt plus equity); NOPAT assumes 38% tax rate

# Segment Financials – Net Revenues



- Highlights**
- 27.8% net revenue CAGR over the last two years, including Strathmore
  - Recent growth primarily attributable to an increase in sales volumes in the Industrial Products segment and in the Coatings, Sealants & Adhesives segment
  - Net revenues by geography (PF2015)

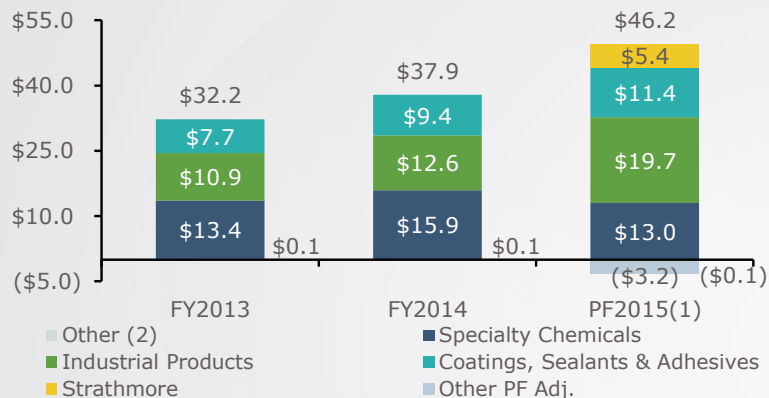


(1) PF2015 includes Strathmore FY2014 results and other pro forma adjustments; Strathmore fiscal year ends December 31

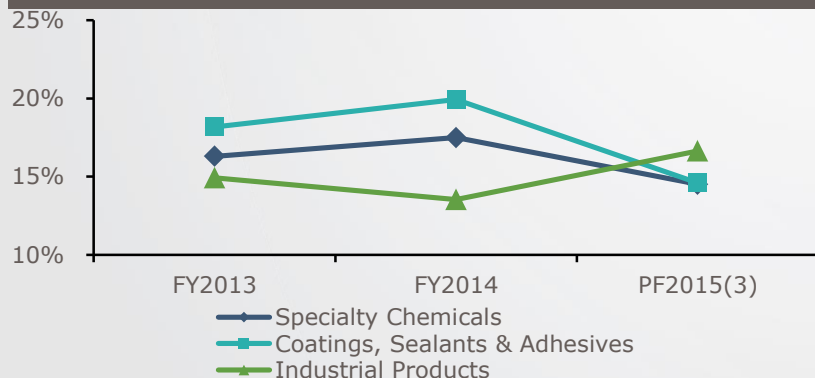
(2) Related to rental income from CapStar, a real estate holding company

## Segment Financials – Margins

### Operating Income (\$mm)



### Operating Income Margin (%)<sup>(3)</sup>



(1) PF2015 includes Strathmore FY2014 results and other pro forma adjustments; Strathmore fiscal year ends December 31

(2) Related to rental income from CapStar, a real estate holding company

(3) PF2015 operating margins do not reflect other pro forma adjustments of \$3.2mm

### Highlights

- Many products enjoy strong margin profiles due to high performance and quality and loyal customer bases
- Margin expansion driven by targeted investments to further improve manufacturing processes, including:
  - Lower manufacturing costs
  - Increased production utilization
  - Improved product quality
- Strathmore acquisition reduced PF2015 Coatings, Sealants & Adhesives margins but are expected to increase with integration execution

# Strong Balance Sheet

## Total Capitalization

(\$mm)	Amount	x PF LTM EBITDA <sup>(1)</sup>
Cash and Cash Equivalents (2)	\$15.6	
<b>Debt:</b>		
Current Portion of Long-Term Debt	17.1	0.3x
Long-Term Debt, Less Current Portion	79.6	1.3x
<b>Total Debt</b>	<b>\$96.7</b>	<b>1.6x</b>
<b>Total Stockholders' Equity</b>	<b>\$206.0</b>	
<b>Total Capitalization</b>	<b>\$302.7</b>	

## Indebtedness

(\$mm)	Amount	x PF LTM EBITDA <sup>(1)</sup>
<b>Debt:</b>		
RectorSeal Line of Credit	\$13.0	0.2x
Whitmore Secured Term Loan	13.7	0.2x
Strathmore Acquisition Debt	70.0	1.2x
<b>Total Debt</b>	<b>\$96.7</b>	<b>1.6x</b>
Less: Cash and Cash Equivalents	(15.6)	
Less: Restricted Cash	(2.4)	
Less: Bank time deposits	(9.2)	
<b>Net Debt</b>	<b>\$69.5</b>	<b>1.2x</b>

## Highlights

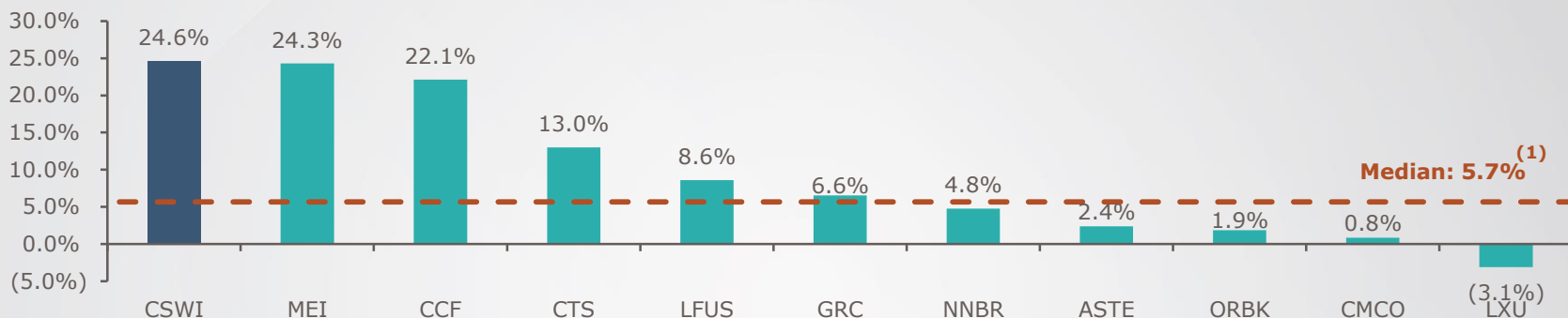
- Strong balance sheet with ample liquidity
  - Current available cash and cash equivalents sufficient to easily meet CSWI's liquidity needs for at least the next 12 months

(1) PF LTM EBITDA includes Strathmore FY2014 results and other pro forma adjustments; Strathmore fiscal year ends December 31

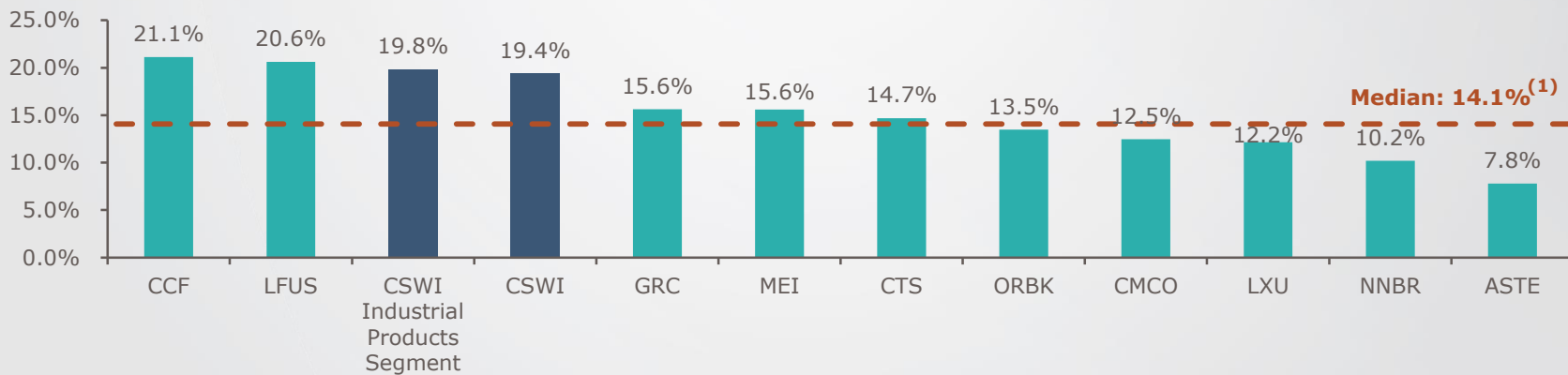
(2) Excludes restricted cash and bank time deposits

# CSWI vs. Industrial Goods Peers

## 2011-2014 Net Revenue CAGR



## 2014 EBITDA Margin

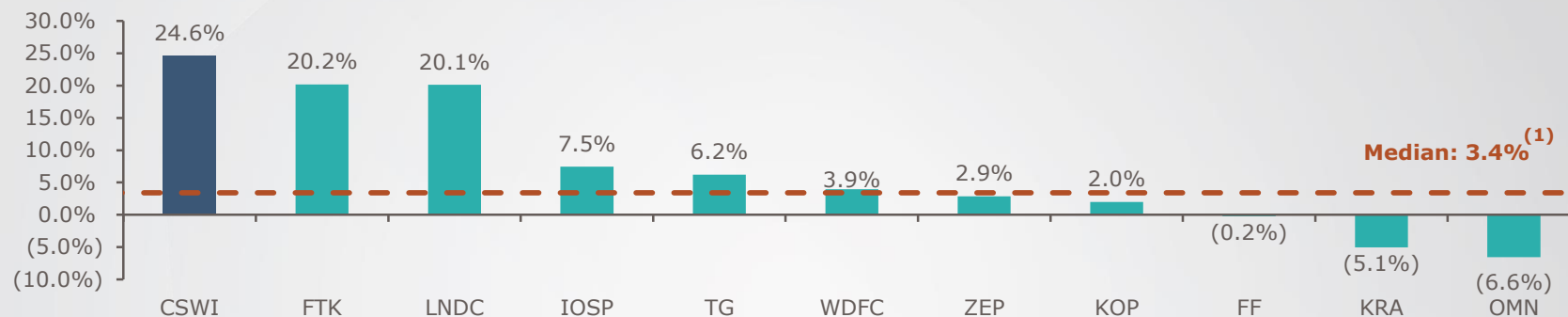


Note: Net revenue growth and margins based on calendarized financials, revenue growth figure is a 3-year CAGR

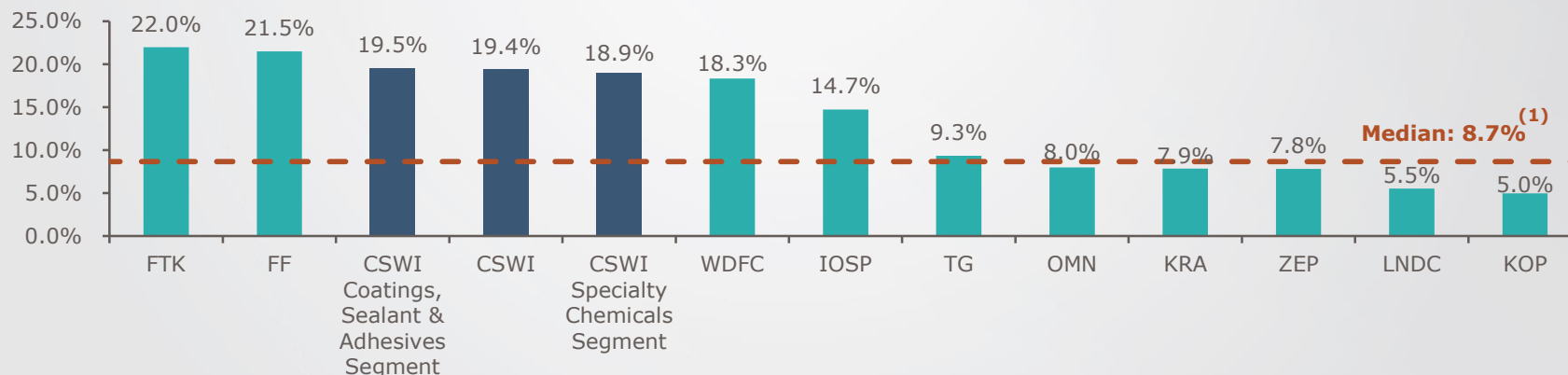
(1) Median excludes CSWI and CSWI segments

# CSWI vs. Specialty Chemicals Peers

## 2011-2014 Net Revenue CAGR



## 2014 EBITDA Margin



Note: Net revenue growth and margins based on calendarized financials, revenue growth figure is a 3-year CAGR

(1) Median excludes CSWI and CSWI segments



# Appendix

## EBITDA Reconciliation

(\$mm)	FY2013	FY2014	PF2015
Operating Income	\$32.2	\$37.9	\$44.0
Depreciation	3.9	5.3	5.9
Amortization	2.8	3.9	4.6
Strathmore Operating Income			5.4
Strathmore D&A (1)			3.4
Other Pro Forma Adjustments (2)			(3.2)
<b>EBITDA</b>	<b>\$38.9</b>	<b>\$47.1</b>	<b>\$60.1</b>

(1) Strathmore D&A includes \$2.8mm of additional D&A as a result of application of acquisition method of accounting

(2) Other pro forma adjustments include incremental expenses related to operating as a stand alone independent company, net of \$1.5mm of non-recurring charges related to the Jet-Lube integration into Whitmore and Strathmore acquisition costs



# Historical and Pro Forma Financial Results

(\$mm)

## Net Revenues

	FY2013	FY2014	FY2015	PF2015
Industrial Products	\$73.3	\$93.0	\$118.4	\$118.4
Coatings, Sealants & Adhesives	42.6	47.0	52.1	115.3
Specialty Chemicals	82.4	90.7	89.7	89.7
Other (1)	0.9	1.0	1.6	1.6
<b>Consolidated Net Revenues</b>	<b>\$199.1</b>	<b>\$231.7</b>	<b>\$261.8</b>	<b>\$325.0</b>

## Net Revenue Growth %

Industrial Products	NA	26.9%	27.3%	27.3%
Coatings, Sealants & Adhesives	NA	10.3%	11.0%	145.6%
Specialty Chemicals	NA	10.2%	(1.1%)	(1.1%)
Other (1)	NA	14.0%	59.3%	59.3%
<b>Consolidated Net Revenue Growth %</b>	<b>NA</b>	<b>16.4%</b>	<b>13.0%</b>	<b>40.3%</b>

## Operating Income

Industrial Products	\$10.9	\$12.6	\$19.7	\$19.7
Coatings, Sealants & Adhesives	7.7	9.4	11.4	16.8
Specialty Chemicals	13.4	15.9	13.0	13.0
Other (1)	0.1	0.1	(0.1)	(0.1)
Other Pro Forma Adjustments (2)	-	-	-	(3.2)
<b>Consolidated Operating Income</b>	<b>\$32.2</b>	<b>\$37.9</b>	<b>\$44.0</b>	<b>\$46.2</b>

## Operating Income Margin %

Industrial Products	14.9%	13.5%	16.6%	16.6%
Coatings, Sealants & Adhesives	18.2%	19.9%	21.9%	14.6%
Specialty Chemicals	16.3%	17.5%	14.5%	14.5%
Other (1)	17.4%	8.5%	(7.2%)	(7.2%)
<b>Consolidated Op. Income Margin %</b>	<b>16.2%</b>	<b>16.4%</b>	<b>16.8%</b>	<b>14.2%</b>

## Operating Income Growth %

Industrial Products	NA	15.1%	56.5%	56.5%
Coatings, Sealants & Adhesives	NA	21.1%	22.0%	79.9%
Specialty Chemicals	NA	18.3%	(18.0%)	(18.0%)
Other (1)	NA	(44.3%)	N/M	N/M
<b>Consolidated Op. Income Growth %</b>	<b>NA</b>	<b>17.6%</b>	<b>16.1%</b>	<b>22.0%</b>

(1) Related to rental income from CapStar, a real estate holding company

(2) Other pro forma adjustments include incremental expenses related to operating as a stand alone independent company, net of \$1.5mm of non-recurring charges related to the Jet-Lube integration into Whitmore and Strathmore acquisition costs