



August 12, 2009

Newtek Business Services Reports Second Quarter 2009 Financial Results

NEW YORK, Aug 12, 2009 (GlobeNewswire via COMTEX News Network) -- Newtek Business Services, Inc. (Nasdaq:NEWT) (www.newtekbusinessservices.com), a provider of business services and financial products to the small- and medium-sized business market, reports today its financial results for the three and six months ended June 30, 2009.

Second Quarter 2009 Overview

- * Loss before benefit for income taxes decreased by \$1.9 million or 71% to \$(775) thousand for the second quarter of 2009 from \$(2.6) million for the second quarter of 2008 due to our cost cutting efforts and increased revenues.
- * Total revenue for the Electronic payment processing segment in the second quarter of 2009 increased by 6% over the second quarter of 2008.
- * Total revenue for the Web hosting segment in the second quarter of 2009 increased by 5% over the second quarter of 2008.
- * The Company continued cost-cutting measures in the second quarter of 2009, which are expected to result in a minimum of \$4.0 million of cash savings for 2009.
- * Cash and cash equivalents, and restricted cash totaled \$26.9 million, or \$0.75 per share, as of June 30, 2009.
- * The net increase in cash and cash equivalents was \$1.7 million for the first six months of 2009 as compared to a decrease of \$(8.4) million for the first six months of 2008.

Barry Sloane, Chairman and Chief Executive Officer of Newtek Business Services, Inc. said, "We are very pleased with the Company's second quarter performance. Our management team has succeeded at cutting expenses, reducing our quarter over quarter loss, maintaining our cash balances and still managed to grow total revenues in our Electronic payment processing and Web hosting segments. An improvement in our six months cash flow is quite an accomplishment given the current economic backdrop. Additionally, we have begun to lend again under the SBA 7A program on a selective basis with a 90 percent guaranty and we anticipate that the company will be cash flow positive on a consolidated basis from all operations in 2009."

Second Quarter 2009 Financial Results

For the three months ended June 30, 2009, the Company reported a loss before benefit for income taxes of \$(775) thousand, compared to a loss before benefit for income taxes of \$(2.6) million, for the same period last year. For the six months ended June 30, 2009, the Company reported a loss before benefit for income taxes of (\$2.9) million, compared to (\$6.7) million for the same period one year ago.

The Company reported a net loss of \$(637) thousand, or \$(0.02) per share, in the second quarter of 2009, compared to a net loss of \$(2.0) million, or \$(0.06) per share, in the second quarter of 2008. For the six months ended June 30, 2009, the Company reported a net loss of (\$1.6) million, or \$(0.05) per share, compared to (\$4.7) million, or \$(0.13) per share, for the same period one year ago.

For the three months ended June 30, 2009, total revenue increased by \$2.4 million, or 10%, to \$27.1 million compared to \$24.6 million one year ago. Total revenue from the three core business services segments (electronic payment processing, web hosting and small business finance) increased to \$23.2 million, or 3%, in the second quarter of 2009 compared with \$22.5 million in the second quarter 2008. These three segments represented approximately 86% and 91% of total revenue in 2009 and 2008, respectively.

Outlook for 2009

The Company reaffirms 2009 consolidated revenues to be between \$95.3 million and \$101.2 million, and a loss before benefit for income taxes of between (\$7.4) million and (\$5.2) million. Annual guidance by segment for revenue, loss before benefit for income taxes, and EBITDA will be provided in the full year conference call presentation today Wednesday, August 12, 2009 at 4:15 p.m. ET and will be available in the 'Events & Presentation' section of the Investor Relations portion of Newtek's website at www.newtekbusinessservices.com.

Cautionary Statement

2009 Guidance information contained in this press release is based on management's current expectations. These statements are forward looking and actual results may differ materially. See "Note Regarding Forward Looking Statements" below.

Use of Non-GAAP Financial Measures

In evaluating its business, Newtek considers and uses EBITDA as a supplemental measure of its operating performance. The Company defines EBITDA as earnings before interest expense, taxes, depreciation and amortization. Newtek uses EBITDA as a supplemental measure to review and assess its operating performance. The Company also presents EBITDA because it believes it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance.

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

Second Quarter 2009 Conference Call and Webcast

A conference call to discuss these results will be hosted by Barry Sloane, Chairman and Chief Executive Officer, and Seth Cohen, Chief Financial Officer, today Wednesday, August 12, 2009 at 4:15 p.m. ET. The live conference call can be accessed by dialing (877) 604-9675 (domestic) or (719) 325-4912 (international).

A live audio webcast of the call and the corresponding presentation will be available in the 'Events & Presentation' section of the Investor Relations portion of Newtek's website at www.newtekbusinessservices.com. A replay of the webcast with the corresponding presentation will be available on Newtek's website shortly following the live presentation. The telephone replay can be accessed by dialing (888) 203-1112 (domestic) or (719) 457-0820 (international), and using the replay passcode 6079742. Both web-based and telephonic replays will be available through midnight August 26, 2009.

About Newtek Business Services, Inc.

Newtek Business Services, Inc. is a direct distributor of a wide range of business services and financial products to the small- and medium-sized business market under the Newtek(tm) brand. Since 1999, Newtek has helped small- and medium-sized business owners realize their potential by providing them with the essential tools needed to manage and grow their businesses and to compete effectively in today's marketplace. Newtek provides one or more of its services to over 88,000 business accounts and has positioned the Newtek(tm) brand as a one-stop-shop provider of such business services. According to the U.S. Small Business Administration, there are over 26.8 million small businesses in the United States, which in total represent 99.7% of all employer firms.

Newtek's business service lines include:

- * Electronic Payment Processing: Electronic solutions to accept non-cash payments, including credit and debit cards, check conversion, remote deposit capture, ACH processing, and electronic gift and loyalty card programs.
- * Web Hosting: Full-service web host which offers shared and dedicated web hosting and related services including domain

registration and online shopping cart tools.

- * Business Lending: Broad array of lending products including SBA 7(a), conventional commercial real estate and SBA 504 loans, business lines of credit, and business credit cards.
- * Insurance Services: Commercial and personal lines of insurance, including health and employee benefits in all 50 states, working with over 40 insurance carriers.
- * Web Services: Customized web design and development services.
- * Data Backup, Storage and Retrieval: Fast, secure, off-site data backup, storage and retrieval designed to meet the specific regulatory and compliance needs of any business.
- * Accounts Receivable Financing: Receivable purchasing and financing services.
- * Payroll: Complete payroll management and processing services.

Note Regarding Forward Looking Statements

Statements in this press release including statements regarding Newtek's beliefs, expectations, intentions or strategies for the future, may be "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. All forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from the plans, intentions and expectations reflected in or suggested by the forward-looking statements. Such risks and uncertainties include, among others, intensified competition, operating problems and their impact on revenues and profit margins, anticipated future business strategies and financial performance, anticipated future number of customers, business prospects, legislative developments and similar matters. Risk factors, cautionary statements and other conditions which could cause Newtek's actual results to differ from management's current expectations are contained in Newtek's filings with the Securities and Exchange Commission and available through <http://www.sec.gov>.

For more information, please visit www.newtekbusinessservices.com.

NEWTEK BUSINESS SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(In Thousands, except for Per Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	----	----	----	----
Operating revenues	\$ 27,077	\$ 24,630	\$ 51,198	\$ 48,150
	-----	-----	-----	-----
Operating expenses:				
Electronic payment processing costs	14,110	12,925	27,054	25,149
Salaries and benefits	4,497	5,985	9,307	12,564
Interest	3,605	2,194	6,122	4,483
Depreciation and amortization	1,570	1,766	3,219	3,576
Provision for loan losses	509	472	933	911
Other general and administrative costs	4,034	3,978	8,426	8,192
	-----	-----	-----	-----
Total operating expenses	28,325	27,320	55,061	54,875

Operating loss before fair market value adjustment and benefit for income taxes	(1,248)	(2,690)	(3,863)	(6,725)
Net change in fair market value of credits in lieu of cash and notes payable in credits in lieu of cash	473	61	1,010	61
Loss before benefit for income taxes	(775)	(2,629)	(2,853)	(6,664)
Benefit for income taxes	131	524	1,145	1,762
Net loss	(644)	(2,105)	(1,708)	(4,902)
Net loss attributable to noncontrolling interests	7	123	95	226
Net loss	\$ (637)	\$ (1,982)	\$ (1,613)	\$ (4,676)
Weighted average common shares outstanding - basic and diluted	35,625	35,750	35,625	35,809
Loss per share - basic and diluted	\$ (0.02)	\$ (0.06)	\$ (0.05)	\$ (0.13)

NEWTEK BUSINESS SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

JUNE 30, 2009 AND DECEMBER 31, 2008

(In Thousands, except for Per Share Data)

	June 30, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	\$ 18,594	\$ 16,852
Restricted cash	8,273	8,366
Credits in lieu of cash	49,640	70,559
SBA loans held for investment (net of reserve for loan losses of \$3,756 and \$3,420, respectively)	24,563	26,912
Accounts receivable (net of allowance of \$391 and \$192, respectively)	4,996	5,175
SBA loans held for sale	--	6,133
Prepaid expenses and other assets (net of accumulated amortization of deferred financing costs of \$2,335 and \$2,122, respectively)	8,901	9,998
Servicing asset (net of accumulated amortization and allowances of \$4,154 and \$3,756, respectively)	2,594	2,282

Fixed assets (net of accumulated depreciation and amortization of \$10,921 and \$9,477, respectively)	4,185	5,062
Intangible assets (net of accumulated amortization of \$13,413 and \$12,113, respectively)	5,042	6,096
Goodwill	12,092	12,092
	-----	-----
Total assets	\$ 138,880	\$ 169,527
	=====	=====

LIABILITIES AND EQUITY

Liabilities:

Accounts payable and accrued expenses	\$ 7,815	\$ 9,344
Notes payable	20,795	25,998
Deferred revenue	2,055	2,203
Notes payable in credits in lieu of cash	49,640	70,559
Deferred tax liability	4,147	5,344
	-----	-----
Total liabilities	84,452	113,448
	-----	-----

Commitments and contingencies

Equity:

Newtek Business Services, Inc. stockholders' equity:		
Preferred stock (par value \$0.02 per share; authorized 1,000 shares, no shares issued and outstanding)	--	--
Common stock (par value \$0.02 per share; authorized 54,000 shares, issued and outstanding 36,657 and 36,667, respectively, not including 97 and 394 shares held in escrow, respectively)	733	733
Additional paid-in capital	58,294	58,232
Deficit	(6,158)	(4,545)
Treasury stock, at cost (1,026 shares)	(649)	(649)
	-----	-----
Total Newtek Business Services, Inc. stockholders' equity	52,220	53,771
Noncontrolling interests	2,208	2,308
	-----	-----
Total equity	54,428	56,079
	-----	-----
Total liabilities and equity	\$ 138,880	\$ 169,527
	=====	=====

This news release was distributed by GlobeNewswire, www.globenewswire.com

SOURCE: Newtek Business Services Inc.

Newtek Business Services, Inc.
Barry Sloane, Chairman and CEO
212-356-9500

bsloane@newtekbusinessservices.com

(C) Copyright 2009 GlobeNewswire, Inc. All rights reserved.

News Provided by COMTEX