

Newtek Business Services Corp. NASDAQ: NEWT

12th Annual LD Micro Main Event

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 **November 29, 2019**, including reinvested dividends:

5-Year Total Return

- NEWT: **200.1%**
- S&P 500: **68.3%**
- Russell 2000: **48.3%**

3-Year Total Return

- NEWT: **100.7%**
- S&P 500: **51.6%**
- Russell 2000: **27.9%**

1-Year Total Return

- NEWT: **20.2%**
- S&P 500: **16.1%**
- Russell 2000: **7.5%**

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.

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, 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
- 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

Third Quarter 2019 Financial Highlights

- Total investment income of \$16.0 million for the three months ended September 30, 2019; an increase of 29.4% over total investment income of \$12.4 million for the three months ended September 30, 2018
- Net investment income (loss) of \$(0.533) million, or \$(0.03) per share, for the three months ended September 30, 2019; a 62.5% improvement on a per share basis compared to a net investment income (loss) of \$(1.4) million, or \$(0.08) per share, for the three months ended September 30, 2018
- Adjusted net investment income (“ANII”)¹ of \$12.2 million, or \$0.63 per share, for the three months ended September 30, 2019; an increase of 26.0% on a per share basis compared to ANII of \$9.3 million, or \$0.50 per share, for the three months ended September 30, 2018
- Net asset value (“NAV”) of \$299.8 million, or \$15.41 per share, at September 30, 2019; an increase of 1.5% on a per share basis over NAV of \$15.19 per share at December 31, 2018
- Debt-to-equity ratio of 133% at September 30, 2019
 - September 30, 2019, proforma debt-to-equity ratio was 123.7% taking into consideration the sale of government-guaranteed portions of SBA 7(a) loans prior to September 30, 2019, and settling subsequent to the balance sheet date
- Total investment portfolio increased by 12.9% to \$610.9 million at September 30, 2019, from \$541.1 million at December 31, 2018

¹See page 47 for definition of ANII.

Newtek Vs. BDC Sector Valuation Comparisons¹

- BDCs with a market cap below \$500 million trade at a median Price/NAV of 0.85x and provide a median current yield of 10.6%
- Internally managed BDCs² trade at a median Price/NAV of 1.22x and a core yield of 7.8%
- Newtek's current market cap is \$449.3 million, and it trades at a price/NAV of 1.52x with a yield of 9.2%³

¹BDC sector valuation information taken from a research report issued by JMP Securities on November 5, 2019. ²Report includes five internally managed BDCs in its analysis including, Capital Southwest Corporation, Main Street Capital Corporation, Hercules Capital, Inc., Sutter Rock Capital Corp., and Newtek Business Services Corp. ³Based on closing price as of November 29, 2019 of \$23.37

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- Net asset value (“NAV”) of \$299.8 million, or \$15.41 per share, at September 30, 2019; an increase of 1.5% on a per share basis over NAV of \$15.19 per share at December 31, 2018
- Debt-to-equity ratio of 133% at September 30, 2019
 - September 30, 2019, proforma debt-to-equity ratio was 123.7% taking into consideration the sale of government-guaranteed portions of SBA 7(a) loans prior to September 30, 2019, and settling subsequent to the balance sheet date
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¹See page 45 for definition of ANII.

Debt-to-Equity Ratio Explanation

| Newtek Business Services Corp. and Subsidiaries Debt to equity ratio, as of September 30, 2019 | |
|---------------------------------------------------------------------------------------------------|---------------|
| Total senior debt | \$ 398,586 |
| Total equity | \$ 299,752 |
| Debt to equity ratio - at September 30, 2019 | <u>133.0%</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 September 30, 2019, there were approximately \$34.5 million of guaranteed portions of SBA 7(a) 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, 2019 | |
|----------------------------------------------------------------------------------------------------------|-----------|
| <i>(in thousands):</i> | |
| Broker receivable, including premium income receivable | \$ 34,486 |
| Less: premium income included in broker receivable | (3,457) |
| Broker receivable | 31,029 |
| 90% advance rate on SBA guaranteed non-affiliate portions of loans sold, not settled | \$ 27,926 |

| Proforma debt adjustments: | |
|-----------------------------------------------------------------------------------------|-------------------|
| Total Senior Debt as of September 30, 2019 | \$ 398,586 |
| Proforma adjustment for broker receivable as of September 30, 2019, as calculated above | (27,926) |
| Total proforma debt at September 30, 2019 | <u>\$ 370,660</u> |

| Proforma Debt to Equity ratio at September 30, 2019: | |
|-------------------------------------------------------|---------------|
| Total proforma debt | \$ 370,660 |
| Total equity | \$ 299,752 |
| Debt to equity ratio - proforma at September 30, 2019 | <u>123.7%</u> |

Financial Highlights

Nine Months Ended September 30, 2019



- Total investment income of \$43.9 million for the nine months ended September 30, 2019; an increase of 26.0% over total investment income of \$34.9 million for the nine months ended September 30, 2018
- Net investment loss of \$(2.6) million, or \$(0.14) per share, for the nine months ended September 30, 2019, a 58.8% improvement on a per share basis over net investment loss of \$(6.4) million, or \$(0.34) per share, for the nine months ended September 30, 2018
- ANII of \$31.5 million, or \$1.65 per share, for the nine months ended September 30, 2019; an increase of 20.4% on a per share basis, over ANII of \$25.6 million, or \$1.37 per share, for the nine months ended September 30, 2018

Significant Improvement in Net Investment Income (Loss)



- Net investment income (loss) improved by 62.5% and 58.8%, on a per share basis, for the three and nine months ended September 30, 2019, respectively, compared to the same period last year
- Net investment income (loss) continues to narrow as the unguaranteed SBA loan portfolio continues to grow, which is primarily financed by cost effective securitization debt, and becomes a larger portion of our growing business
- Cost of debt financing has continued to decrease
 - Tighter spreads in securitization pricing continue to be realized
 - Cost effective bond issuance
- The Company anticipates that its diversified business model with multiple streams of income will add to this trend
 - Future dividend contributions from Newtek Conventional Lending
 - Dividend contributions from other portfolio companies are anticipated to add to this trend
 - Servicing income

Securitization 2019-1

- On October 4, 2019, the Company closed its tenth and largest small business loan securitization, with the sale of \$118,920,000 of Unguaranteed SBA 7(a) Loan-Backed Notes, Series 2019-1, consisting of \$93,540,000 of Class A Notes and \$25,380,000 Class B Notes (collectively, the “Notes”), rated “A” and “BBB-”, respectively, by S&P Global Ratings
- The Notes had an approximate 83% advance rate, and were priced at an average initial yield of approximately 3.84% (Note Interest Rates will be floating rate), which is equivalent to a spread of 183 basis points over LIBOR, across both classes
- Throughout Newtek’s nine-year securitization history, this issuance garnered the largest advance rate and best pricing
- This deal was oversubscribed as we received approximately \$451 million in aggregate orders across both classes of Notes, and we issued over \$118 million in investment grade Notes to 12 investors across both classes

Public Offering of Notes – ‘NEWTL’

- The Company closed its public offering of \$63.3 million in aggregate principal amount of 5.75% Notes Due 2024 (“Notes,” Nasdaq “NEWTL”), including the exercise of the overallotment of \$8.25 million.
- The Company utilized the net proceeds from this offering to redeem its outstanding 7.50% 2022 Notes, to fund its SBA 7(a) lending activity, to make direct investments in portfolio companies and for general working capital purposes.
 - In connection with the Notes offering, Egan Jones maintained its rating of A- on Newtek and rated the Notes A-
- NEWTL closing price as of October 31, 2019 was above par at \$25.80 at a yield of 5.57%

Anticipated NCL Returns

- Leverage in warehouse
- Leverage on securitizations
- Servicing for Small Business Lending, LLC (“SBL”)
 - Servicing income not included in the joint venture; earned by SBL
- Net spread on loan coupon
- Loan origination fees
- Preferred return to JV of 10%
- The non-conforming conventional loans are marked at a premium, which positively impacts our NAV

Loan Servicing Activities Across Newtek and Portfolio Companies



- Servicing assets for the SBA 7(a) business are capitalized on our balance sheet
- SBL, one of our portfolio companies, services loans for third parties
- SBL is the servicer for our joint venture, NCL, at 100 basis points of servicing

2019 Dividends

- The Company paid a third quarter 2019 cash dividend of \$0.58 per share on September 30, 2019 to shareholders of record as of September 20, 2019, which exceeded analysts' third quarter 2019 dividend consensus estimates by \$0.01 per share
- On October 10, 2019, the Company declared a fourth quarter 2019 cash dividend of \$0.71 per share, payable on December 30, 2019 to shareholders of record December 16, 2019
- The declaration of the fourth quarter 2019 dividend is in line with the Company's 2019 annual dividend guidance of \$2.15 per share, which, when paid, will represent an approximate 19.4% increase over the 2018 annual cash dividend of \$1.80 per share
 - This level of year-over-year dividend growth has not been typical in the BDC sector
- Historically, our annual cash dividends 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

2020 Dividend Forecast

- **The Company forecasts paying an annual cash dividend of \$2.19¹ per share in 2020, which would represent a 1.9% increase over the 2019 annual dividend of \$2.15 per share**
- Historically, the Company has issued annual dividend guidance approximately 14 months in advance
- The operational aspects of Newtek's business causes the quarterly dividend payments to fluctuate
- The Company's continued focus on operational improvements in its portfolio companies is anticipated to yield growth in contributions to the Company's income
- Newtek's average dividend increase is approximately 10% on an annual basis over the past 4 years, including newly issued annual 2020 dividend forecast
- 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
 - 2019: Initial annual dividend forecast of \$1.84 per share; paid \$2.15 per share

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

| Period Ended | Shares Outstanding at End of Period | Total Net Assets (\$ in thousands) | NAV Per Share |
|--------------------|-------------------------------------------|---------------------------------------|------------------|
| December 31, 2015 | 14,509,000 | \$203,949 | \$14.06 |
| December 31, 2016 | 14,624,000 | \$209,094 | \$14.30 |
| December 31, 2017 | 18,457,000 | \$278,329 | \$15.08 |
| December 31, 2018 | 18,919,000 | \$287,445 | \$15.19 |
| September 30, 2019 | 19,447,000 | \$299,752 | \$15.41 |

Lending Highlights

- Newtek Small Business Finance, LLC (“NSBF”) funded \$114.3 million of SBA 7(a) loans during the three months ended September 30, 2019; a 6.6% decrease over \$122.4 million of SBA 7(a) loans funded for the three months ended September 30, 2018
- NSBF forecasts full year 2019 SBA 7(a) loan fundings of \$520 million which would represent a 10.8% increase over SBA 7(a) loan fundings for the year ended December 31, 2018
- Newtek Business Lending (“NBL”), our wholly owned portfolio company which originates SBA 504 loans, forecasts full year 2019 SBA 504 loan closings of approximately \$60 million
- Newtek Conventional Lending (“NCL”), the 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., commenced operations in May 2019, and has closed \$55.2 million in non-conforming conventional loans through October 31, 2019
- The Company recognized \$0.43 million of dividend income from NCL during the three months ended September 30, 2019

Third Quarter 2019 SBA 7(a) Lending

Factors Affecting SBA 7(a) Lending

- Process factors and what this means
 - We do not use commercial bankers, brokers or business development officers; our referral funnel requires further fine tuning
 - Referral volume remains robust
- The Company added several new senior lending executives that are new to our system
- Newtek's lending platform supporting non-conforming conventional loans, SBA 504 loans and secured line of credit
- Economic growth is slowing
- Ended the SBA fiscal year (September 30, 2019) as the 4th largest SBA 7(a) lender in the U.S., including banks, and as the largest non-bank lender
- Total loan closings, including SBA 7(a) loans, SBA 504 loans (funded by our wholly owned portfolio company NBL), and non-conventional conforming loans (funded by our joint venture, NCL) are forecasted to be approximately \$660 million in 2019, which would be a 29.1% increase compared to \$511 million of total loan closings in 2018

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 have not been issued over the past decade)
- 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 10 AA & A S&P-rated securitizations since 2010
- Small balance, industry and geographically diversified portfolio of 2,248 loans
 - Average loan size is approximately \$177K of average unguaranteed retained loan balance
- Floating rate at Prime plus 2.75% with no caps and quarterly rate adjust; currently equivalent to 8.00% 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 30 years and Newtek establishes liquidity for unguaranteed portions through securitizations

¹As of September 30, 2019

SBA 7(a) Loan Originations & Pipeline Comparisons

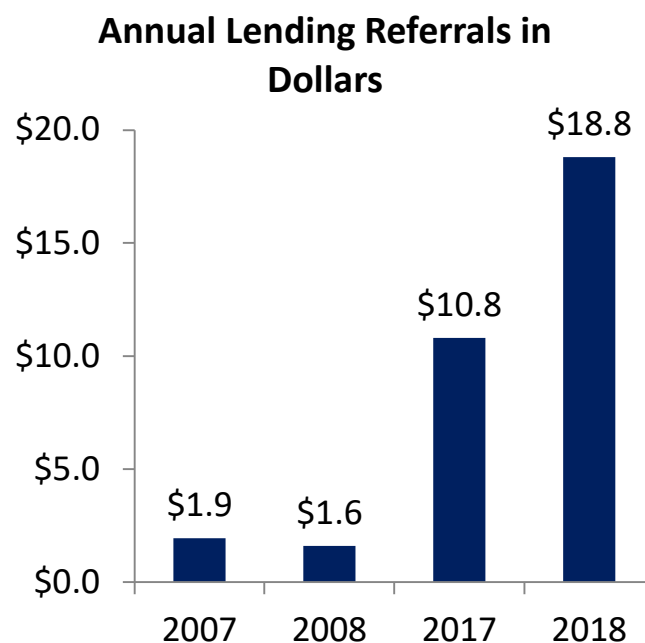
| SBA 7(a) Loan Pipeline | | |
|----------------------------|-------------------------------------|-------------------------------------|
| | <u>September 30,</u> <u>2018</u> | <u>September 30,</u> <u>2019</u> |
| Open Referrals | \$226,032,894 | \$283,313,538 |
| Prequalified Loans | 163,010,775 | 158,599,701 |
| Loans In Underwriting | 106,111,977 | 47,386,770 |
| Approved Pending Closing | <u>67,391,300</u> | <u>90,362,830</u> |
| Total Loan Pipeline | <u>\$562,546,946</u> | <u>\$579,662,884</u> |

Growth in Loan Referrals

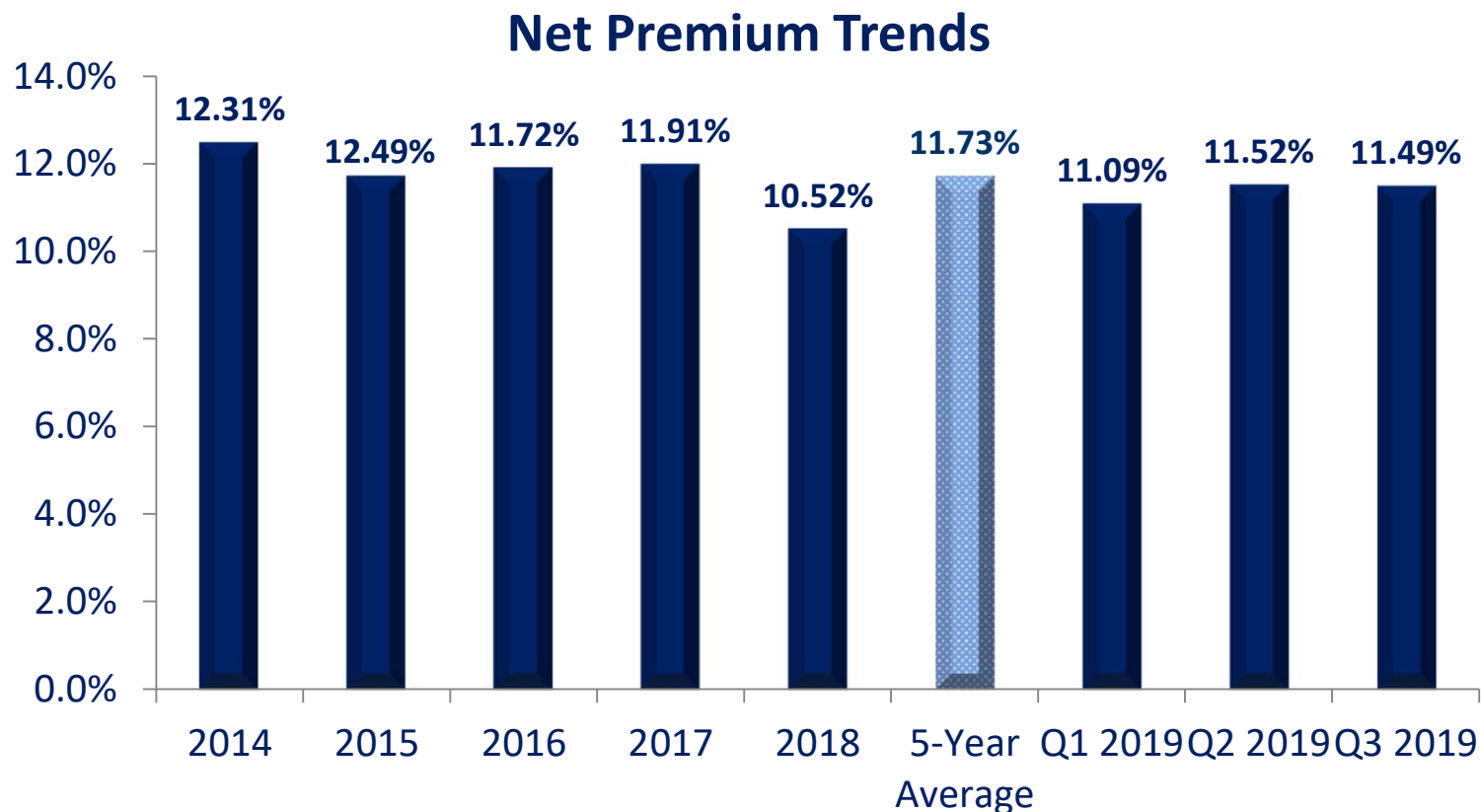
- Our large and growing referral volume enables us to select the loans with the best credit quality

| Loan Referrals (\$ in millions) | | |
|---------------------------------|-----------|-------------------------|
| For the Nine Months Ended | | |
| 30-Sep-18 | 30-Sep-19 | Year-over-Year % Change |
| \$ 14,290 | \$ 14,884 | 4.2% |

- Loan referrals have increased significantly in gross referral dollars over the past 10 years



Average Net Premium From SBA Guaranteed Loan Sales



- For the three months ended September 30, 2019, the weighted average net premium received on the sale of guaranteed portions of SBA 7(a) loans was 11.49%

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 September 30 for the past three years:
 - At September 30, 2017: 27.1 Months
 - At September 30, 2018: 27.8 Months
 - At September 30, 2019: 28.9 Months

We estimate 70 percent of gross defaults occur between month 18 and month 40.
We are in peak period with the seasoning of the SBA 7 (a) loan portfolio

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 September 30, 2019, June 30, 2019, and September 30, 2018 on a cost basis

| | 9/30/2019 | | | 6/30/2019 | | | 9/30/2018 | | |
|-------------------------|--------------|----------------------------|----------------|--------------|----------------------------|----------------|--------------|----------------------------|----------------|
| Days Past Due | # of Loans | Retained Principal Balance | % of Portfolio | # of Loans | Retained Principal Balance | % of Portfolio | # of Loans | Retained Principal Balance | % of Portfolio |
| Current | 1969 | \$322,073,822 | 92.88% | 1912 | \$315,411,391 | 92.81% | 1663 | \$280,938,475 | 95.25% |
| 31 - 60 | 42 | \$ 11,773,564 | 3.40% | 29 | \$ 9,405,298 | 2.77% | 32 | \$ 8,580,657 | 2.91% |
| 61 - 90 | 0 | \$ - | 0.00% | 27 | \$ 9,098,283 | 2.68% | 0 | \$ - | 0.00% |
| 91 - 120 | 23 | \$ 5,389,460 | 1.55% | 0 | \$ - | 0.00% | 3 | \$ 1,432,144 | 0.49% |
| > 120 | 24 | \$ 7,528,581 | 2.17% | 17 | \$ 5,945,407 | 1.75% | 7 | \$ 4,011,299 | 1.36% |
| Performing Total | 2,058 | \$346,765,427 | 100% | 1,985 | \$339,860,380 | 100% | 1,705 | \$294,962,574 | 100% |

- Weighted average seasoning of the loan portfolio at September 30, 2018, June 30, 2019 and September 30, 2019 was 27.8 months, 28.5 months and 28.9 months, respectively

Note: The table above does not include performing loans in which NSBF owns 100% as a result of NSBF repurchasing the guaranteed portions from the SBA. The total of 100% NSBF-owned performing loans at 9/30/19, 6/30/19 and 9/30/18 was \$5.0 million, \$4.6 million and \$4.7 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 September 30, 2019, June 30, 2019, and September 30, 2018 on a cost basis

| | 9/30/2019 | | | 6/30/2019 | | | 9/30/2018 | | |
|--------------------------------------------------|------------|----------------------------|----------------|------------|----------------------------|----------------|------------|----------------------------|----------------|
| Days Past Due | # of Loans | Retained Principal Balance | % of Portfolio | # of Loans | Retained Principal Balance | % of Portfolio | # of Loans | Retained Principal Balance | % of Portfolio |
| Sub-Performing ¹ (Cash Flowing) | 8 | \$ 2,222,219 | 0.58% | 18 | \$ 5,295,056 | 1.41% | 11 | \$ 1,782,757 | 0.55% |
| Non-Performing ² (Liquidation) | 175 | \$ 37,304,155 | 9.66% | 152 | \$ 30,098,873 | 8.02% | 121 | \$ 26,320,195 | 8.15% |
| Sub-Performing & Non-Performing Total | 183 | \$ 39,526,374 | 10.23% | 170 | \$ 35,393,929 | 9.43% | 132 | \$ 28,102,952 | 8.70% |

¹Sub-performing loans are non-accrual, nonperforming loans which are cash flowing (the borrower is currently making partial loan repayments) and the Company believes outstanding principal has a likelihood of being recovered from borrower principal payments, as opposed to collateral liquidation. Sub-performing loans are valued, in part, based on the present value of expected future cash flows.²Non-performing loans that are not generating cash flow are non-accrual loans which the Company believes outstanding principal can only be recovered by collateral liquidation. Nonperforming loans not generating cash flow are valued based upon the value of the underlying collateral in a liquidation scenario.

Note: The table above does not include non-performing loans in which NSBF owns 100% as a result of NSBF repurchasing the guaranteed portions from the SBA. The total of 100% NSBF-owned non-performing loans at 9/30/19, 6/30/19 and 9/30/18 was \$6.5 million, \$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

- **Example #1**

- 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 repurchased out of a government-guaranteed pool

- **Example #2**

- 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: repurchased the entire \$1.0 million loan out of a government-guaranteed pool
- 6/18/19: loan paid in full

Example of 120-Day Past Due Loan Paid in Full

- **NSBF #899XX**
 - 6/20/16: loan funded for \$5,000,000
 - 4/1/19: Loan became past due 60 days, due to cash flow issues. Borrower continued to make partial payments while working on resolution of cash flow issues. Loan migrated further in delinquency during this period
 - 8/01/19: Borrower sells CRE and pays loan 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>12/31/2018</u> | <u>As of</u> <u>03/31/2019</u> | <u>As of</u> <u>06/30/2019</u> | <u>As of</u> <u>09/30/2019</u> |
|------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Average 12-Month Outstanding Loan Balance | \$ 321,478,938 | \$ 334,821,713 | \$ 349,446,419 | \$ 365,256,856 |
| Charge Offs - Rolling 12 Months | \$ 2,737,960 | \$ 2,717,687 | \$ 3,138,201 | \$ 3,170,052 |
| Realized Losses (Loan Charge Offs) as a Percentage of Average Outstanding Loan Portfolio | 0.85% | 0.81% | 0.90% | 0.87% |

- Realized losses represent amounts charged off at the end of liquidation for loans that had been previously written down (unrealized losses) from the balance sheet through fair value depreciation adjustments

Loan Recovery and Severity Trends

- SBA 7(a) loans transferred into the non-performing category in Q3 2019 from the performing category in Q2 2019 were marked down on the balance sheet by only 21%
- Historical loan severity averages 40% and is typically used in historical forecasting models
- This reduction in severity is based on these loans being well collateralized by commercial real estate which has risen in value

¹As of September 30, 2019

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 | 11.52% |
| Term | 25 years |

| Net Cash Created | |
|-------------------------------------------------------|-------------|
| Guaranteed Balance | \$750,000 |
| Realized Gains on Guaranteed Balance ² | \$86,475 |
| Cash Received in Securitization ⁽³⁾ | \$208,750 |
| Total | \$1,045,225 |
| Net Cash Created (Post Securitization) ^{4,5} | \$45,225 |

¹Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 113.04% premium. The additional 3.04% (13.04% - 10%) is split with SBA. NSBF nets 11.52%.

²Assumes 11.52% 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 | \$86,475 |
| Guaranteed Balance (75%) | \$750,000 | Servicing Asset ³ | <u>\$13,200</u> |
| Unguaranteed Balance (25%) | \$250,000 | Total Realized Gain | \$99,675 |
| Realized Gain (Premium) ¹ | 11.52% | 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 | \$88,175 |

¹Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 13.04% premium. The additional 3.04% (13.04% - 10%) is split with SBA. NSBF nets 11.52%.

²Assumes 11.52% 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 are 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 Loans

- NBL closed \$27.9 million of SBA 504 loans year to date through October 31, 2019
- NBL forecasts full year 2019 SBA 504 loan closings of approximately \$60 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
 - Experienced SBA 504 lending team at NBL

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 15+ years
- Processed approximately \$6.1 billion in electronic payments volume in 2018

2019 Forecast

- 2019 Revenue: \$129.0 million
- 2019 Adjusted EBITDA*: \$16.0 million

Valuation & Financial Performance

- Payment processing businesses fair market value of \$121.25 million², net of debt as of 9/30/19, which equates to approximately 7.6x FY 2019 forecasted Adjusted EBITDA*

Publicly Traded Comparable Companies

| Name (Symbol) | 2019 Enterprise Value / 2019 Forecasted EBITDA ³ |
|--------------------------------|-------------------------------------------------------------------|
| ▪ i3 Verticals (IIIV) | 33.3x |
| ▪ EVO Payments (EVOP) | 21.1x |
| ▪ Worldpay Inc. (WP) | 22.2x |
| ▪ Global Payments (GPN) | 36.8x |
| ▪ First Data Corporation (FDC) | 13.6x |

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 November 3, 2019. *See page 48 for definition of Adjusted EBITDA.

NMS Performance

- NMS Q3 2019 year-to-date Adjusted EBITDA increased by 14.7% over the same period last year
- Experienced strong growth in EBITDA despite sale of a wholesale portfolio of 1,200 merchants back to Elavon
 - The Elavon portfolio generated approximately \$1.0 million per year on a recurring basis

Newtek Payment Systems – POS on Cloud

- In Q3 2019, NBSC acquired a 51% interest in POS on Cloud d/b/a Newtek Payment Systems which owns a cloud-based Point of Sale (POS) system for a variety of restaurant, retail, assisted living, parks and golf course businesses providing not only payments and purchase technology solutions but also inventory, customer management, reporting, employee time clock, table and menu layouts, and ecommerce solutions as the central operating system for an SMB
- Will provide NMS with its own branded POS system
- NMS will be offering the Newtek Payment Systems POS system to its clients and is in the process of updating and further commercializing the software
- Several major clients include a state government and a large assisted living company
- POS on Cloud has been co-branded Newtek Payment Systems and will be white labeled for our alliance partners so they will be able to offer POS payment systems to their clients including credit unions, banking institutions, trade associations and investment banking clientele
- POS on Cloud will be an all-encompassing system that can:
 - Process payments
 - Integrate with ecommerce
 - Integrate with general ledger accounting software
 - Include the Newtek Payroll Solutions payroll product to provide payroll solutions, workman's compensation, health insurance, and a window into 401K
- Our depository alliance partners will be able to manage and operate accounts for payroll and payments and distribute and sell their own 401K

Technology Portfolio Companies

- **We are starting to see a dramatic turnaround in NTS, our Phoenix based cloud-computing portfolio company that primarily provides managed services**
- 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 \$17.8 million, net of debt as of September 30, 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 the world
- We will have further updates in Q4 2019 based on this improved performance

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

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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
- Declared 2019 annual cash dividend of \$2.15 per share and forecast paying an annual cash dividend of \$2.19 per share in 2020
- 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 2,248 loans with an average loan size of approximately \$177K 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 6.6% of outstanding shares as of September 30, 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

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, 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 September 30, 2019 and 2018

| <i>(in thousands, except per share amounts)</i> | Three months ended September 30, 2019 | Per share | Three months ended September 30, 2018 | Per share |
|---------------------------------------------------------------------|---------------------------------------------|----------------|---------------------------------------------|----------------|
| Net investment loss | \$ (533) | \$ (0.03) | \$ (1,446) | \$ (0.08) |
| Net realized gain on non-affiliate investments - SBA 7(a) loans | 10,865 | 0.57 | 10,554 | 0.56 |
| Net realized gain on non-affiliate investments - conventional loans | - | - | 278 | 0.01 |
| Net realized gain on controlled investments | 1,600 | 0.08 | - | - |
| Loss on lease | - | - | (76) | (0.00) |
| Change in fair value of contingent consideration liabilities | 9 | 0.00 | 6 | 0.00 |
| Loss on debt extinguishment | 251 | 0.01 | - | - |
| Adjusted Net investment income | <u>\$ 12,192</u> | <u>\$ 0.63</u> | <u>\$ 9,316</u> | <u>\$ 0.50</u> |

Note: Per share amounts may not foot due to rounding

Non-GAAP Financial Measure: Adjusted Net Investment Income



Newtek Business Services Corp. and Subsidiaries Adjusted Net Investment Income For the Nine Months Ended September 30, 2019 and 2018

| <i>(in thousands, except per share amounts)</i> | <u>Nine months ended September 30, 2019</u> | <u>Per share</u> | <u>Nine months ended September 30, 2018</u> | <u>Per share</u> |
|---------------------------------------------------------------------|-------------------------------------------------|----------------------|-------------------------------------------------|----------------------|
| Net investment loss | \$ (2,598) | \$ (0.14) | \$ (6,353) | \$ (0.34) |
| Net realized gain on non-affiliate investments - SBA 7(a) loans | 32,260 | 1.69 | 30,754 | 1.65 |
| Net realized gain on non-affiliate investments - conventional loans | - | - | 278 | 0.01 |
| Net realized gain on controlled investments | 1,600 | 0.08 | 52 | 0.00 |
| Loss on lease | (105) | (0.01) | (228) | (0.01) |
| Change in fair value of contingent consideration liabilities | 64 | 0.00 | 23 | 0.00 |
| Loss on debt extinguishment | 251 | 0.01 | 1,059 | 0.06 |
| Adjusted Net investment income | <u>\$ 31,472</u> | <u>\$ 1.65</u> | <u>\$ 25,585</u> | <u>\$ 1.37</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.

Non-GAAP Financial Measures – Newtek's Controlled Portfolio Company Investments



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

| <i><u>(in millions)</u></i> | Year Ended December 31, 2019 |
|-------------------------------|------------------------------------|
| Pretax income | \$ 10.7 |
| Interest expense, net | 2.2 |
| Depreciation and amortization | 2.5 |
| Managerial assistance fees | 0.6 |
| Adjusted EBITDA | \$ 16.0 |