

Newtek Business Services Corp. NASDAQ: NEWT

2019 Analyst & Investor Day June 24, 2019

Hosted by:
Barry Sloane, CEO & President

Note Regarding Forward-Looking Statements

The matters discussed in this Presentation, as well as in future oral and written statements by management of Newtek Business Services Corp., that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions. Important assumptions include our ability to originate new investments, achieve certain margins and levels of profitability, the availability of additional capital, and the ability to maintain certain debt to asset ratios. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this Presentation should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this Presentation include statements as to: our future operating results; our business prospects and the prospects of our portfolio companies; the impact of investments that we expect to make; our relationships with third parties; the dependence of our future success on the general economy and its impact on the industries in which we invest; our ability to access debt markets and equity markets; the ability of our portfolio companies to achieve their objectives; our expected financings and investments; our regulatory structure and tax status; our ability to operate as a BDC and a RIC; the adequacy of our cash resources and working capital; the timing of cash flows, if any, from the operations of our portfolio companies; the timing, form and amount of any dividend distributions; the impact of fluctuations in interest rates on our business; the valuation of any investments in portfolio companies, particularly those having no liquid trading market; and our ability to recover unrealized losses. The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing in our quarterly and annual reports filed with the U.S. Securities and Exchange Commission.

Newtek Vs. Indices: Historical Stock Performance

- Newtek has consistently outperformed the S&P 500 and Russell 2000 Indices over one, three and five-year time periods
- As of **June 7, 2019**, including reinvested dividends:

5-Year Total Return

- NEWT: **202.1%**
- S&P 500: **63.3%**
- Russell 2000: **39.1%**

3-Year Total Return

- NEWT: **133.9%**
- S&P 500: **44.6%**
- Russell 2000: **33.6%**

1-Year Total Return

- NEWT: **23.1%**
- S&P 500: **5.8 %**
- Russell 2000: **-8.0%**

Note: Total returns as per Bloomberg. Newtek converted to a business development company in November 2014, and therefore the 5-year total return includes pre-BDC returns. Historical performance is not indicative of future performance.

About Newtek Business Services Corp. (NASDAQ: NEWT)



- An **internally managed Business Development Company (“BDC”)**, which along with its controlled portfolio companies, is a direct distributor of a wide-range of business services and financial products to the small- and medium-sized business market (“SMB”)
- Newtek converted to an internally managed BDC on November 12, 2014 and has been publically traded for over 18 years, since September 2000
- Once a BDC elects to be treated as a regulated investment company (“RIC”), the RIC must distribute **at least 90%** of its annual taxable income to shareholders
 - The Company forecasts paying an annual cash dividend of \$1.90 per share in 2019
 - Newtek and its controlled portfolio companies offer state-of-the-art, cost-efficient products and business solutions to SMB accounts across all 50 States including:
 - SBA 7(a) Lending
 - SBA 504 Lending
 - Conventional Lending
 - Receivable and Inventory Line of Credit Financing
 - Electronic Payment Processing
 - Payroll and Benefits Solutions
 - eCommerce and Mobile Payment Processing
 - Commercial / Personal Insurance / Health & Benefits
 - Cloud Computing Products
 - Web Services – Hosting/Design Development

¹Amount and timing of dividends, if any, remain subject to the discretion of the Company's Board of Directors.

Newtek's Business Purpose Today

- Newtek's business model is similar to what Geico® and Amazon.com® have done to disrupt their markets
- Newtek acquires clients cost effectively using NewTracker®, a patented proprietary web-based customer referral, tracking and processing software
- Newtek and its portfolio companies serve client needs by offering financial and business solutions remotely, using state-of-the-art technology
- Management believes this acquisition strategy is one of the Company's secrets to success and that it is exponentially scalable
- Processing business from a remote location drives Newtek's business model
- Newtek has built a robust network of nationally recognized alliance partners that refer businesses to Newtek through NewTracker®
 - Alliance partners refer their customers to Newtek for one or more of our product solutions, to enhance and/or expand their core product menus
 - Alliance partner examples include: *UBS Bank, Raymond James, Credit Union National Association, Morgan Stanley Smith Barney, The Hartford, Amalgamated Bank, New York Community Bank, ENT Federal Credit Union, Sterling National Bank, Transworld Business Brokers, Abbey Carpets and Floors To Go, Legacy Bank, Navy Federal Credit Union, Meineke Mufflers, LLC, Randolph Brooks Federal Credit Union, and True Value Hardware Stores, among others*

Newtek Positioned As *THE* Business Solutions Company



- Positioned to be the '**Business Solutions Company of Choice**' for independent business owners
- Satisfy their business needs across many products and services
- www.newtekone.com
- Drive traffic to subsidiary and portfolio company product pages as The Business Solutions Company
 - Newtek Business Finance Solutions - Newtekone.com/loans
 - Newtek Payment Solutions - Newtekone.com/payments
 - Newtek Technology Solutions - Newtekone.com/technology
 - Newtek Payroll and Benefits Solutions - Newtekone.com/payrollbenefits
 - Newtek Insurance Agency Solutions - Newtekone.com/insurance

First Quarter 2019 Financial Highlights

- Net investment loss of \$(0.99) million, or \$(0.05) per share, for the three months ended March 31, 2019, an improvement of 66.7% on a per share basis, over net investment loss of \$(2.8) million, or \$(0.15) per share, for the three months ended March 31, 2018
- Adjusted net investment income (“ANII”)¹ of \$8.3 million, or \$0.44 per share, for the three months ended March 31, 2019; compared to ANII of \$8.1 million, or \$0.44 per share, for the three months ended March 31, 2018
- Total investment income of \$13.8 million for the three months ended March 31, 2019; an increase of 24.4% over total investment income of \$11.1 million for the three months ended March 31, 2018
- Net asset value (“NAV”) of \$292.0 million, or \$15.31 per share at March 31, 2019, compared to NAV of \$15.19 per share at December 31, 2018, and an increase of 1.7%, on a per share basis, over NAV of \$15.05 per share at March 31, 2018
- Debt-to-equity ratio of 122.6% at March 31, 2019
 - March 31, 2019, proforma debt-to-equity ratio was 110.0% as a result of the sale of government-guaranteed portions of SBA 7(a) loans prior to March 31, 2019, and settling subsequent to the balance sheet date
 - The Company is now able to increase its debt-to-equity ratio from 1:1 to 2:1, and plans to do so at a slow and measured pace
- Total investment portfolio increased by 3.1% to \$557.7million at March 31, 2019, from \$541.1 million at December 31, 2018

¹See page 45 for definition of ANII.

Significant Improvement in Net Investment Loss

- Net investment loss improved by 66.7%, on a per share basis, for the three months ended March 31, 2019, compared to the same period last year
 - During the first quarter of 2018, the Company recorded a loss on extinguishment of debt of approximately \$1.0 million to recognize the balance of unamortized deferred financing costs related to its 7.00% Notes due 2021 (NASDAQ: NEWTL), which were redeemed on March 23, 2018
 - When excluding this one-time charge in Q1 2018, the improvement in Net investment loss would have been 44% on a per share basis
- Net investment loss continues to narrow as recurring income from the loan portfolio becomes a larger portion of our growing business
- The Company believes it can continue to improve this metric as its loan portfolio continues to grow and perform
- Securitization spreads continue to tighten, which reduces interest expense due to performance and execution as evidenced by our securitization notes being upgraded by Standard and Poor's Global Ratings ("S&P")
 - On March 29, 2019, S&P raised its rating from A+ to AA on Class A Notes from Newtek Small Business Loan Trust 2014-1

Debt-to-Equity Ratio Explanation

Newtek Business Services Corp. and Subsidiaries Debt to equity ratio, actual as of March 31, 2019	
Actual Debt to Equity ratio at March 31, 2019:	
Total senior debt	\$ 358,073
Total equity	\$ 292,006
Debt to equity ratio - actual at March 31, 2019	<u>122.6%</u>

Newtek Business Services Corp. and Subsidiaries Debt to equity ratio - proforma at March 31, 2019	
<i>(in thousands):</i>	
Broker receivable, including premium income receivable	\$ 45,354
Less: premium income included in broker receivable	<u>(4,509)</u>
Broker receivable	40,845
90% advance rate on SBA guaranteed non-affiliate portions of loans sold, not settled	\$ <u>36,761</u>

- Newtek funds both the unguaranteed and guaranteed portions of SBA 7(a) loans through its credit facility. The guaranteed portions of its SBA 7(a) loans are levered until the loans are sold and settled, typically within 10-14 days of origination

- Based on timing of when the guaranteed portions of SBA 7(a) loans are sold and settled, the debt-to-equity ratio will fluctuate

- As of March 31, 2019, there were approximately \$40.8 million of guaranteed portions of SBA 7(a) loans sold pending settlement (broker receivable) against our line of credit

Proforma debt adjustments:	
Total Senior Debt as of March 31, 2019	\$ 358,073
Proforma adjustment for broker receivable as of March 31, 2019, as calculated above	<u>(36,761)</u>
Total proforma debt at March 31, 2019	\$ <u>321,312</u>

Proforma Debt to Equity ratio at March 31, 2019:	
Total proforma debt	\$ 321,312
Total equity	\$ 292,006
Debt to equity ratio - proforma at March 31, 2019	<u>110.0%</u>

2019 Dividends & Dividend Forecast

- The Company paid a first quarter 2019 cash dividend of \$0.40 per share on March 29, 2019 to shareholders of record as of March 15, 2019
- On May 1, 2019, Newtek's Board of Directors declared a second quarter 2019 cash dividend of \$0.46 per share, which represents a 9.5% increase over the second quarter 2018 cash dividend of \$0.42 per share
- On June 4, 2019, the Company increased its 2019 annual dividend forecast for a second time this year and forecasts paying an annual cash dividend of \$1.90¹ per share in 2019, which would represent a 5.6% increase over the 2018 cash dividend of \$1.80 per share
- For the past three years as a BDC, our annual dividend payout has exceeded our initial annual dividend forecast:
 - 2016: Initial annual dividend forecast of \$1.50 per share; paid \$1.53 per share
 - 2017: Initial annual dividend forecast of \$1.57 per share; paid \$1.64 per share
 - 2018: Initial annual dividend forecast of \$1.69 per share; paid \$1.80 per share
- Historically, our annual cash dividends paid have been between 90% to 100% of taxable income. We anticipate our 2019 annual dividend payout to be between 90% to 100% of our taxable income, with the goal of 95%, the midpoint of the range

¹ Amount and timing of dividends, if any, remain subject to the discretion of the Company's Board of Directors.

Full Year 2018 SBA 7(a) Lending Highlights

- Newtek Small Business Finance, LLC (“NSBF”) realized lighter than expected loan funding volume in the first quarter primarily due to the government shutdown in the first quarter, the longest government shutdown in U.S. history
- NSBF’s loan pipeline remains strong, and we believe that a portion of the first quarter loan volume shifted forward, as a result of the government shutdown, and will be recaptured in the second quarter 2019
- NSBF funded \$97.8 million of SBA 7(a) loans during the three months ended March 31, 2019; an increase of 7.0% over \$91.4 million of SBA 7(a) loans funded for the three months ended March 31, 2018
- NSBF forecasts full year 2019 SBA 7(a) loan fundings of between \$580 million and \$620 million, which would represent an approximate 27.9% increase, at the midpoint of the range, over SBA 7(a) loan fundings for the year ended December 31, 2018

Factors for 2019 SBA 7(a) Loan Funding Forecast

- Sufficient capital available
- Do not forecast a significant change in loan demand
- Current close rate of loans from referrals is 2.5%
 - We believe we can add between \$90 to \$125 million in SBA 7 (a) loan fundings in 2019 while maintaining the credit quality of the loans, by increasing the close rate to 3% through investments in technology and human capital
- Throughout 2018 & thus far in 2019, we hired new staff and promoted existing seasoned staff
- Invested in human capital as well as added work stations for over 100 new employees in New York; Boca Raton, FL; and Orlando, FL combined
- Invested in and improved technology for the lending platform
- Gained new alliance partnerships
- Expect to continue to see significant growth in loan referrals
- Launch of non-conforming conventional loan program is expected to benefit SBA 7(a) and SBA 504 loan programs

Investment in Staff to Support Growth at the BDC

- **Brent Ciurlino**, Senior Vice President, Risk and Operations, Newtek Business Services Corp.
 - Mr. Ciurlino, joined Newtek Business Services Corp. as a full-time employee in the position of Senior Vice President, Risk and Operations
 - Mr. Ciurlino comes to Newtek with an extensive background in regulation, compliance, and risk, most recently as EVP, Chief Operating and Risk Officer at Freedom Mortgage Corporation
 - Prior to Freedom, Mr. Ciurlino was Senior Advisor, Lending and Risk Management Services at Waterfall Asset Management
 - In addition, he has worked directly as a Senior Regulatory Executive for federal regulatory entities such as the Office of Credit Risk Management for the U.S. Small Business Administration, the Federal Deposit Insurance Corporation, and the Resolution Trust Corporation
 - Mr. Ciurlino will support growth at all aspects of BDC lending

Investment in Staff to Support Growth at the BDC

- **Brian Moon**, Treasurer and Senior Vice President of Corporate Development, Newtek Business Services Corp.
 - Brian comes to Newtek with 20+ years of experience in Investment Banking, working at institutions such as Morgan Stanley, Deutsche Bank and Wells Fargo Securities
 - Brian has extensive experience in the Financial Institutions and Business Services industries including BDCs, specialty finance, insurance, insurance brokerage, merchant processing, transportation infrastructure, retail and staffing/consulting sectors

Investment in Staff to Support Growth at Portfolio-Company Level

- **Albert Spada**, Executive Vice President, Small Business Lending
 - Mr. Spada has been a leader in the commercial lending industry for several decades
 - Prior to joining Small Business Lending, Mr. Spada was Managing Director and Head of Asset Based Finance at Santander Bank in the United States, with responsibility for the ABL and Mortgage Warehouse Finance businesses
 - Prior to Santander, he held the positions of National Sales Leader for Citizens Business Capital, Executive Vice President and Chief Sales Officer of CIT Commercial and Industrial, and spent more than 13 years at GE Commercial Finance in various leadership positions
 - Mr. Spada also held positions at The Bank of New York and Goldman Sachs

Investment in Staff to Support Growth at Portfolio-Company Level



- **Frank Bertelle**, Chief Operating Officer, Newtek Business Credit
 - Prior to joining Newtek Business Credit, Mr. Bertelle served as Senior Vice President, Market Credit Manager for TD Bank N.A. ABL Group, where he managed a team of six credit managers and credit analysts covering 35 accounts with commitments and loans outstanding of \$1.6 billion and \$658 million, respectively
 - Prior to TD Bank, Mr. Bertelle held positions at The CIT Group, Transamerica Business Capital Corp. and The Dai-ichi Kango Bank, LTD

Investment in Staff to Support Growth at BDC

- **James DeSantis**, Newtek Small Business Finance
 - Comes to Newtek with an extensive background in credit underwriting, portfolio management and lending operations
 - As Director of Credit Operations, Mr. DeSantis will report to Peter Downs, Chief Lending Officer
 - Mr. DeSantis will sit on the credit committee and be responsible for supervising all aspects of credit and credit underwriting across Newtek's various lending programs
 - Prior to his current employer, he spent 14 years at GE and over a decade at other prestigious financial institutions
 - Prior to GE, he held positions at other major financial institutions like Bank of America and Citicorp

Newtek Conventional Lending Joint Venture



- May 20, 2019: The Company launched Newtek Conventional Lending, a new platform to provide non-conforming conventional C&I term loans to U.S. middle-market companies and small businesses
- Newtek Conventional Lending is a 50/50 joint venture between Newtek Commercial Lending, Inc., a wholly owned subsidiary of Newtek, and Conventional Lending TCP Holding, LLC, a wholly owned affiliate of BlackRock TCP Capital Corp.
- Newtek and BlackRock TCP will commit an equal amount of equity funding to the JV and each will have equal voting rights on all material matters
- The intended purpose of the JV will be to originate commercial business loans to middle-market companies as well as small businesses
- On April 29, 2019, Newtek Conventional Lending closed a \$100 million senior-secured revolving credit facility with Deutsche Bank. The new facility includes a \$100 million accordion feature, allowing the JV to increase the borrowing available under the facility to \$200 million
- The Company believes the JV investment in the non-conforming conventional loan program could be a material and growing contributor to our future business
- The Company estimates that of the \$18.7 billion in loan referrals in 2018, there could be between 1% and 2% that could qualify for the non-conforming conventional loan program

Newtek Small Business Finance Overview:

SBA 7(a) Loans



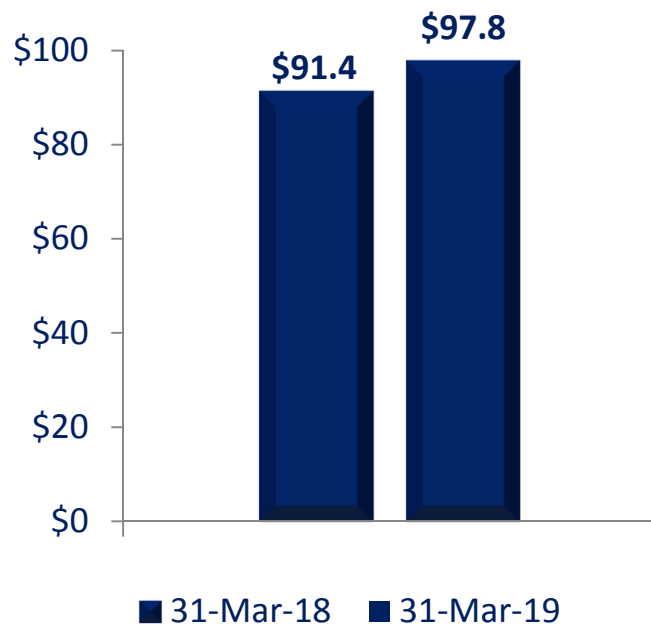
- Currently the largest non-bank lender (with PLP status) licensed by the SBA under the federal Section 7(a) loan program based on annual origination volume
- One of 14 Non-Bank SBA Government-Guaranteed Lender Licenses (new licenses are presently no longer being issued)
- 4th largest SBA 7(a) lender (including banks¹)
- National SBA 7(a) lender to small businesses since 2003; 16-year history of loan default frequency and severity statistics
- Issued 9 S&P-rated AA & A securitizations since 2010
- Small balance, industry and geographically diversified portfolio of 2,049 loans
 - Average loan size is approximately \$181K of average unguaranteed retained loan balance
- Floating rate at Prime plus 2.75% with no caps and quarterly rate adjust; currently equivalent to 8.25% cost to borrower
- No origination fees with 7- to 25-year amortization schedules; receiving a high-quality loan product
- Secondary market established for SBA 7(a) government-guaranteed loans for over 64 years and Newtek establishes liquidity for unguaranteed portions through securitizations

¹As of March 31, 2019

SBA 7(a) Loan Originations & Pipeline Comparisons

SBA 7(a) Loan Fundings Quarter Ended March 31, 2018 vs. 2019

\$ in millions



SBA 7(a) Loan Pipeline

	<u>March 31,</u> <u>2018</u>	<u>March 31,</u> <u>2019</u>
Prequalified Loans	\$165,506,710	\$260,818,578
Loans In Underwriting	111,850,226	61,850,048
Approved Pending Closing	<u>70,969,300</u>	<u>73,840,900</u>
Total Loan Pipeline	<u>\$348,326,236</u>	<u>\$396,509,526</u>

- For the three months ended March 31, 2019, SBA 7(a) loan fundings increased year over year by 7.0%
- At March 31, 2019 the total SBA 7(a) loan pipeline increased by 13.8% over total SBA 7(a) loan pipeline at March 31, 2018

Growth in Loan Referrals

Loan Referrals (\$ in millions)		
Q1 2018	Q1 2019	Year-over-Year % Change
\$ 4,747	\$ 5,339	12.5%

- Q1 2019 loan referrals were approximately \$5.3 billion; a 12.5% year-over-year increase over \$4.7 billion in Q1 2018
- Our large and growing referral volume enables us to select the loans with the best credit quality which helps maintain attractive credit quality standards for our loans

Loan Units Referred		
Q1 2018	Q1 2019	Year-over-Year % Change
17,687	16,743	-5.3%

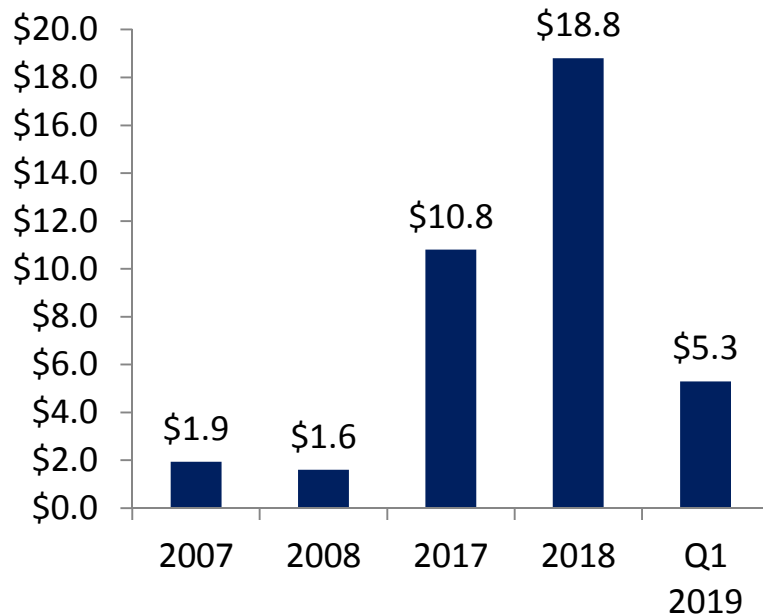
- Q1 2019 loan units referred were 16,743 compared to 17,687 in Q1 2018

NSBF Loan Referral Growth in Dollars & Units: 2007 vs. 2008 vs. 2017 vs. 2018 & Q1 2019

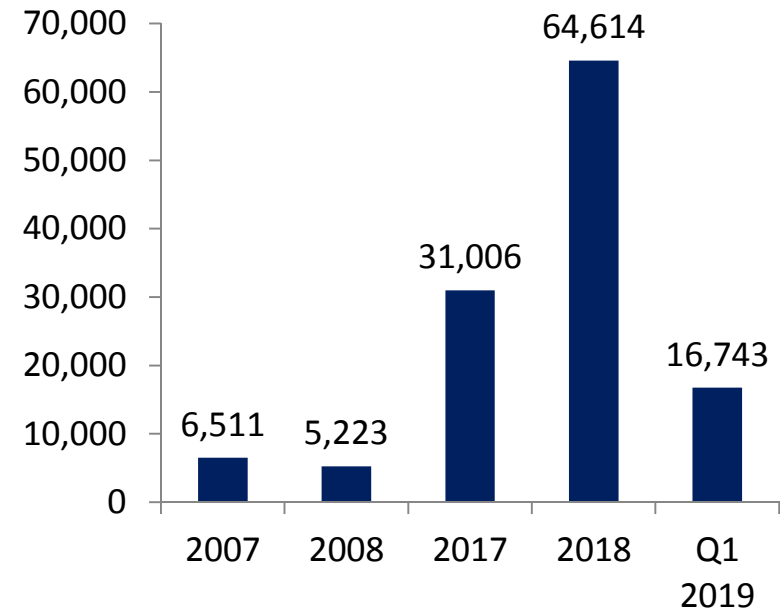
- The graph below represents SBA 7(a) loan referrals from all sources, in both dollars and units

\$ in billions

Lending Referrals in Dollars

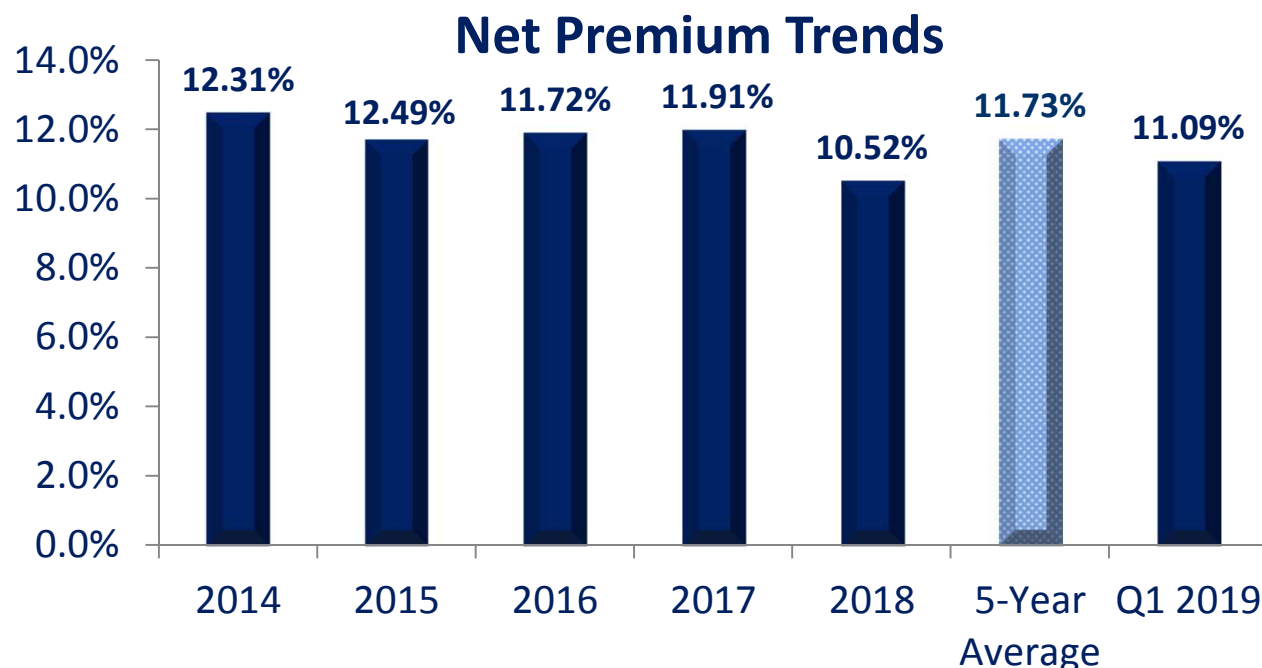


Lending Referrals in Units



- Loan referrals have increased significantly in both gross referral dollars and units over the past 10 years
- Referral growth year over year is broad based and not from any one particular referral source

Average Net Premium From SBA Guaranteed Loan Sales



- For the three months ended March 31, 2019, the weighted average net premium received on the sale of guaranteed portions of SBA 7(a) loans was 11.09%, which was a material improvement over the weighted average net premiums in Q3 2018 and Q4 2018

Note: Post conversion to a BDC in November 2014, amounts are recorded as Net realized gains on non-affiliate investments in the consolidated statements of operations. Premiums above 10% are split 50/50 with the SBA as reflected above.

Loan Portfolio Weighted Average Seasoning

- The following shows the loan portfolio's weighted average seasoning at March 31 for the past three years:
 - At March 31, 2017: 25.8 Months
 - At March 31, 2018: 27.8 Months
 - At March 31, 2019: 28.2 Months

Portfolio Currency & Delinquency Trending Analysis – Total SBA 7(a) Unguaranteed Retained Portfolio



- The following chart shows the performing SBA 7(a) loan portfolio aging and currency at March 31, 2019 compared to March 31, 2018, on a cost basis

Days Past Due	3/31/2019			3/31/2018		
	# of Loans	Retained Principal Balance (in thousands)	% of Portfolio	# of Loans	Retained Principal Balance (in thousands)	% of Portfolio
Current	1,808	\$ 306,174	93.6%	1,509	\$ 263,335	97.1%
31 - 60	40	11,316	3.5%	19	5,154	1.9%
61 - 90	21	4,774	1.4%	7	1,646	0.6%
91 - 120	9	4,873	1.5%	1	93	0.0%
> 120	0	-	0.0%	2	1,021	0.4%
Performing Total	1,878	\$ 327,137	100.0%	1,538	\$ 271,249	100.0%

Note: The table above does not include performing loans in which NSBF owns 100% as a result of NSBF originating the loan and subsequently repurchasing the guaranteed portion from the SBA. The total of 100% NSBF-owned performing loans at 3/31/19 and 3/31/18 was \$4.6 million and \$4.8 million, respectively, and is included in SBA unguaranteed non-affiliate investments on the consolidated statements of assets and liabilities

Sub-Performing and Non-Performing SBA 7(a) Loans - Total Unguaranteed Retained Portfolio



- The following chart shows the sub-performing and non-performing SBA 7(a) loans at March 31, 2019 compared to March 31, 2018 on a cost basis

	3/31/2019			3/31/2018		
	# of Loans	Retained Principal Balance (in thousands)	% of Portfolio	# of Loans	Retained Principal Balance (in thousands)	% of Portfolio
Sub-Performing ¹ (Cash Flowing)	13	\$ 4,355	1.21%	8	\$ 1,468	0.51%
Non-Performing (Liquidation)	150	27,292	7.61%	98	16,817	5.81%
Sub-Performing & Non-Performing Portfolio Total	163	\$ 31,647	8.8%	106	\$ 18,285	6.3%

¹Sub-performing loans are defined as non-performing loans that are cash flowing.

Note: The table above does not include non-performing loans in which NSBF owns 100% as a result of NSBF originating the loan and subsequently repurchasing the guaranteed portion from the SBA. The total of 100% NSBF-owned non-performing loans at 3/31/19 and 3/31/18 was \$6.9 million and \$5.3 million, respectively, and is included in SBA unguaranteed non-affiliate investments on the consolidated statements of assets and liabilities.

Examples of Non-Performing Loans That Paid in Full

- Venus Pizza, Inc.
 - NSBF #1148XX/SBA #96875850XX
 - 9/20/17: loan funded for \$365,000
 - 2/1/19: loan defaulted (business closed)
 - 5/15/19: loan transferred to liquidation
 - 6/10/19: loan paid in full (sale of CRE), not purchased

- Scoler, Inc.
 - NSBF #908XX/SBA #84179350XX
 - 4/29/16: loan funded for \$1,050,000
 - 8/1/18: loan defaulted
 - 10/10/18: loan transferred to liquidation
 - 3/15/19: guaranty purchased
 - 6/18/19: loan paid in full

SBA 7(a) Loan Portfolio Performance: Quarter End Sequential Comparison



Realized Losses (Loan Charge Offs) as a Percentage of Average Outstanding SBA 7(a) Loan Portfolio

	<u>As of</u> <u>06/30/2018</u>	<u>As of</u> <u>09/30/2018</u>	<u>As of</u> <u>12/31/2018</u>	<u>As of</u> <u>03/31/2019</u>
Average 12-Month Outstanding Loan Balance	\$ 279,523,898	\$ 299,039,278	\$ 321,478,938	\$ 334,821,713
Charge Offs - Rolling 12 Months	\$ 1,794,992	\$ 2,514,059	\$ 2,737,960	\$ 2,717,687
Realized Losses (Loan Charge Offs) as a Percentage of Average Outstanding Loan Portfolio	0.64%	0.84%	0.85%	0.81%

- Realized losses represent amounts charged off at the end of liquidation that had been previously written down through fair value depreciation adjustments

NSBF Primary Collateral Type for Originations in: 2007 vs. 2008 vs. 2018

- Represents percentage of loan originations by collateral type in each of: 2007, 2008, and 2018
- NSBF seeks to secure all loans with business and personal assets until a loan is adequately secured or all available collateral is secured
- Most loans have a personal guaranty
- Real property assets tend to have better stability in liquidation values vs. other asset types which can depreciate in value with use, i.e. machinery and equipment

Machinery and Equipment

	# of Loans	Balance (\$)	% of Balance
2007	31	3,723,865	36.79%
2008	18	2,027,900	30.64%
2018	120	28,814,754	25.22%

Commercial Real Estate

	# of Loans	Balance (\$)	% of Balance
2007	21	2,960,395	29.25%
2008	10	1,404,049	21.21%
2018	197	52,124,188	45.62%

Residential Real Estate

	# of Loans	Balance (\$)	% of Balance
2007	55	2,550,375	25.20%
2008	25	1,567,350	23.68%
2018	129	11,983,800	10.49%

Note: In each year, 2007, 2008 and 2018 the loan balance represents the unguaranteed portion of the total loans originated in each of those years.

NSBF Loan Purpose for Originations in: 2007 vs. 2008 vs. 2018

- Represents percentage of loan originations by loan purpose in each of: 2007, 2008, and 2018
- During underwriting, loans are classified into one of three categories based on their loan purpose
- Loans to existing businesses are often times for debt refinance which reduces monthly debt payments, increasing debt coverage or funding for new equipment needed for business growth
- Loans for a start-up business are primarily made to franchises and rely on financial projections, management experience, brand awareness and profitability
- Over the past 10 years, loan originations to start-up businesses have significantly declined

Existing Business

	# of Loans	Balance (\$)	% of Balance
2007	37	3,530,955	34.89%
2008	20	2,940,800	44.43%
2018	451	94,996,191	83.13%

Business Acquisition

	# of Loans	Balance (\$)	% of Balance
2007	26	3,408,325	33.67%
2008	12	1,835,749	27.74%
2018	69	14,619,200	12.79%

Start-up Business

	# of Loans	Balance (\$)	% of Balance
2007	65	3,182,000	31.44%
2008	34	1,841,672	27.83%
2018	49	4,652,325	4.07%

Note: In each year, 2007, 2008 and 2018 the loan balance represents the unguaranteed portion of the total loans originated in each of those years.

NSBF Loan Origination Geography in: 2007 vs. 2008 vs. 2018

- Represents percentage of loan originations by geography in each of: 2007, 2008, and 2018
- Growth in the number of referrals and growth in the number of referral partners has generated referrals over a larger footprint of the United States
- The resulting portfolio is more diversified by industry and geographic location, which could provide insulation from a regional recession or a larger regional weather event such as a hurricane

2007

State	# of Loans	Balance (\$)	% of Balance
FL	24	2,316,955	22.89%
NJ	7	1,327,325	13.11%
VA	7	609,475	6.02%
NY	10	545,950	5.39%
KY	1	500,000	4.94%

2008

State	# of Loans	Balance (\$)	% of Balance
FL	22	1,737,045	26.25%
NY	8	1,582,400	23.91%
TX	7	879,000	13.28%
PA	2	557,700	8.43%
NJ	3	254,375	3.84%

2018

State	# of Loans	Balance (\$)	% of Balance
FL	72	13,436,100	11.76%
TX	46	10,417,234	9.12%
CA	41	10,037,495	8.78%
NY	37	8,980,050	7.86%
CT	28	6,761,550	5.92%

Note: In each year, 2007, 2008 and 2018 the loan balance represents the unguaranteed portion of the total loans originated in each of those years.

SBA 7(a) Loan Sale Transaction

Net Cash Created on SBA 7(a) Loan Sale Transaction – An Example

Key Variables in Loan Sale Transaction	
Loan Amount	\$1,000,000
Guaranteed Balance (75%)	\$750,000
Unguaranteed Balance (25%)	\$250,000
Realized Gain (Premium) ¹	11.09%
Term	25 years

Net Cash Created	
Guaranteed Balance	\$750,000
Realized Gains on Guaranteed Balance ²	\$83,175
Cash Received in Securitization ⁽³⁾	\$208,750
Total	\$1,041,925
Net Cash Created (Post Securitization) ^{4,5}	\$41,925

¹Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 112.18% premium. The additional 2.18% (12.18% - 10%) is split with SBA. NSBF nets 11.09%.

²Assumes 11.09% of the Guaranteed balance.

³Assumes 83.5% advance rate in securitization on unguaranteed balance.

⁴Assuming the loan is sold in a securitization in 12 months.

⁵Net cash created per \$1 million of loan originations.

SBA 7(a) Loan Sale Transaction

Direct Revenue / Expense of an SBA 7(a) Loan Sale Transaction – An Example

Key Variables in Loan Sale Transaction		Resulting Revenue (Expense)	
Loan Amount	\$1,000,000	Associated Premium ²	\$83,175
Guaranteed Balance (75%)	\$750,000	Servicing Asset ³	<u>\$13,200</u>
Unguaranteed Balance (25%)	\$250,000	Total Realized Gain	\$96,384
Realized Gain (Premium) ¹	11.09%	Packaging Fee Income	\$2,500
Term	25 years	FV Non-Cash Adjustment on Uninsured Loan Participations ⁴	\$(6,250)
		Referral Fees Paid to Alliance Partners	<u>\$(7,500)</u>
		Total Direct Expenses	<u>\$(13,750)</u>
		Net Risk-Adjusted Profit Recognized ⁵	\$85,134

¹Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 12.18% premium. The additional 2.18% (12.18% - 10%) is split with SBA. NSBF nets 11.09%.

²Assumes 11.09% of the Guaranteed balance.

³Fair value estimate of servicing asset.

⁴Example assumes a 2.5% discount to reflect cumulative estimate of default frequency and severity among other assumptions.

⁵Net risk-adjusted profit recognized per \$1 million of loan originations.

Portfolio Company Review

SBA 504 Loans: Newtek Business Lending (“NBL”)



- Beginning in 2019, all SBA 504 loans will be originated out of Newtek Business Lending (“NBL”), a wholly owned portfolio company
- The Certified Development Company (“CDC”)/504 Loan Program is a long-term financing tool that provides growing businesses with fixed-rate financing to acquire assets such as land, buildings, and sizeable purchases of equipment
- SBA 504 Loans:
 - Cannot be used for working capital or purchasing inventory (allowed uses under the SBA 7(a) loan program)
 - Loan-to-value (“LTV”) ratio for the borrower of 90%; borrowers contribute 10% equity
 - Gives borrowers a fixed-rate alternative
- NBL has a first lien on collateral with a 50% LTV
- U.S. Government has second lien on collateral subordinate to NBL’s lien
- NBL intends to sell the senior loan participations at anticipated 3-5 point premiums

SBA 504 & Non-Conforming Conventional Loans:

- NBL did not close any SBA 504 loans for the three months ended March 31, 2019 compared to \$3.9 million of SBA 504 loans closed through Newtek Business Credit for the three months ended March 31, 2018
- NBL forecasts full year 2019 SBA 504 loan closings of approximately \$135 million
- NBL forecasts full year 2019 SBA 504 loan fundings of approximately \$100 million
- We are optimistic regarding NBL's SBA 504 loan program due to:
 - Growth in referral volume
 - Pipeline growth
 - Further establishing growth through loan processing offices in Orlando, FL and Boca Raton, FL

SBA 504 Pipeline & Q2 2019 Guidance

- As of March 31, 2019, there were \$90.8 million of SBA 504 loans in NBL's pipeline; a decrease of 51.1% from the same period last year
- Based on the current pipeline and status of the loans within the pipeline, NBL expects second quarter 2019 SBA 504 loan closings of between \$30.0 million and \$35.0 million and loan fundings of approximately \$25.0 million

NBL's SBA 504 Loan Pipeline		
	<u>March 31,</u> <u>2019</u>	<u>March 31,</u> <u>2018</u>
Prequalified Loans	\$33,999,375	\$117,115,804
Loans In Underwriting	24,523,000	27,524,913
Approved Pending Closing	<u>32,305,943</u>	<u>40,922,450</u>
Total SBA 504 Loan Pipeline	<u>\$90,828,319</u>	<u>\$185,563,167</u>

Sample SBA 504 Loan Structure

An example of a typical SBA 504 loan structure is detailed below:

Real Estate Acquisition Loan				
	\$ Amount		\$ Amount	Percent of Total
Purchase Price	\$800,000	1st Mortgage Funded by NBL	\$500,000	50%
Renovations	150,000	Bridge Loan Originally Funded by NBL*	400,000	40%
Soft & Closing Costs	50,000	Borrower Equity Injection	100,000	10%
Total	<u>\$1,000,000</u>	Total	<u>\$1,000,000</u>	<u>100%</u>

- Up to 50% first mortgage
- Up to 40% second mortgage provided by CDC (\$250,000 to \$4.0 million)
- At least 10% equity contribution

*Taken out by CDC funded second mortgage of \$400,000 typically within 60-90 days of funding.

Loan Sale Transaction - SBA 504 Loan

Net Cash Created in SBA 504 Loan Sale Transaction – An Example

Key Variables in Loan Sale Transaction	
Total Projected Financing	\$2,769,300
Senior Loan Balance	\$1,538,500
Junior Bridge Loan Balance ⁽¹⁾	\$1,230,800
Premium	3.00%
Rate	Fixed
Term	10 Years

Net Cash Created Pretax	
Total Senior & Junior Debt	<u>\$2,769,300</u>
Funded Under Bank Facility	\$2,492,370
NBL Equity	\$276,930
Premium Earned	\$46,040
Interest Earned Before Sale ⁽²⁾	\$45,632
Origination Fees	\$27,693
Interest Expense	<u>(\$30,985)</u>
Total	<u>\$2,857,680</u>
Net Cash Created ⁽³⁾	<u>\$88,379</u>
Return on Investment (Gross Operating Profit/ Equity) ⁽⁴⁾	<u>31.91%</u>

- (1) Funded by NBL, to be taken out within 90 days by a junior lender through SBA guaranteed debentures.
- (2) Interest earned on Senior and Junior Bridge loans are outstanding prior to takeout from CDC and loan sale.
- (3) Net cash created equals the addition of Net Premium Earned, Net Interest Earned Before Sale, Origination Fees, less interest expense.
- (4) The first year return on investment is based on net cash created of \$88,379 divided by NBL equity of \$276,930. The holding period for the loan is assumed to be 3 months in this example, but the return is based on the full year.

Portfolio Companies: Newtek Merchant Solutions (“NMS”)¹



- We have owned and operated NMS for 10+ years
- Processed approximately \$6.1 billion in electronic payments volume in 2018
- NMS Q1 2019 Adjusted EBITDA* increased by 13.2% over the same period last year

2019 Forecast

- 2019 Revenue: \$129.0 million
- 2019 Adjusted EBITDA*: \$15.5 million

Valuation & Financial Performance

- Payment processing businesses combined fair market value of \$116.25 million², net of debt as of 3/31/19, which equates to approximately 7.5x FY 2019 forecasted Adjusted EBITDA*

Publicly Traded Comparable Companies

Name (Symbol)	2019 Enterprise Value / 2019 Forecasted EBITDA ³
▪ i3 Verticals (IIIV)	21.7x
▪ Jet Pay (JTPY)	22.9x
▪ EVO Payments (EVOP)	18.5x
▪ Worldpay Inc. (WP)	20.7x
▪ Global Payments (GPN)	17.3x
▪ First Data Corporation (FDC)	11.6x

¹ Premier Payments LLC, merged into NMS on December 31, 2018.

²See Form 10-K, for the year ended December 31, 2018, for specific valuation methodologies for controlled portfolio companies. ³Multiples calculated using Bloomberg as of April 30, 2019. *See page 47 for definition of Adjusted EBITDA.

Technology Portfolio Companies

- Newtek's technology portfolio companies include Newtek Technology Solutions ("NTS"), IPM and Sidco, LLC, d/b/a Cloud Nine Services ("C9")
- NTS, IPM and C9 have a combined fair market value of \$10.8 million, net of debt as of March 31, 2019
- NTS is a managed technology & cloud computing business, wholly owned and managed for 10+ years
- IPM provides professional technology solutions and consulting services
- C9 provides white-labeled professional services for some of the largest software companies in world

Cloud Services: Significant Market Opportunity

- Significant opportunity exists in the cloud services space
- NTS has a full suite of IT infrastructure services
- Existing and potential clients can leverage NTS' existing data centers in lieu of building their own data center which is costly and time consuming
- NTS can provide cost effective and timely cloud solutions to its clients providing a significant market opportunity for NTS
- ITaaS, DaaS, DRaaS, SaaS, secure email, hybrid cloud, private cloud and public cloud

Investment Summary

- Newtek Business Services Corp. has a differentiated BDC model
- Newtek is an **internally managed BDC**; does not pay a management fee to an external manager
- Portfolio companies are wholly owned, most for over 10 years
- Portfolio company dividends tend to be less sensitive to credit risk, interest rates and inflation, and could potentially benefit with such increases
- Forecast paying an annual cash dividend of \$1.90 per share in 2019
- Proven track record; Established in 1998; publically traded since September 2000
- Over 16-year lending history through multiple lending cycles; great depth and breadth of experience
- NSBF does not purchase repackaged loans; instead, originates on a true retail basis leading to strong credit quality and loan performance
- Small balance, industry and geographically diversified portfolio of 2,049 loans with an average loan size of approximately \$181K of the average unguaranteed retained loan balance
- Floating rate notes without a cap, tied to Prime and with a quarterly rate adjust
- Management's interests aligned with shareholders; management and Board combined own approximately 6.8% of outstanding shares as of March 31, 2019
- **No** derivative securities in BDC; **No** SBIC leverage; **Do not** invest in CDOs or loans with equity kickers, **No** 2nd lien or mezzanine financing as a business line
- **No** direct lending exposure to oil and gas industry

Additional Financial Information

Consolidated Statements of Operations

Newtek Business Services Corp. and Subsidiaries



(in thousands except per share data amounts)

	Three Months Ended March 31,	
	2019	2018
Investment income:		
Interest income	\$ 7,234	\$ 5,323
Dividend income	3,181	2,625
Servicing income	2,428	2,065
Other income	921	1,055
Total investment income	13,764	11,068
Expenses:		
Salaries and benefits	3,588	4,878
Interest	4,735	3,512
Depreciation and amortization	129	120
Professional fees	984	940
Origination and servicing	1,653	1,605
Origination and servicing - related party	2,188	—
Change in fair value in contingent consideration liabilities	46	10
Loss on extinguishment of debt	—	1,059
Other general and administrative costs	1,427	1,717
Total expenses	14,750	13,841
Net investment loss	(986)	(2,773)
Net realized and unrealized gains (losses):		
Net realized gain on investments	9,344	9,881
Net unrealized appreciation on investments, net of deferred taxes	1,281	1,583
Net unrealized depreciation on servicing assets	(556)	(579)
Net realized and unrealized gains	10,069	10,885
Net increase in net assets resulting from operations	\$ 9,083	\$ 8,112
Net investment loss per share	\$ (0.05)	\$ (0.15)
Net increase in net assets resulting from operations per share	\$ 0.48	\$ 0.44
Weighted average shares outstanding	19,003	18,495

Non-GAAP Financial Measures

Newtek Business Services Corp. and Subsidiaries

In evaluating its business, Newtek considers and uses Adjusted Net Investment Income ("ANII") as a measure of its operating performance. ANII includes short-term capital gains from the sale of the guaranteed portions of SBA 7(a) loans and a non-conforming conventional loan, and beginning in 2016, capital gain distributions from controlled portfolio companies, which are reoccurring events. The Company defines ANII as Net investment income (loss) plus Net realized gains (losses) recognized from the sale of guaranteed portions of SBA 7(a) loans and conventional loan investments, plus or minus Loss on lease adjustment, plus the net realized gains on controlled investments (beginning in 2016 as it is anticipated this will be reoccurring income), plus or minus the change in fair value of contingent consideration liabilities, plus loss on extinguishment of debt.

The term Adjusted Net Investment Income is not defined under U.S. generally accepted accounting principles, or U.S. GAAP, and is not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP. Adjusted net investment income has limitations as an analytical tool and, when assessing the Company's operating performance, investors should not consider ANII in isolation, or as a substitute for net investment income (loss), or other consolidated income statement data prepared in accordance with U.S. GAAP. Among other things, Adjusted net investment income does not reflect the Company's actual cash expenditures. Other companies may calculate similar measures differently than Newtek, limiting their usefulness as comparative tools. The Company compensates for these limitations by relying primarily on its GAAP results supplemented by ANII.

Non-GAAP Financial Measure: Adjusted Net Investment Income



Newtek Business Services Corp. and Subsidiaries Adjusted Net Investment Income For the Three Months Ended March 31, 2019 and 2018

<i>(in thousands, except per share amounts)</i>	Three months ended March 31, 2019	Per share	Three months ended March 31, 2018	Per share
Net investment loss	\$ (986)	\$ (0.05)	\$ (2,773)	\$ (0.15)
Net realized gain on non-affiliate investments - SBA 7(a) loans	9,344	0.49	9,881	0.53
Loss on lease	(78)	(0.00)	(76)	(0.00)
Change in fair value of contingent consideration liabilities	46	0.00	10	0.00
Loss on debt extinguishment	-	-	1,059	0.06
Adjusted Net investment income	<u>\$ 8,326</u>	<u>\$ 0.44</u>	<u>\$ 8,101</u>	<u>\$ 0.44</u>

Note: Per share amounts may not foot due to rounding

Non-GAAP Financial Measures

Newtek's Controlled Portfolio Company Investments

The Company's controlled portfolio company investments define Adjusted EBITDA as earnings before net interest expense, taxes, depreciation and amortization, impairment, loss on extinguishment of debt, gain on sale of merchant portfolio and managerial assistance fees. Adjusted EBITDA is used as a supplemental measure to review and assess the operating performance of the controlled portfolio companies. The Company's controlled portfolio companies also present Adjusted EBITDA because the Company believes it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance.

The term Adjusted EBITDA is not defined under U.S. generally accepted accounting principles, or U.S. GAAP, and is not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP. Adjusted EBITDA has limitations as an analytical tool and, when assessing the portfolio company's operating performance, investors should not consider Adjusted EBITDA in isolation, or as a substitute for net income, or other income statement data prepared in accordance with U.S. GAAP. Among other things, Adjusted EBITDA does not reflect the controlled portfolio companies' actual cash expenditures. Other companies may calculate similar measures differently than the controlled portfolio company, limiting their usefulness as comparative tools. The Company compensates for these limitations by relying primarily on its GAAP results supplemented by Adjusted EBITDA.

2019 Projected Adjusted EBITDA Reconciliation – Electronic Payment Processing (Newtek Merchant Solutions)

	Year Ended	
<i><u>(in millions)</u></i>	December 31, 2019	
Pretax income	\$	10.2
Interest expense, net		2.2
Depreciation and amortization		2.5
Managerial assistance fees		0.6
Adjusted EBITDA	\$	15.5