

**Newtek Business Services Corp.**  
**NASDAQ: NEWT**

**Raymond James Institutional  
Investors Conference**

**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.

- The financial information in this presentation is as of September 30, 2018
- The Company will report its full year 2018 financial results after the market closes this afternoon
- A conference call to discuss these results will be held tomorrow, Thursday, March 7, 2019 at 8:30 am ET
- The live conference call can be accessed by dialing (877) 303-6993 or (760) 666-3611
- A live webcast of the call and the corresponding presentation will be available in the 'Events & Presentations' section of the Investor Relations portion of Newtek's website at <http://investor.newtekbusinessservices.com/events-and-presentations>
- A replay of the webcast with the corresponding presentation will be available on Newtek's website shortly following the live presentation and will be available for a period of 90 days

- 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 \$1.84<sup>1</sup> per share in 2019
  - Newtek and its controlled portfolio companies offer state-of-the-art, cost-efficient products and business solutions to over 100,000 SMB accounts across all 50 States including:
    - SBA 7(a) Lending
    - SBA 504 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

<sup>1</sup>Amount 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<sup>®</sup> and Amazon.com<sup>®</sup> have done to disrupt their markets
- Newtek acquires clients cost effectively using NewTracker<sup>®</sup>, 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<sup>®</sup>
  - 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, Legacy Bank, Navy Federal Credit Union, Meineke Mufflers, NYS Academy of Trial Lawyers, LLC, Randolph Brooks Federal Credit Union, E-Insure, 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 the business needs across many products and services
- [www.newtekone.com](http://www.newtekone.com)
- Drive traffic to subsidiary and portfolio company product pages as The Business Solutions Company
  - Newtek Business Finance Solutions - [Newtekone.com/loans](http://Newtekone.com/loans)
  - Newtek Payment Solutions - [Newtekone.com/payments](http://Newtekone.com/payments)
  - Newtek Technology Solutions - [Newtekone.com/technology](http://Newtekone.com/technology)
  - Newtek Payroll and Benefits Solutions - [Newtekone.com/payrollbenefits](http://Newtekone.com/payrollbenefits)
  - Newtek Insurance Agency Solutions - [Newtekone.com/insurance](http://Newtekone.com/insurance)

# Third Quarter 2018 Financial Highlights

- Total investment income of \$12.4 million for the three months ended September 30, 2018; an increase of 29.0% over total investment income of \$9.6 million for the three months ended September 30, 2017
- Net investment loss of \$(1.4) million, or \$(0.08) per share, for the three months ended September 30, 2018, compared to a net investment loss of \$(1.2) million, or \$(0.07) per share, for the three months ended September 30, 2017
- Adjusted net investment income (“ANII”) of \$9.3 million, or \$0.50 per share, for the three months ended September 30, 2018; an increase of 10% on a per share basis compared to ANII of \$7.9 million, or \$0.45 per share, for the three months ended September 30, 2017
  - Beat analysts’ ANII consensus estimates<sup>1</sup> by \$0.03 per share
- Net asset value (“NAV”) of \$287.9 million, or \$15.28 per share; an increase of 1.3% over NAV of \$15.08 per share at December 31, 2017
- Debt-to-equity ratio of 104.9% at September 30, 2018
  - At September 30, 2018, proforma debt-to-equity ratio was 93.6% as a result of the settlement of government-guaranteed portions of SBA 7(a) loans sold prior to September 30, 2018, 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 12.4% to \$513.5 million at September 30, 2018, from \$456.7 million at December 31, 2017

\*See page 36 for definition of ANII. <sup>1</sup>Analyst consensus estimates as per Bloomberg on November 2, 2018

## Non-Conforming Conventional Loan Program

- On November 27, 2018, a wholly-owned affiliate of Newtek Business Services Corp. (“Newtek”), Newtek Commercial Lending, Inc., and a wholly-owned affiliate of BlackRock TCP Capital Corp. (“BlackRock TCP”), Conventional Lending TCP Holdings LLC, entered into a joint venture, Newtek Conventional Lending, LLC (the “JV”), governed by the Limited Liability Company Agreement for the JV
- Newtek and BlackRock TCP each committed to contribute an equal share of up to \$100 million in equity funding to the JV and each will have equal voting rights on all material matters
- The JV intends to deploy capital over the course of time with additional leverage supported by a warehouse line of credit
- The JV expects to close a \$100 million senior-secured revolving credit facility with an investment bank, with a \$100 million accordion feature, allowing the JV to increase the borrowing available under the JV’s credit facility to \$200 million, which would be used to fund and securitize non-conforming conventional loans
- The intended purpose of the JV will be to originate commercial business loans to middle-market companies as well as small businesses
- The Company believes the JV investment in the non-conforming conventional loan program could have a positive impact on 2019 performance



# Debt-to-Equity Ratio Explanation

Newtek Business Services Corp. and Subsidiaries Debt to equity ratio, actual as of September 30, 2018	
<b>Actual Debt to Equity ratio at September 30, 2018:</b>	
Total senior debt	\$ 302,167
Total equity	\$ 287,936
Debt to equity ratio - actual at September 30, 2018	<u>104.9%</u>

- Newtek funds both the unguaranteed and guaranteed portions of 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 loans are sold and settled, the debt-to-equity ratio will fluctuate
- As of September 30, 2018, there were approximately \$39.3 million of loans sold pending settlement (broker receivable) against our line of credit

Newtek Business Services Corp. and Subsidiaries Debt to equity ratio - proforma at September 30, 2018	
<i>(in thousands):</i>	
Broker receivable, including premium income receivable	\$ 39,259
Less: premium income included in broker receivable	<u>(3,103)</u>
Broker receivable	36,156
90% advance rate on SBA guaranteed non-affiliate portions of loans sold, not settled	\$ 32,540

<b>Proforma debt adjustments:</b>	
Total Senior Debt as of September 30, 2018	\$ 302,167
Proforma adjustment for broker receivable as of September 30, 2018, as calculated above	<u>(32,540)</u>
Total proforma debt at September 30, 2018	<u>\$ 269,627</u>

<b>Proforma Debt to Equity ratio at September 30, 2018:</b>	
Total proforma debt	\$ 269,627
Total equity	\$ 287,936
Debt to equity ratio - proforma at September 30, 2018	<u>93.6%</u>

# 2018 Dividend Payments and 2019 Dividend Forecast

- The Company paid cash dividends totaling \$1.80 per share during 2018, an increase of 9.8% over 2017 cash dividends of \$1.64 per share
- The Company forecasts paying an annual cash dividend of \$1.84<sup>1</sup> per share in 2018, a 2.2% increase over the 2018 cash dividend of \$1.80 per share
- February 15, 2019: Newtek's Board of Directors declared a first quarter 2019 cash dividend of \$0.40 per share, payable on March 29, 2019 to shareholders of record as of March 15, 2019
- For the past four 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 2018 annual dividend payout to be between 90% to 100% of our taxable income, with the goal of 95%, the midpoint of the range

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

## Third Quarter 2018 SBA 7(a) Lending Highlights

- NSBF funded \$122.4 million of SBA 7(a) loans during the three months ended September 30, 2018; an increase of 18.1% over \$103.6 million of SBA 7(a) loans funded for the three months ended September 30, 2017
- NSBF forecasts full year 2018 SBA 7(a) loan fundings of between \$465 million and \$485 million, which would represent an approximate 23% increase, at the midpoint of the range, over SBA 7(a) loan fundings for the twelve months ended December 31, 2017
- NSBF forecasts full year 2019 SBA 7(a) loan fundings of between \$580 million and \$620 million

- Sufficient capital available
- Do not forecast a significant change in loan demand to reach the 2019 SBA 7(a) loan funding forecast
- Throughout 2018, we have 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

# Newtek's 9<sup>th</sup> & Largest Securitization

- On November 8, 2018, Newtek closed its ninth and largest small business loan securitization, for the sale of \$108.6 million in Unguaranteed SBA 7(a) Loan-Backed Notes (the “Notes”), Series 2018-1
- Offering consists of 2 Classes of Notes:
  - Class A Notes: \$82.9 million, rated ‘A’ by Standard and Poor’s
  - Class B Notes: \$25.7 million rated ‘BBB-’ by Standard and Poor’s
- The Notes had an 83.5% advance rate, an approximate 4.0% improvement over the most recent securitization in November 2017, making it the highest advance rate of all securitizations to date
- The Notes were priced at an average initial yield of 4.32% (Note: interest rates will be floating rate) across both classes
  - Received the best pricing in our securitization history with an approximate 30 basis point reduction in the spread over LIBOR on the Class A Notes compared to our November 2017 securitization
- Deutsche Bank Securities Inc. acted as sole bookrunner for the sale of the Notes and Capital One Securities, Inc. acted as co-manager for the offering
- Exercised the optional redemption of rated notes in the 2013-1 securitization transaction, effectively retiring that deal and adding seasoned collateral to our 2018-1 securitization transaction
  - As a result, we were able to release approximately \$15.0 million in cash from a reserve fund as well as the overcollateralization on the notes, which can be used to further grow our business

# Positive Effects of Rising Interest Rates

- Interest income increases in a rising-rate environment with a floating rate loan portfolio
  - Interest rate on loan portfolio is PRIME plus 2.75%, which is equivalent to an **8.25%** current coupon to Newtek
  - The Notes in our 2018-1 securitization transaction were priced at an average initial yield of approximately **4.32%** (Note: interest rates will be floating rate) across both classes
  - Equivalent to a spread of approximately 360-370 basis points
- Experience faster prepayment speeds in a rising-rate environment
  - Higher prepayment speeds could lead to more frequent exercising of redemptions of older securitization transactions and in turn allow for greater cash flow in the securitization, which can assist us in cost-effectively financing our growth
  - Expect to be a more frequent issuer in 2019, with larger deal sizes as we grow our loan platform as well as continue to exercise redemptions of older deals due to the higher prepayment rates we are experiencing

## Reduced Cost of Capital at Portfolio Companies

- Premier Payments LLC and Newtek Merchant Solutions, two of the Company's wholly owned payment processing portfolio companies, closed \$50 million in financing arranged by Webster Bank
- The \$50 million in financing consists of a \$35 million five-year term loan, and a \$15 million revolving credit facility
- These portfolio companies will use a portion of this financing to repay the \$40 million outstanding balance and retire the \$50 million facility with Goldman Sachs Specialty Lending Group L.P., an affiliate of the Goldman Sachs Group Inc.
- The financing with Webster Bank represents a 350 basis point improvement over the interest rate on the term loan with their existing lender
- The Company believes this interest rate reduction will increase the available distributable income at the portfolio companies, which could positively impact the Company's earnings

- Currently the largest non-bank lender 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)
- 5<sup>th</sup> largest SBA 7(a) lender (including banks<sup>1</sup>) with PLP status
- National SBA 7(a) lender to small businesses since 2003; 15-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 1,844 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 61 years and Newtek establishes liquidity for unguaranteed portions through securitizations

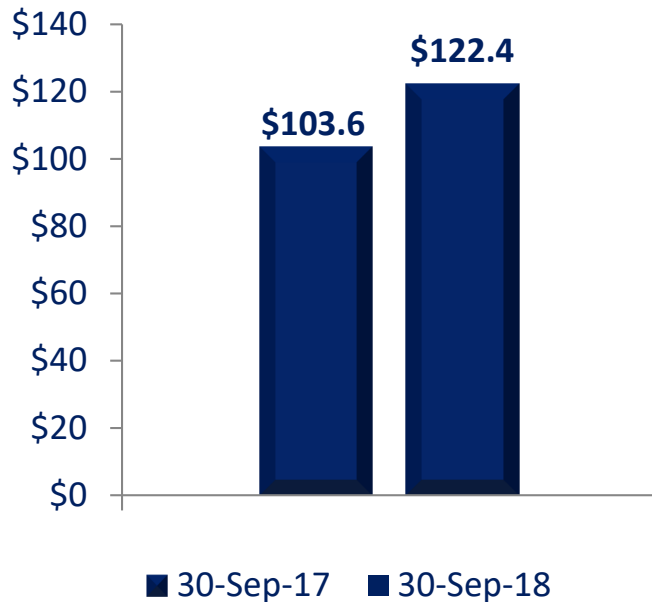
<sup>1</sup>As of September 30, 2018



# SBA 7(a) Loan Originations & Pipeline Comparisons

## SBA 7(a) Loan Fundings Three Months Ended September 30, 2017 vs. 2018

\$ in millions



SBA 7(a) Loan Pipeline		
	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Prequalified Loans	\$164,260,775	\$112,485,322
Loans In Underwriting	106,489,037	65,901,600
Approved Pending Closing	<u>71,491,300</u>	<u>54,359,700</u>
<b>Total Loan Pipeline</b>	<b><u>\$342,241,112</u></b>	<b><u>\$232,746,622</u></b>

- For the three months ended September 30, 2018, SBA 7(a) loan fundings increased year over year by 18.1%
- For the three months ended September 30, 2018, total SBA 7(a) loan pipeline increased year over year by 47%

# Quarterly Year-Growth in Loan Referrals

Loan Referrals (\$ in millions)		
Q3 2017	Q3 2018	Year-over-Year % Change
\$ 2,567	\$ 4,961	93.3%

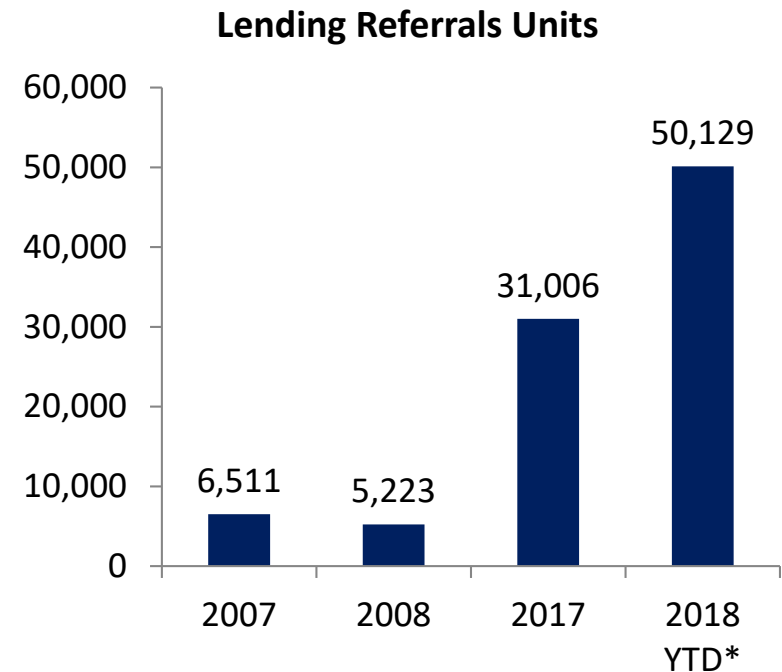
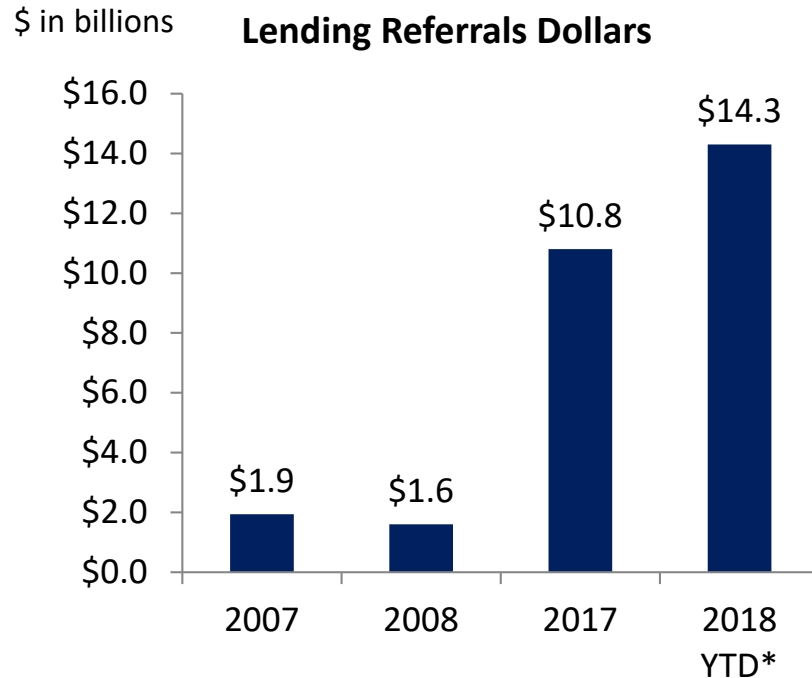
- Q3 2018 loan referrals were approximately \$5.0 billion; a 93.3% year-over-year increase over \$2.6 billion in Q3 2017

Loan Units Referred		
Q3 2017	Q3 2018	Year-over-Year % Change
7,900	17,370	119.9%

- Q3 2018 loan units referred were 17,370; a 119.9% year-over-year increase over 7,900 in Q3 2017

# NSBF Lending Referral Growth in Dollars & Units: 2007 vs. 2008 vs. 2017

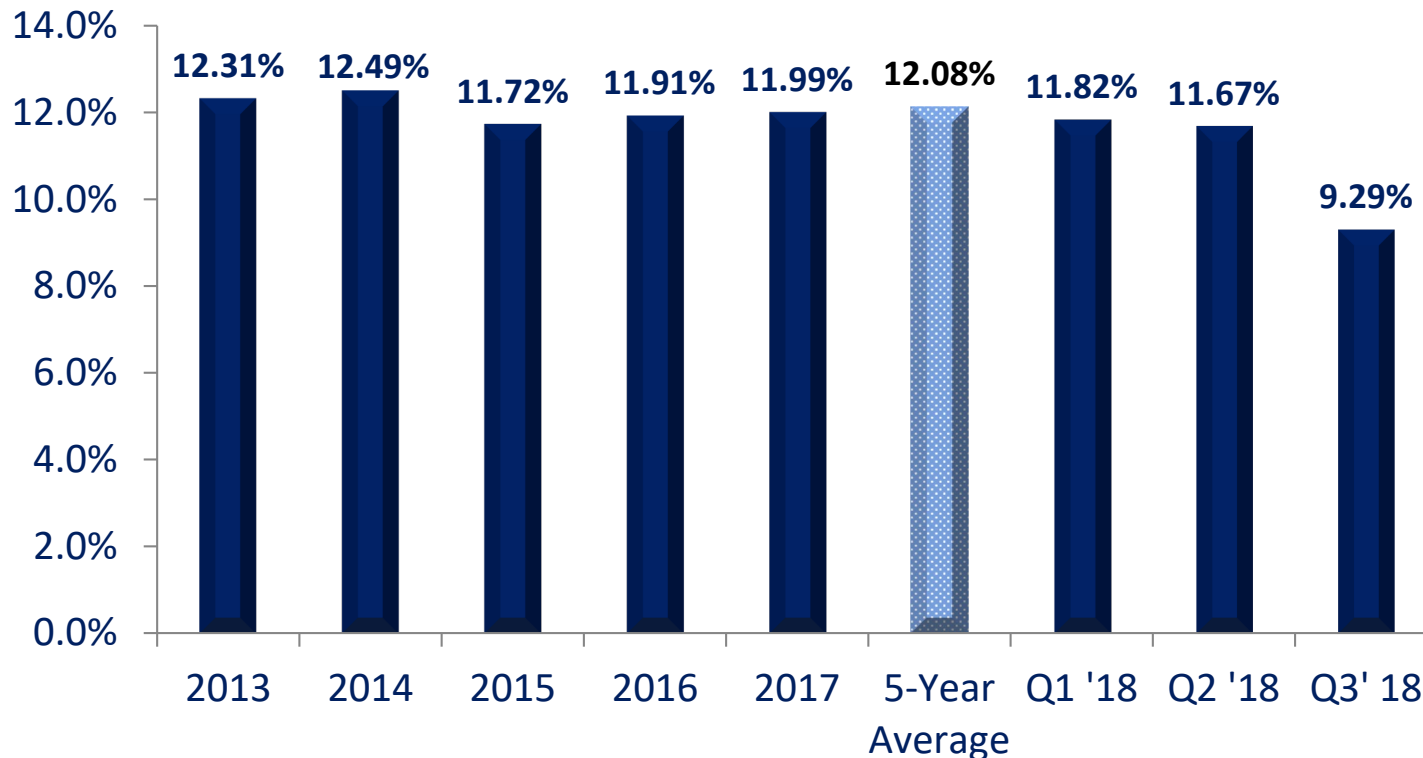
- The graph below represents SBA 7(a) loan referrals from all sources, in both dollars and units



- Lending referrals have increased significantly in both gross referral dollars and units over the past 10 years
- Expect to receive between \$18.0 billion and \$19.0 billion of loan referrals in 2018, almost double the \$10.8 billion received in 2017
- Referral growth year over year is broad based and not from any one particular referral source

<sup>1</sup>Year-to-date as of September 30, 2018

## Net Premium Trends



- For the three months ended September 30, 2018, the weighted average net premium received on the sale of guaranteed portions of SBA loans was 9.29%
- The decline in the weighted average net premium was the result of market conditions, particularly a higher interest rate environment which led to higher prepayments

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.

# SBA 7(a) Loan Portfolio Performance

## Cumulative SBA Non-Performing 7(a) Loan Portfolio as a Percentage of Total SBA 7(a) Loan Portfolio

<i>(in thousands)</i>	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>
SBA 7(a) Unguaranteed Non-Performing Investments, at amortized cost	\$ 9,529	\$ 14,973	\$ 19,459	\$ 33,393
Net Unrealized Depreciation on Non-Performing SBA 7(a) Loans	(4,222)	(6,128)	(9,670)	(14,270)
SBA 7(a) Unguaranteed Non-Performing Investments, at fair value	\$ 5,307	\$ 8,845	\$ 9,789	\$ 19,123
Total Outstanding Loan Portfolio - Fair Value	\$ 144,290	\$ 196,609	\$ 257,136	\$ 330,165
<b>SBA 7(a) Non-Performing Loan Portfolio, at fair value, as a Percentage of Total Outstanding SBA 7(a) Loan Portfolio</b>	<b>3.7%</b>	<b>4.5%</b>	<b>3.8%</b>	<b>5.8%</b>

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

	<u>As of September 30, 2017</u>	<u>As of September 30, 2018</u>
Average 12-Month Outstanding Loan Balance	\$ 234,788,928	\$ 299,039,278
Charge Offs - Rolling 12 Months	\$ 292,573	\$ 2,514,059
<b>Realized Losses (Loan Charge Offs) as a Percentage of Average Outstanding Loan Portfolio</b>	<b>0.45%</b>	<b>0.84%</b>

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

# NSBF Collateral Type for Originations in: 2007 vs. 2008 vs. 2017

- Represents percentage of loan originations by collateral type in each of: 2007, 2008, and 2017
- 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

	<u># of Loans</u>	<u>Balance (\$)</u>	<u>% of Balance</u>
2007	31	3,723,865	36.79%
2008	18	2,027,900	30.64%
2017	76	11,766,350	13.23%

## Commercial Real Estate

	<u># of Loans</u>	<u>Balance (\$)</u>	<u>% of Balance</u>
2007	21	2,960,395	29.25%
2008	10	1,404,049	21.21%
2017	195	44,944,643	50.52%

## Residential Real Estate

	<u># of Loans</u>	<u>Balance (\$)</u>	<u>% of Balance</u>
2007	55	2,550,375	25.20%
2008	25	1,567,350	23.68%
2017	97	8,795,435	9.89%

Note: In each year, 2007, 2008 and 2017 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. 2017

- Represents percentage of loan originations by loan purpose in each of: 2007, 2008, and 2017
- 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

	<u># of Loans</u>	<u>Balance (\$)</u>	<u>% of Balance</u>
2007	37	3,530,955	34.89%
2008	20	2,940,800	44.43%
2017	394	77,704,537	87.34%

## Business Acquisition

	<u># of Loans</u>	<u>Balance (\$)</u>	<u>% of Balance</u>
2007	26	3,408,325	33.67%
2008	12	1,835,749	27.74%
2017	41	8,076,275	9.08%

## Start-up Business

	<u># of Loans</u>	<u>Balance (\$)</u>	<u>% of Balance</u>
2007	65	3,182,000	31.44%
2008	34	1,841,672	27.83%
2017	34	3,185,035	3.58%

Note: In each year, 2007, 2008 and 2017 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. 2017

- Represents percentage of loan originations by geography in each of: 2007, 2008, and 2017
- 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

<u>State</u>	<u># of Loans</u>	<u>Balance (\$)</u>	<u>% of Balance</u>
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

<u>State</u>	<u># of Loans</u>	<u>Balance (\$)</u>	<u>% of Balance</u>
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%

## 2017

<u>State</u>	<u># of Loans</u>	<u>Balance (\$)</u>	<u>% of Balance</u>
NY	58	10,777,975	12.11%
CA	40	7,752,169	8.71%
FL	52	7,073,540	7.95%
IL	18	4,522,750	5.08%
NC	20	4,178,325	4.70%

Note: In each year, 2007, 2008 and 2017 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		Net Cash Created	
Loan Amount	\$1,000,000	Guaranteed Balance	\$750,000
Guaranteed Balance (75%)	\$750,000	Realized Gains on Guaranteed Balance <sup>2</sup>	\$69,675
Unguaranteed Balance (25%)	\$250,000	Cash Received in Securitization <sup>(3)</sup>	\$208,750
Realized Gain (Premium) <sup>1</sup>	9.29%	Total	\$1,028,425
Term	25 years	Net Cash Created (Post Securitization) <sup>4,5</sup>	\$28,425

<sup>1</sup>Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 9.29% premium, so there is not a split on the premium with the SBA.

<sup>2</sup>Assumes 9.29% of the Guaranteed balance.

<sup>3</sup>Assumes 83.5% advance rate in securitization on unguaranteed balance.

<sup>4</sup>Assuming the loan is sold in a securitization in 12 months.

<sup>5</sup>Net 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 <sup>2</sup>	\$69,675
Guaranteed Balance (75%)	\$750,000	Servicing Asset <sup>3</sup>	<u>\$13,200</u>
Unguaranteed Balance (25%)	\$250,000	Total Realized Gain	\$82,875
Realized Gain (Premium) <sup>1</sup>	9.29%	Packaging Fee Income	\$2,500
Term	25 years	FV Non-Cash Adjustment on Uninsured Loan Participations <sup>4</sup>	\$(6,250)
		Referral Fees Paid to Alliance Partners	<u>\$(7,500)</u>
		Total Direct Expenses	<u>\$(13,750)</u>
		Net Risk-Adjusted Profit Recognized <sup>5</sup>	<b>\$71,625</b>

<sup>1</sup>Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at an 9.29% premium, so there is not a split on the premium with the SBA.

<sup>2</sup>Assumes 9.29% of the Guaranteed balance.

<sup>3</sup>Fair value estimate of servicing asset.

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

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

## Portfolio Company Review

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# SBA 504 Loans: Focus for Portfolio Companies

- 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 7(a) program)
  - Loan-to-value (“LTV”) ratio for the borrower of 90%; borrowers contribute 10% equity
  - Gives borrowers a fixed-rate alternative
- Portfolio company has a first lien on collateral with a 50% LTV
- U.S. Government has second lien on collateral subordinate to the portfolio Company’s lien
- Portfolio company intends to sell the senior loan participations at anticipated 3-5 point premiums

- Newtek Business Credit (“NBC”) & Newtek Business Lending (“NBL”), wholly owned portfolio companies, closed \$5.0 million of SBA 504 loans for the three months ended September 30, 2018; as compared to \$4.8 million of SBA 504 loans closed during the three months ended September 30, 2017
- NBC & NBL funded \$4.7 million of SBA 504 loans for the three months ended September 30, 2018; as compared to \$4.8 million of SBA 504 loans funded during the three months ended September 30, 2017
- Year to date through September 30, 2018, NBC and NBL funded \$28.8 million of SBA 504 and non-conforming conventional loans, and NBSC funded a \$5.7 million non-conforming conventional loan for a total of \$34.5 million of SBA 504 loans and conventional loans
- We are optimistic regarding our portfolio Company 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

- As of September 30, 2018, there were \$143.8 million of SBA 504 loans in NBL's pipeline; as compared to \$41.7 million in the same period last year

<b>NBL's SBA 504 Loan Pipeline</b>		
	<u>September 30,</u> <u>2017</u>	<u>September 30,</u> <u>2018</u>
Prequalified Loans	\$19,566,355	\$54,833,647
Loans In Underwriting	18,718,835	54,503,380
Approved Pending Closing	<u>3,400,000</u>	<u>34,461,517</u>
<b>Total Loan Pipeline</b>	<b><u>\$41,685,190</u></b>	<b><u>\$143,798,544</u></b>

# 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%
<b>Total</b>	<b>\$1,000,000</b>	<b>Total</b>	<b>\$1,000,000</b>	<b>100%</b>

- 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 <sup>(1)</sup>	\$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 <sup>(2)</sup>	\$45,632
Origination Fees	\$27,693
Interest Expense	<u>(\$30,985)</u>
Total	<u>\$2,857,680</u>
Net Cash Created <sup>(3)</sup>	<u>\$88,379</u>
Return on Investment (Gross Operating Profit/ Equity) <sup>(4)</sup>	<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 – Electronic Payment Processing (“EPP”)

- EPP includes Newtek Merchant Solutions and Premier Payments LLC (Newtek Payment Solutions)
- We have owned and operated Newtek Merchant Solutions for 10+ years
- Processed approximately \$6.1 billion in electronic payments volume in 2017
- Premier Payments LLC and Newtek Merchant Solutions, closed a \$35 million term loan and a \$15 million revolving line of credit arranged by Webster Bank, which reduces their interest spread over LIBOR by 350 basis points compared to the interest rate on the term loan with the existing lender

## 2018 Forecast

- 2018 Revenue: \$118.0 million
- 2018 Adjusted EBITDA\*: \$15.0 million

## Valuation & Financial Performance

- Payment processing businesses combined fair market value of \$112.5 million<sup>2</sup>, net of debt as of 09/30/18, which equates to approximately 7.5x FY 2018 forecasted Adjusted EBITDA\*

## Publicly Traded Comparable Companies

Name (Symbol)	2017 Enterprise Value / 2018 Forecasted EBITDA <sup>1</sup>
▪ i3 Verticals (IIIV)	21.6x
▪ Jet Pay (JTPY)	22.9x
▪ EVO Payments (EVOP)	16.0x
▪ Worldpay Inc. (WP)	19.6x
▪ Global Payments (GPN)	15.8x
▪ First Data Corporation (FDC)	11.4x

Note: See Form 10-Q, for the quarter ended September 30, 2018, for specific valuation methodologies for controlled portfolio companies. <sup>1</sup>Multiples calculated using Bloomberg as of November 5, 2018. <sup>2</sup>Represents Newtek Merchant Solutions and Newtek Payment Solutions valued at \$89.5 million and \$23.0 million, respectively, at 9/30/18. \*See page 39 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 \$20.1 million, net of debt as of September 30, 2018
- 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

# Investment Summary

- Newtek Business Services Corp. has a differentiated BDC model
- Newtek is an **internally managed BDC**; does not pay a 4% 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 \$1.84 per share in 2019
- Proven track record; Established in 1998; publically traded since September 2000
- Over 15-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 1,844 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 6.3% of outstanding shares as of September 30, 2018
- **No** derivative securities in BDC; **No** SBIC leverage; **Do not** invest in CDOs or loans with equity kickers, **No** 2<sup>nd</sup> lien or mezzanine financing as a business line
- **No** direct lending exposure to oil and gas industry

# Consolidated Statements of Operations

## Newtek Business Services Corp. and Subsidiaries

(in thousands except per share data amounts)

Newtek Business Services Corp. and Subsidiaries  
Consolidated Statement of Operations

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Investment income:				
From non-affiliate investments:				
Interest income	\$ 5,925	\$ 4,363	\$ 16,602	\$ 13,233
Servicing income	2,177	1,794	6,250	5,163
Other income	1,128	705	3,291	2,266
Total investment income from non-affiliate investments	9,230	6,862	26,143	20,662
From non-control/affiliate investments:				
Dividend income	26	—	36	—
Total investment income from non-control/affiliate investments	26	—	36	—
From controlled investments:				
Interest income	204	188	553	456
Dividend income	2,925	2,551	8,125	7,326
Other income	—	—	—	54
Total investment income from controlled investments	3,129	2,739	8,678	7,836
Total investment income	12,385	9,601	34,857	28,498
Expenses:				
Salaries and benefits	5,469	4,776	15,559	14,407
Interest	4,110	2,986	11,414	8,133
Depreciation and amortization	122	107	358	292
Professional fees	642	605	2,169	2,054
Origination and servicing	1,983	1,433	5,756	4,086
Change in fair value in contingent consideration liabilities	6	(748)	23	(748)
Loss on extinguishment of debt	—	—	1,059	—
Other general and administrative costs	1,499	1,634	4,872	5,239
Total expenses	13,831	10,793	41,210	33,463
Net investment loss	(1,446)	(1,192)	(6,353)	(4,965)
Net realized and unrealized gains (losses):				
Net realized gain on non-affiliate investments - SBA 7(a) loans	10,554	9,938	30,754	27,537
Net realized gain on non-affiliate investments - conventional loans	278	—	278	—
Net realized (loss) gain on controlled investments	—	—	52	—
Net unrealized (depreciation) appreciation on SBA guaranteed non-affiliate investments	(1,177)	1,151	(1,352)	1,201
Net unrealized appreciation (depreciation) on SBA unguaranteed non-affiliate investments	4,057	(1,023)	6,751	238
Net unrealized appreciation (depreciation) on controlled investments	1,659	(500)	1,579	(2,243)
Change in deferred taxes	(444)	335	(417)	745
Net unrealized depreciation on servicing assets	(1,097)	(632)	(3,175)	(1,601)
Net realized and unrealized gains	13,830	9,269	34,470	25,877
Net increase in net assets resulting from operations	\$ 12,384	\$ 8,077	\$ 28,117	\$ 20,912
Net investment loss per share	\$ (0.08)	\$ (0.07)	\$ (0.34)	\$ (0.29)
Net increase in net assets resulting from operations per share	\$ 0.66	\$ 0.46	\$ 1.51	\$ 1.22
Weighted average shares outstanding	18,791	17,487	18,656	17,076

# 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.

## Newtek Business Services Corp. and Subsidiaries Adjusted Net Investment Income For the Three Months Ended September 30, 2018 and 2017

*(in thousands, except per share amounts)*

	Three months ended September 30, 2018	Per share	Three months ended September 30, 2017	Per share
Net investment loss	\$ (1,446)	\$ (0.08)	\$ (1,192)	\$ (0.07)
Net realized gain on non-affiliate investments - SBA 7(a) loans	10,554	0.56	9,938	0.57
Net realized gain on non-affiliate investments - conventional loans	278	0.01	-	-
Loss on lease	(76)	(0.00)	(74)	(0.00)
Change in fair value of contingent consideration liabilities	6	0.00	(748)	(0.04)
Adjusted Net investment income	<u>\$ 9,316</u>	<u>\$ 0.50</u>	<u>\$ 7,924</u>	<u>\$ 0.45</u>

Note: Per share amounts may not foot due to rounding

## Newtek Business Services Corp. and Subsidiaries Adjusted Net Investment Income For the Nine Months Ended September 30, 2018 and 2017

*(in thousands, except per share amounts)*

	Nine months ended September 30, 2018		Nine months ended September 30, 2017	
		Per share		Per share
Net investment loss	\$ (6,353)	\$ (0.34)	\$ (4,965)	\$ (0.29)
Net realized gain on non-affiliate investments - SBA 7(a) loans	30,754	1.65	27,537	1.61
Net realized gain on non-affiliate investments - conventional loans	278	0.01	-	-
Net realized gain on controlled investments	52	0.00	-	-
Loss on lease	(228)	(0.01)	(249)	(0.01)
Change in fair value of contingent consideration liabilities	23	0.00	(748)	(0.04)
Loss on debt extinguishment	1,059	0.06	-	-
Adjusted Net investment income	<u>\$ 25,585</u>	<u>\$ 1.37</u>	<u>\$ 21,575</u>	<u>\$ 1.26</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 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.



## 2018 Projected Adjusted EBITDA Reconciliation – Electronic Payment Processing (Newtek Merchant Solutions and Premier Payments LLC combined)

	Year Ended	
<i>(in millions)</i>	December 31, 2018	
Pretax income	\$	11.5
Interest expense, net		1.4
Depreciation and amortization		1.5
Managerial assistance fees		0.6
<b>Adjusted EBITDA</b>	<b>\$</b>	<b>15.0</b>