

**Newtek Business Services Corp.**  
*Your Business Solutions Company*<sup>®</sup>  
**NASDAQ: NEWT**

**10<sup>th</sup> Annual LD Micro Main Event**

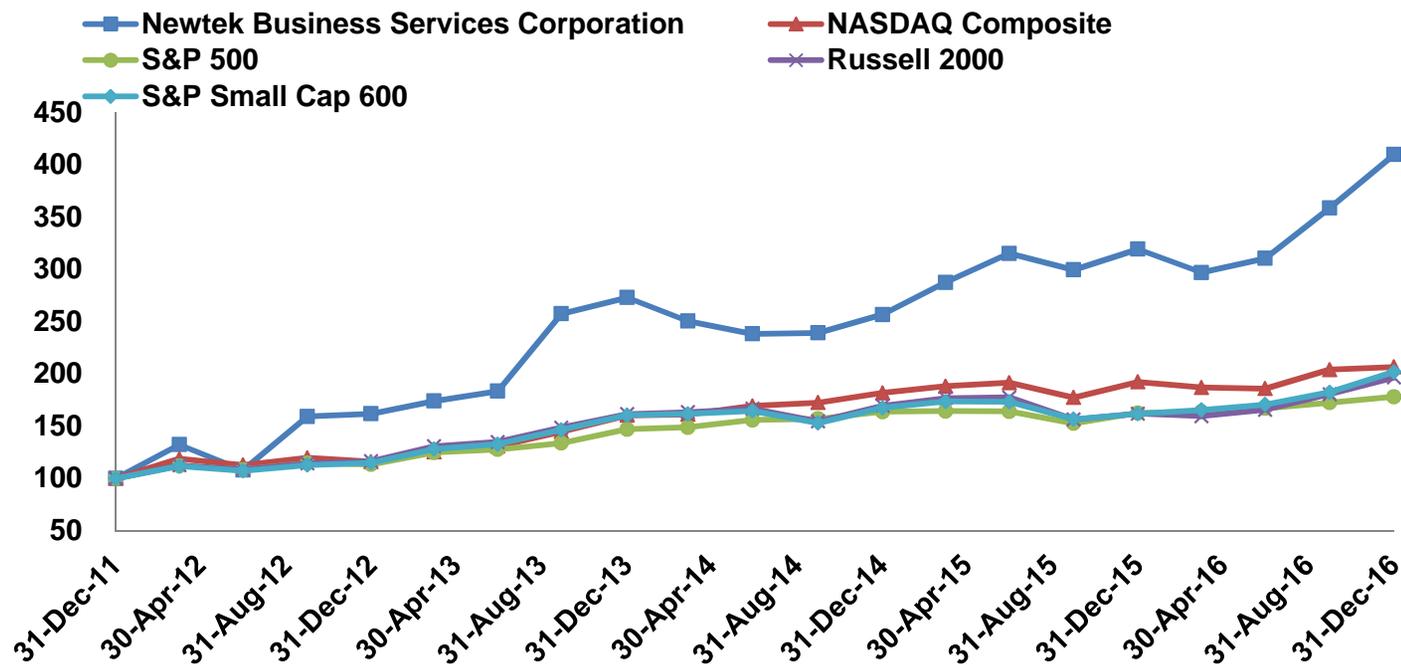
**Barry Sloane, CEO & President**  
**December 6, 2017**

## 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 prospective portfolio companies; the impact of investments that we expect to make; our informal 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's Historical Stock Performance

- Newtek's 12-month total return at September 30, 2017, including reinvested dividends, was **37.3%**
- As of December 31, 2016, including reinvested dividends in NEWT:
  - Newtek's 5-year total return was **307.2%**
  - Newtek's 3-year total return was **49.1%**
  - Newtek's 1-year total return was **27.7%**



\*Note: Total returns as per Bloomberg. Newtek converted to a business development company in November 2014, and therefore the 3-year and 5-year total returns include pre-BDC returns. Historical performance is not indicative of future performance.

## Dividend Payments and 2018 Forecast

- The Company forecasts paying an annual cash dividend of \$1.69<sup>1</sup> per share in 2018, a 3.0% increase over the 2017 annual dividend of \$1.64 per share
- November 9, 2017: Board of Directors declared a fourth quarter 2017 cash dividend of \$0.44 per share, payable on December 28, 2017 to shareholders of record as of December 18, 2017
- For the past three years as a BDC, our annual dividend payout has exceeded our initial annual dividend forecast
  - 2016: Original annual dividend forecast of \$1.50 per share; paid \$1.53 per share
  - 2017: Original annual dividend forecast of \$1.57 per share; declared and will pay \$1.64 per share

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

# 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 16 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 \$1.69<sup>1</sup> per share in 2018
  - Newtek and its controlled portfolio companies provide 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 serves client needs by offering financial and business solutions remotely, using state-of-the-art technology
- Management believes this financial technology 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, AIG, Amalgamated Bank, New York Community Bank, ENT Federal Credit Union, Legacy Bank, Navy Federal Credit Union, Meineke Mufflers, NYS Academy of Trial Lawyers, Lending Tree, 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
- We have applied for the trademark 'Truly Remarkable Service'
- One Newtek, One Brand
- Satisfy the business needs across many products and services from ONE brand
- Newly redesigned website
  - [www.newtekone.com](http://www.newtekone.com)
- Drive traffic to 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)

## Expanding Newtek's Reach: New Alliance Partnerships

- UBS
  - Partnered with UBS to offer personal and commercial, property and casualty insurance solutions to their clients, through Newtek Insurance Agency, LLC
  - UBS has approximately 7,000 financial advisors across the U.S.
- Additional alliance partnerships in the pipeline
  - Two major software vendors and one major hardware vendor (Technology Solutions)
  - Major wealth management firm (Payroll, Health and Benefits-changed to iSolved software solutions)
  - Additional financing solution partners

## SBA Lending Highlights

### Newtek Small Business Finance (“NSBF”)

- Funded a record \$103.6 million of SBA 7(a) loans during the three months ended September 30, 2017; an increase of 20.6% compared to \$85.9 million of SBA 7(a) loans funded for the three months ended September 30, 2016
- For the 12 months ended September 30, 2017, experienced 0.12% in charge offs as a percentage of the average 12-month outstanding SBA 7(a) loan balance

### Newtek Business Credit Solutions (“NBC”) – a controlled portfolio company

- Funded \$4.8 million of SBA 504 loans for the three months ended September 30, 2017
- Funded \$9.6 million of SBA 504 loans during the nine months ended September 30, 2017
- Sold \$3.1 million of SBA 504 loans during the three months ended September 30, 2017
- As of September 30, 2017, there were \$43.9 million SBA 504 loans in the pipeline
- Anticipate funding between \$20 to \$40 million SBA 504 loans in 2017

### 2017 & 2018 SBA Lending Guidance

- Anticipate funding \$415.0 million in SBA 7(a) loans (by NSBF) and SBA 504 loans (by NBC) in 2017, which would represent an approximate 31% increase in total SBA loan fundings over 2016
- Forecast funding between \$465 million and \$485 million in SBA 7(a) loans in 2018

## Recent Financial Highlights

- Net asset value (“NAV”) of \$255.6 million, or \$14.40 per share, at September 30, 2017
  - An increase of 0.7% over \$14.30 per share at December 31, 2016
- Net investment loss of \$(5.0) million, or \$(0.29) per share, for the nine months ended September 30, 2017, improved by 44.2% on a per share basis, compared to a net investment loss of \$(7.6) million, or \$(0.52) per share, for the nine months ended September 30, 2016
- ANII of \$21.6 million, or \$1.26 per share, for the nine months ended September 30, 2017; an increase of 10.5% on a per share basis, over ANII of \$16.5 million, or \$1.14 per share, for the nine months ended September 30, 2016
- Total investment income of \$28.5 million for the nine months ended September 30, 2017; an increase of 30.3% over total investment income of \$21.9 million for the nine months ended September 30, 2016
- Debt-to-equity ratio of 89.6% at September 30, 2017
  - As of September 30, 2017, proforma debt-to-equity ratio was 81.7% as a result of balance sheet reduction due to post September 30, 2017 settlement of government-guaranteed loans sold prior to September 30, 2017 (see slide 31 for detail)
- Total investment portfolio increased by 21.1% to \$418.2 million at September 30, 2017, from \$345.2 million at December 31, 2016

\*See slide 27 for definition of ANII.

## Recent News: Newtek's 8<sup>th</sup> & Largest Securitization



- November 29, 2017: Newtek priced its eighth and largest small business loan securitization, with the offering of \$75,426,000 of Unguaranteed SBA 7(a) Loan-Backed Notes (the “Notes”), Series 2017-1
- Offering consisted of 2 Classes of Notes:
  - Class A Notes: \$58,111,000, rated ‘A’ by Standard and Poor’s Financial Services LLC
  - Class B Notes: \$17,315,000 rated ‘BBB-’ by Standard and Poor’s Financial Services LLC
- The Notes had a 79.50% advance rate, an approximate 3.25% improvement over the most recent securitization in November 2016, making it the highest advance rate of all securitizations to date
- The Notes were priced at an average initial yield of 3.59% (Note Interest Rates will be floating rate) across both classes
  - This securitization transaction achieved better pricing with an approximate 100 basis point reduction in the interest rate spread over LIBOR on each class compared to the November 2016 securitization
- Deutsche Bank Securities Inc. is acting as sole bookrunner for the sale of the Notes

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

- November 20, 2017: Newtek forecasted paying an annual cash dividend of \$1.69<sup>1</sup> per share in 2018, a 3.0% increase over the 2017 annual dividend of \$1.64 per share
- November 9, 2017: Newtek's Board declared a fourth quarter 2017 cash dividend<sup>(1)</sup> of \$0.44 per share, payable on December 28, 2017 to shareholders of record as of December 18, 2017
  - The payment of the fourth quarter dividend is in line with the Company's 2017 annual dividend guidance of \$1.64 per share
- November 9, 2017: Newtek Business Services Corp. was assigned an "A-" Rating from Egan-Jones
- October 31, 2017: Newtek Technology Solutions invested (\$2.0 million) in next generation technologies and partnered with industry leaders to offer managed enterprise cloud solutions
- October 30, 2017: Newtek Business Credit appointed Mr. Tony Zara as Executive Vice President, Credit and Risk Management

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

# Newtek Small Business Finance Overview: SBA 7(a) Loans



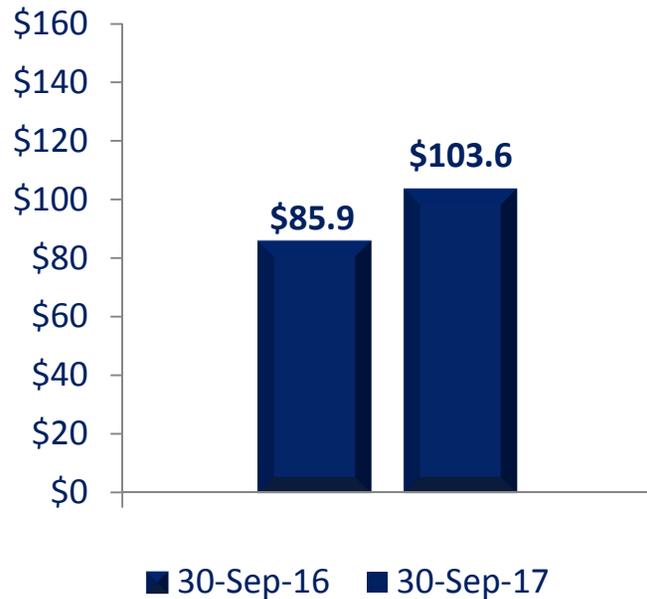
- Currently the largest non-bank lender licensed by the SBA under the federal Section 7(a) loan program based on annual origination volume (national PLP status)
- One of 14 Non-Bank SBA Government-Guaranteed Lender Licenses (new licenses are presently no longer being issued)
- 7<sup>th</sup> largest SBA 7(a) lender including banks<sup>1</sup>
- National SBA 7(a) lender to small businesses since 2003; 14-year history of loan default frequency and severity statistics
- Issued 8 S&P-rated AA & A securitizations since 2010
- Small balance, industry and geographically diversified portfolio of 1,455 loans
  - Average loan size is approximately \$182K of average unguaranteed retained loan balance
- Floating rate at Prime plus 2.75% with no caps and quarterly rate adjust; currently equivalent to 7.00% 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, 2017

# SBA 7(a) Loan Originations & Pipeline Comparisons

## SBA 7(a) Loan Fundings Three Months Ended September 30, 2016 vs. 2017

\$ in millions



SBA 7(a) Loan Pipeline		
	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Prequalified Loans	\$118,079,320	\$90,059,002
Loans In Underwriting	\$65,901,600	\$45,118,176
Approved Pending Closing	\$54,359,700	\$55,379,850
<b>Total Loan Pipeline</b>	<b>\$238,340,620</b>	<b>\$190,557,028</b>

- For the three months ended September 30, 2017, SBA 7(a) loan fundings increased year over year by 20.6%

## Growth in Loan Referrals

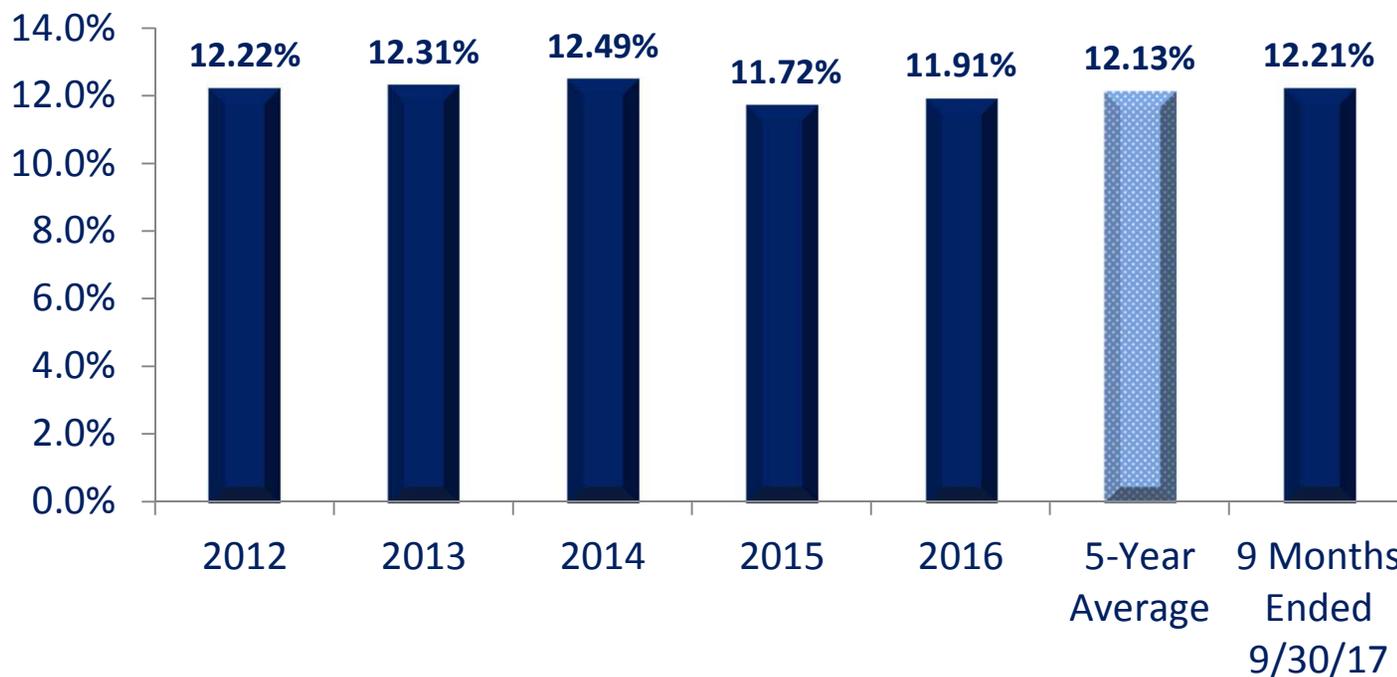
Loan Referrals (\$ in millions)		
Q3 2016	Q3 2017	Year-over-Year % Change
\$ 1,966	\$ 2,568	30.7%

- Q3 2017 loan referrals were \$2.6 billion; a 30.7% year-over-year increase over \$2.0 billion in Q3 2016
- Month-to-date through October 28, 2017, loan referrals were \$1.2 billion
- Year-to-date through October 28, 2017, loan referrals were \$8.2 billion; a 25.8% year-over-year increase from \$6.6 billion for the same period one year ago

Loan Units Referred		
Q3 2016	Q3 2017	Year-over-Year % Change
3,353	7,900	135.6%

- Q3 2017 loan units referred were 7,900; a 135.6% year-over-year increase over 3,353 in Q3 2016
- Month-to-date through October 28, 2017, loan units referred were 4,232
- Year-to-date through October 28, 2017, loan referrals were 20,189; a 71.5% year-over-year increase from 11,773 loan units referred for the same period one year ago

## Net Premium Trends



Weighted Average Term	17.29	18.84	18.79	17.74	18.04	18.14	17.88
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- For the three months ended September 30, 2017, the net premium received on the sale of guaranteed portions of SBA loans was 12.31%

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.

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

<i>(in thousands)</i>	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>
SBA 7(a) Unguaranteed Non-Performing Investments, at amortized cost	\$ 9,651	\$ 9,529	\$ 14,973	\$ 19,459
Fair Value Adjustment	(1,999)	(4,222)	(6,128)	(9,670)
SBA 7(a) Unguaranteed Non-Performing Investments, at fair value	\$ 7,652	\$ 5,307	\$ 8,845	\$ 9,789
Total Outstanding Loan Portfolio - Fair Value	\$ 108,410	\$ 144,290	\$ 196,624	\$ 257,136
<b>Non-Performing Portfolio (at fair value) as a Percentage of Total Outstanding Loan Portfolio</b>	<b>7.1%</b>	<b>3.7%</b>	<b>4.5%</b>	<b>3.8%</b>

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

	<u>As of September 30, 2016</u>	<u>As of September 30, 2017</u>
Average 12-Month Outstanding Loan Balance	\$ 179,974,522	\$ 234,788,928
Charge Off Rolling 12 Months	\$ 1,324,193	\$ 292,572
<b>Realized Losses (Loan Charge Offs) as a Percentage of Average Outstanding Loan Portfolio</b>	<b>0.74%</b>	<b>0.12%</b>

- For the 12 months ended September 30, 2017, experienced 0.12% of charge offs as a percentage of the average 12-month outstanding loan balance

# SBA 7(a) Loan Sale Transaction

## Net Cash Created in 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) <sup>1</sup>	12.4%
Term	25 years

Net Cash Created	
Guaranteed Balance	\$750,000
Realized Gains on Guaranteed Balance <sup>2</sup>	\$93,000
Cash Received in Securitization <sup>(3)</sup>	\$177,500
Total	\$1,020,500
Net Cash Created (Post Securitization) <sup>4,5</sup>	\$20,500

<sup>1</sup>Realized gains (premiums on loan sales) above 10% split 50/50 with SBA. This example assumes guaranteed balance is sold at 14.80%. The additional 4.8% (14.8% - 10%) is split with SBA. NSBF nets 12.4%.

<sup>2</sup>Assumes 12.4% of the Guaranteed balance.

<sup>3</sup>Assumes 71% 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.

## 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>	\$93,000
Guaranteed Balance (75%)	\$750,000	Servicing Asset <sup>3</sup>	<u>\$18,000</u>
Unguaranteed Balance (25%)	\$250,000	Total Realized Gain	\$111,000
Realized Gain (Premium) <sup>1</sup>	12.4%	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>\$99,750</b>

<sup>1</sup>Realized gains (premiums on loan sales) above 10% split 50/50 with SBA. This example assumes guaranteed balance is sold at 14.8%. The additional 4.8% (14.8% - 10%) is split with SBA. NSBF nets 12.4%.

<sup>2</sup>Assumes 12.4% of the Guaranteed balance.

<sup>3</sup>Fair value 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 Company – Newtek Business Credit Solutions (“NBC”)

- 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
  - Give 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

# 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	\$2,682,274
Senior Loan Balance	\$1,342,274
Junior Bridge Loan Balance <sup>(1)</sup>	\$1,040,000
Borrower Equity	\$300,000
Premium <sup>(2)</sup>	5.00%
Rate	Fixed
Term	10 Years

Net Cash Created Pretax	
Total Senior & Junior Debt	\$2,382,274
Funded Under Bank Facility	\$2,144,047
NBC Equity	\$238,227
Net Premium Earned <sup>(3)</sup>	\$50,335
Interest Earned Before Sale <sup>(4)</sup>	\$39,592
Origination Fees	\$26,000
Interest Expense	(\$17,420)
SBA Servicing Fee (One-time)	(\$6,711)
<b>Total</b>	<b>\$2,474,070</b>
<b>Net Cash Created<sup>(6)</sup></b>	<b>\$91,796</b>
<b>Return on Investment (Gross Operating Profit/ Equity)<sup>(7)</sup></b>	<b>38.5%</b>

- (1) Funded by NBC to be taken out in 90 days by a junior lender through SBA guaranteed debentures.
- (2) Assumes 5.00% gross premium with 25% paid to referral source.
- (3) Assumes 3.75% net premium paid on Senior Loan Balance.
- (4) Assumes Senior and Junior Bridge loans are outstanding for 90 days.
- (5) Servicing fee generated over six months.
- (6) Net cash created equals the addition of Net Premium Earned, Net Interest Earned Before Sale, Origination Fees, Servicing Fee Income less Interest Expense.
- (7) The first year return on investment is based on net cash created of \$91,796 divided by NBC equity of \$238,227. 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
- Anticipate processing approximately \$6.0 billion in electronic payment volume in 2017

## 2017 Forecast

- Revenue: \$115.0 million
- Adjusted EBITDA\*: \$13.5 million

## Valuation & Financial Performance

- Payment processing businesses combined fair market value of \$87.0 million, net of debt as of 9/30/17, which equates to approximately 6.4x FY 2017 forecasted Adjusted EBITDA\*

## Publicly Traded Comparable Companies

Name (Symbol)	2016 Enterprise Value / 2017 Forecasted EBITDA <sup>1</sup>
▪ Vantiv, Inc. (VNTV)	16.1x
▪ Global Payments (GPN)	16.3x
▪ First Data Corporation (FDC)	11.5x

Note: See Form 10-K, for the year ended December 31, 2016, for specific valuation methodologies for controlled portfolio companies. <sup>1</sup>Multiples calculated using Bloomberg as of October 25, 2017. \*See page 29 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”)
- Recent investment in IPM anticipated to help expand position as technology solutions provider

### 2017 Forecast

- Revenue: \$49.3 million

### Valuation & Financial Performance

- NTS, IPM and C9 combined fair market value of \$27.1 million<sup>2</sup>, net of debt as of 9/30/17, which equates to approximately 1.8x 2017 forecasted combined revenue

### Publicly Traded Comparable Companies

Name (Symbol)	2016 Enterprise Value / 2017 Forecasted Revenue <sup>1</sup>
▪ Endurance (EIGI)	2.7x
▪ Web.com Group Inc. (WWWV)	2.5x

Note: See Form 10-K, for the year ended December 31, 2016, for specific valuation methodologies for controlled portfolio companies \*See page 29 for definition of Adjusted EBITDA. <sup>1</sup>Multiples calculated using Bloomberg as of October 25, 2017. <sup>2</sup>Represents NTS, IPM and C9 valued at \$16.0, \$8.8 million and \$2.3 million, respectively at 9/30/17

## *NTS, IPM & C9 Manage Your Technology Solutions*

- NTS, IPM & C9's 5-Point Plan

1. Consulting

2. Strategy / Professional Services

3. Procurement – Hardware & Software

4. Implementation and Deployment

5. Managed Services – Cloud, Hybrid, On-Premise

- Comprehensive approach to tackling enterprise-technology demands; differentiates Newtek's portfolio companies in the marketplace
- Deep expertise and resources at each step of the technology life cycle allow NTS, IPM and C9 to address areas of specific need or deliver a holistic solution

# 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 \$1.69 per share in 2018; a 3.0% increase over the 2017 annual dividend of \$1.64 per share
- Proven track record; Established in 1998; publically traded since September 2000
- Over 14-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 1,455 loans with an average loan size of approximately \$182K 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 6.4% of outstanding shares as of September 30, 2017
- **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

## 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 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) 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 stock-based compensation expense (added back in third quarter of 2016 only and is not included prospectively as it is anticipated to be a reoccurring expense).

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

	Nine months ended September 30,		Nine months ended September 30,	
	2017	Per share	2016	Per share
<i>(in thousands, except per share amounts)</i>				
Net investment loss	\$ (4,965)	\$ (0.29)	\$ (7,586)	\$ (0.52)
Net realized gain on non-affiliate debt investments	27,537	1.61	22,536	1.55
Loss on lease	(249)	(0.01)	1,335	0.09
Stock-based compensation	-	-	226	0.02
Change in fair value of contingent consideration liabilities	(748)	(0.04)	-	-
Adjusted Net investment income	\$ 21,575	\$ 1.26	\$ 16,511	\$ 1.14

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 interest expense, taxes, depreciation and amortization, tradename impairment, managerial assistance fees, loss on lease and stock compensation expense (added back in the third quarter of 2016 only and will not be included prospectively as it's anticipated to be a reoccurring expense). 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.

## 2017 Projected Adjusted EBITDA Reconciliation – Electronic Payment Processing (Newtek Merchant Solutions and Premier Payments LLC combined)

	Year Ended	
<i>(in millions)</i>	December 31, 2017	
Pretax income	\$	9.7
Interest expense, net		1.2
Depreciation and amortization		1.9
Managerial assistance fees		0.7
<b>Adjusted EBITDA</b>	<b>\$</b>	<b>13.5</b>

# Debt-to-Equity Ratio Explanation

Newtek Business Services Corp. and Subsidiaries Debt to equity ratio, actual as of September 30, 2017	
<b>Actual Debt to Equity ratio at September 30, 2017:</b>	
Total senior debt	\$ 229,005
Total equity	\$ 255,612
Debt to equity ratio - actual at September 30, 2017	<u>89.6%</u>

- Newtek funds both the unguaranteed and guaranteed portions of loans through its credit facility. The guaranteed portions of our 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, our debt-to-equity ratio will fluctuate
- As of September 30, 2017, proforma debt-to-equity ratio was 81.7% as a result of balance sheet reduction due to post September 30, 2017 settlement of government-guaranteed loans sold prior to September 30, 2017

Newtek Business Services Corp. and Subsidiaries Debt to equity ratio - proforma at September 30, 2017	
<i>(in thousands):</i>	
Broker receivable, including premium income receivable	\$ 25,003
Less: premium income included in broker receivable	<u>(2,672)</u>
Broker receivable	22,331
90% advance rate on SBA guaranteed non-affiliate portions of loans sold, not settled	<u>\$ 20,098</u>

<b>Proforma debt adjustments:</b>	
Total Senior Debt as of September 30, 2017	\$ 229,005
Proforma adjustment for broker receivable as of September 30, 2017, as calculated above	<u>(20,098)</u>
Total proforma debt at September 30, 2017	<u>\$ 208,907</u>

<b>Proforma Debt to Equity ratio at September 30, 2017:</b>	
Total proforma debt	<u>\$ 208,907</u>
Total equity	<u>\$ 255,612</u>
Debt to equity ratio - proforma at September 30, 2017	<u>81.7%</u>