

Newtek Business Services Corp. NASDAQ: NEWT

First Quarter 2020
Financial Results Conference Call
May 8, 2020 8:30 am ET

Hosted by:
Barry Sloane, CEO & President Chris Towers, EVP & CAO

Investor Relations
Jayne Cavuoto
Director of Investor Relations
jcavuto@newtekone.com
(212) 273-8179

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.

First Quarter 2020 Financial Highlights

- Net investment income (loss) (“NII”) of \$(0.28) million, or \$(0.01) per share, for the three months ended March 31, 2020; an improvement of 80%, on a per share basis, over net investment loss of \$(0.99) million, or \$(0.05) per share, for the three months ended March 31, 2019
- Total investment income of \$15.8 million for the three months ended March 31, 2020; an increase of 14.8% over total investment income of \$13.8 million for the three months ended March 31, 2019
- Adjusted net investment income (“ANII”)¹ of \$4.3 million, or \$0.21 per share, for the three months ended March 31, 2020; a decrease of 52.3%, on a per share basis, over ANII of \$8.3 million, or \$0.44 per share, for the three months ended March 31, 2019
- Net asset value (“NAV”) of \$312.5 million, or \$15.00 per share, at March 31, 2020; a decrease of 4.5%, on a per share basis, over NAV of \$15.70 per share at December 31, 2019
- Debt-to-equity ratio of 1.44x at March 31, 2020
- Total investment portfolio increased by 18.8% to \$662.4 million at March 31, 2020, from \$557.7 million at March 31, 2019

¹See page 34 for definition of ANII.

Period Ended	Shares Outstanding at End of Period	Total Net Assets (\$ in thousands)	NAV Per Share	% Change
December 31, 2015	14,509,000	\$203,949	\$14.06	
December 31, 2016	14,624,000	\$209,094	\$14.30	1.70%
December 31, 2017	18,457,000	\$278,329	\$15.08	5.50%
December 31, 2018	18,919,000	\$287,445	\$15.19	0.73%
December 31, 2019	20,530,000	\$322,226	\$15.70	3.40%
March 31, 2020	20,838,000	\$312,464	\$15.00	-4.50%

- The average annual increase of Newtek’s NAV over the past four years was approximately 2.8%
- At March 31, 2020, NAV was \$312.5 million, or \$15.00 per share; a decrease of 4.5%, on a per share basis, over NAV of \$15.70 per share at December 31, 2019

First Quarter 2020 NAV Discussion

- NAV of \$312.5 million, or \$15.00 per share, at March 31, 2020; a decrease of 4.5%, on a per share basis, over NAV of \$15.70 per share at December 31, 2019
- Increased cost of capital despite significantly lower Treasury rates
- We have stressed higher levels of cumulative default frequency over the life of the portfolio
 - For valuation, we have a seasoned portfolio of cumulative gross defaults at 30%
 - Applied historic 40% loss severity on average
- We have recently liquidated several non-accrual loans in the last two weeks, at or above their marked-to-market values

Significant Improvement in Net Investment Income (Loss)

- Net investment income (loss) improved by 80%, on a per share basis, for the three months ended March 31, 2020, 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
- All of the above bullets are relevant in a normalized market environment

2020 Lending Highlights

- Newtek Small Business Finance, LLC (“NSBF”) funded \$52.8 million of SBA 7(a) loans during the three months ended March 31, 2020; compared to \$97.8 million of SBA 7(a) loans funded for the three months ended March 31, 2019
- NSBF anticipates resuming its SBA 7(a) lending activity in Q3 2020 and Q4 2020, subject to appropriation
 - On April 29, 2020, U.S. Senators Marco Rubio (R-Fla.) and Ben Cardin (D-Md.), Chairman and Ranking Member of the Senate Committee on Small Business and Entrepreneurship, sent a bipartisan letter to the U.S. Department of the Treasury, and the SBA, urging the agencies to provide an immediate administrative fix to ensure the continued operation of the SBA 7(a) loan program
- As of May 7, 2020, there is \$120 billion of availability for the SBA 7(a) program (which includes SBA 7(a) loans and PPP loans)

Paycheck Protection Program (PPP) Loans

- **The Company forecasts record NII and ANII for the second quarter of 2020 based on its PPP lending activity and its regular business operations**
- Pursuant to the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), Congress tasked the SBA and U.S. Treasury with implementing the PPP
- PPP enables authorized lenders, including NSBF, to make PPP loans to U.S. small businesses for the purposes of maintaining their payroll, paying their rent and utilities, and certain other costs
- PPP loans are 100% federally guaranteed and are forgivable to borrowers if they comply with the PPP
- **NSBF has partnered with several banks to sell them up to 100% participations in the PPP loans NSBF originates**
- NSBF has obtained SBA loan (E-Tran) numbers for \$1.1 billion of PPP loans
- NSBF estimates that upwards of 130,000 employees of its PPP borrowers could be retained if NSBF’s total potential funding of \$1.1 billion in PPP loans is reached
- NSBF estimates it will fund 2 years’ worth of loan production in two months’ time
- NSBF was able to offer 100% of its current SBA borrowers a PPP loan

Principal & Interest Payments From Government

- The CARES Act authorized the SBA to make six months of principal and interest payments on any existing SBA 7(a) loan in regular servicing status (i.e. accrual status), and less than 120 days past due
- These principal and interest payments are being made by the SBA directly to the SBA 7(a) lender
- Under this provision of the CARES Act, in April 2020, NSBF received in excess of \$17.7 million from the SBA for the principal and interest payments for its SBA 7(a) borrowers in regular servicing (accrual) status and, as a result, its SBA 7(a) accrual portfolio is 98.6% current on all payments as of April 30, 2020
- These principal and interest payments enabled NSBF to earn full servicing income as well as pay down securitization debt, which was a benefit to its securitization note holders who are currently experiencing overcollateralization and further enhancement of the securitized note structure
- Importantly, the \$17.7 million payment of principal and interest provides a tremendous economic benefit to our 2,175 SBA 7(a) borrowers and is very welcome as most businesses today need 60 days worth of financing or relief while the economy recovers in Q3 2020 and Q4 2020

2020 Dividends

- As a BDC that has elected to be treated for U.S. federal income tax purposes as a regulated investment company (a “RIC”), Newtek is required to pay out at least 90% of its taxable income for the year in the form of dividends to its shareholders
- The Company paid a first quarter 2020 cash dividend of \$0.44 per share on March 31, 2020 to shareholders of record as of March 18, 2020
- Newtek is an internally managed BDC

Future Opportunities in Challenging Markets

- Newtek's management team has historically emphasized the adaptability and flexibility of its business model which afforded the entire Company a seamless transition to working remotely
- Newtek's business model is ideal for the post-coronavirus economy, without the use of branches, brokers, business development officers, and limited salesforce contact with end customers
- Most prefer not to go into a financial institution's branch, or see a sales person; remote business is the future of the market
- Newtek portfolio companies' IT solutions' products and why they are timely, vital, and important
- PPP loans have made payroll a core functionality for businesses, and Newtek Payroll and Benefits Solutions has been able to help these business immediately when other leading players have failed to perform
- Newtek Insurance Agency (NIA) insurance solutions for health, and property and causality is extremely timely as NIA can help businesses check their coverage and its cost effectiveness in their downtime and help them obtain rebates on their auto insurance during the Covid-19 pandemic
- Newtek Payment Processing has emphasized, now more than ever, the value of its fully integrated AAA-rated ecommerce platform
- Due to Covid-19, the utilization of paper currency and coin will become less prevalent with tap-and-go, or contactless, payments becoming more widely used
 - Please see slide 25 on our POS on Cloud acquisition explaining how we are positioned in this space on a go-forward basis
- Many people believe that the small business lending market going forward will be primarily limited to the government-guaranteed market for which Newtek is well positioned

Newtek Small Business Finance Overview:

SBA 7(a) Loans

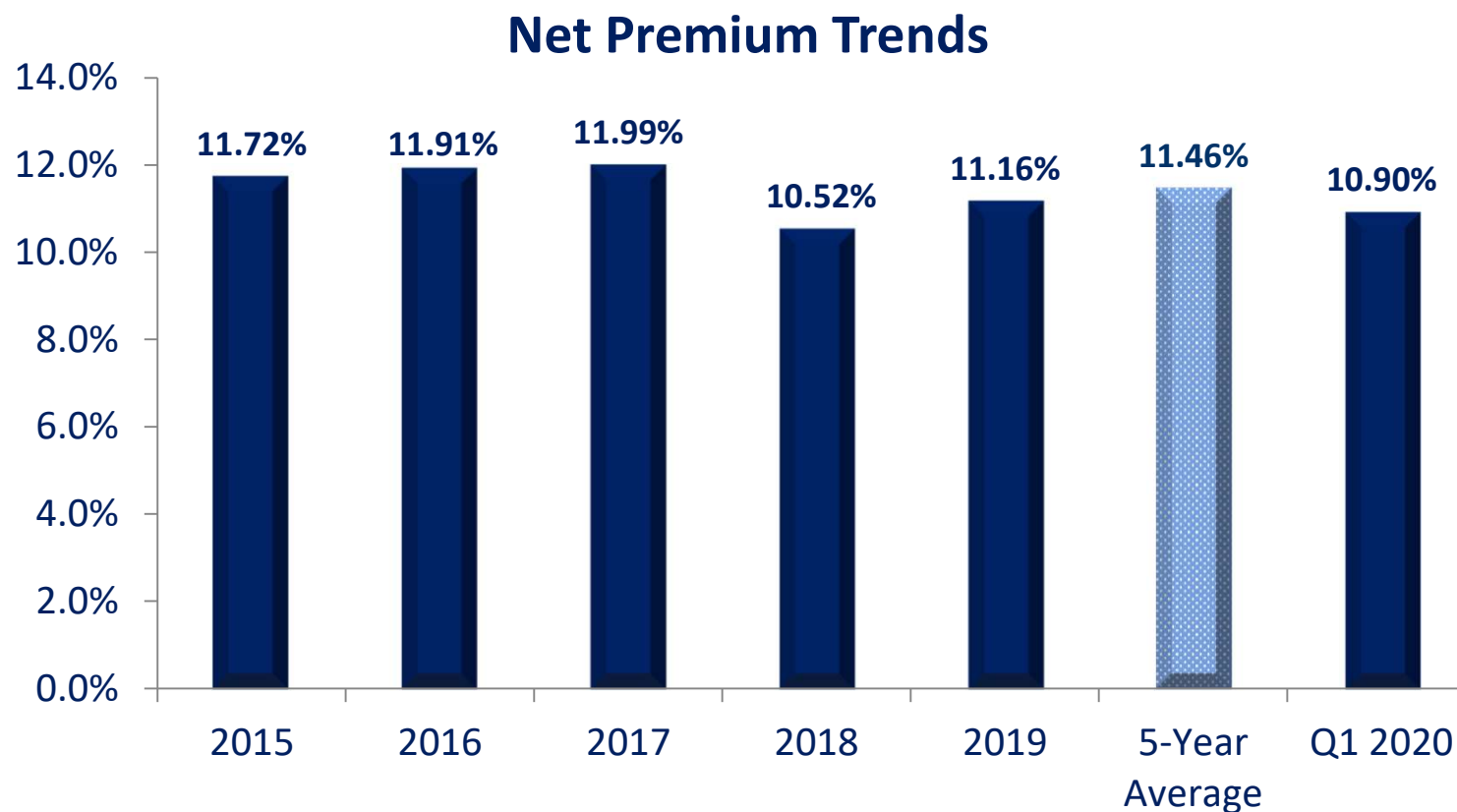


- Currently the largest non-bank lender (with PLP status) licensed by the SBA under the federal Section 7(a) loan program based on annual origination volume
- One of 14 Non-Bank SBA Government-Guaranteed Lender Licenses
- 2nd largest SBA 7(a) lender as of March 31, 2020 (including banks) through the SBA's first half of fiscal year¹ 2020
- National SBA 7(a) lender to small businesses since 2003; 17-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 2,428 loans
 - Average loan size is approximately \$180K of average unguaranteed retained loan balance
- Floating rate at Prime plus 2.75% with no caps and quarterly rate adjust; currently equivalent to 6.00% 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

¹The SBA's fiscal year ends on September 30.

Growth in Loan Referrals

- Historical metrics used for growth in loan referrals are currently not relevant due to the PPP and COVID-19
- We have received in excess of 70,000 loan referrals in the last 4 weeks
- Newtek's database of customer opportunities is very deep
- Newtek has 17 years of loan assembly, underwriting and technological expertise making it a leader in this area of lending, and it looks forward to returning to a more normalized process
- Other fintech companies that are claiming to enter this lending market do not have the depth and breadth of experience of Newtek



- For the three months ended March 31, 2020, the weighted average net premium received on the sale of guaranteed portions of SBA 7(a) loans was 10.90%

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

Loan Portfolio Weighted Average Seasoning

- The following shows the loan portfolio's weighted average seasoning at March 31 for the past three years:
 - At March 31, 2018: 27.8 Months
 - At March 31, 2019: 28.2 Months
 - At March 31, 2020: 30.6 Months

- Defaults tend to accelerate between 18 and 40 months, and flatten thereafter
- See Standard and Poor's Global Ratings risk analysis report from April 28, 2020 titled 'Small Business ABS Credit Quality Hinges on Pandemic Duration and Stimulus Efficacy' through the following link:
 - <https://www.spglobal.com/ratings/en/research/articles/200428-small-business-abs-credit-quality-hinges-on-pandemic-duration-and-stimulus-efficacy-11467182>

Portfolio Currency Analysis of Unguaranteed Retained Portfolio

- The following chart shows the SBA 7(a) loan portfolio aging and currency at March 31, 2020, April 30, 2020 and December 31, 2019 **on accrual loans only**

	3/31/2020			4/30/2020 ¹			12/31/2019		
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	2,099	\$ 341,715,811	93.71%	2,164	\$ 356,665,154	98.63%	2,085	\$ 338,830,058	92.21%
31 - 60	74	\$ 13,449,346	3.69%	7	\$ 3,046,037	0.84%	48	\$ 14,458,727	3.93%
61 - 90	9	\$ 4,649,756	1.28%	4	\$ 1,222,211	0.34%	0	\$ -	0.00%
91 - 120	0	-	0.00%	0	-	0.00%	26	\$ 8,749,888	2.38%
> 120	11	\$ 4,855,504	1.33%	4	\$ 703,344	0.19%	20	\$ 5,410,029	1.47%
Accrual Total	2,193	\$ 364,670,417	100%	2,179	\$ 361,636,746	100%	2,179	\$ 367,448,702	100%

¹April 30, 2020 presented to demonstrate impact of CARES Act payments - data does not include PPP loans. At 4/30/2020, of the 15 loans that are 31-120+ days past due, one loan in the 120+ days past due category paid in full for \$191,000, two loans in 120+ days past due category will be transferred to liquidation in May 2020 for a total of \$80,000, and one loan in the 120+ days past due category for an amount of \$433,000, which made 3 past-due payments in May 2020 (and they are eligible to receive payment from the SBA in May 2020). The 11 loans 31-60 days past due and 61-90 days past due are expected to receive principal and interest payments from the SBA in May 2020 pursuant to Section 1112 of the CARES Act.

Note: The table above does not include accrual loans in which NSBF owns 100% as a result of NSBF repurchasing the guaranteed portions from the SBA. The total of 100% NSBF-owned accrual loans at 03/31/20 and 4/30/2020 was \$7.4 million and \$4.4 million, respectively, and is included in SBA unguaranteed non-affiliate investments on the consolidated statements of assets and liabilities.

Non-Accrual Loans that Paid Off

Simkar LLC; Neo Lights Holding, Inc.; and Kalco Lighting, LLC

- Simkar LLC, et al was an internationally known designer, developer and manufacturer of lighting products and has been in business since 1952. NSBF provided them with a \$5.0 million SBA 7(a) loan to refinance debt and for working capital
- The loan was secured by a 1st lien on all business assets and a 1st lien on commercial real estate valued at \$9.65 million
- The loan was 402 days past due and in liquidation when it paid off in full on 4/30/20 in the amount of \$5,557,477.24. This included:
 - Principal: \$4,995,784.19
 - Interest: \$450,786.88
 - Late fees: \$25,084.02
- Reimbursement of \$85,822.15 in expenses (legal fees, force placed insurance and servicing fees)
- NSBF owned 100% of the loan, having purchased the guaranteed portion from the SBA
- Since the loan was in non-accrual status prior to payoff, the collection of interest and fees represents income to NSBF in the period collected

Guaranteed Portion of Accrual Loan that Was Repurchased Out of An SBA Pool

DC Realty, LLC dba FOGO Data Centers

- FOGO Data Centers owns and operates regional retail data centers providing businesses with IT services and support
- NSBF provided them with a \$4.67 million SBA 7(a) loan to refinance a construction loan for cost overruns, equipment purchase, and working capital
- The loan was secured by a 1st lien on all business assets which included \$1.2 million in equipment, a 1st lien on commercial real estate valued at \$5.9 million, a 1st lien on vacant residential lots worth \$135,000 and \$300,000 in securities
- The loan was 97 days past due when it paid off in full on 4/24/20 in the amount of \$3,266,645.79. This included:
 - Principal: \$3,009,699.77
 - Interest: \$167,121.02
 - Late fees: \$50,000.00
 - Reimbursement of expenses: \$39,825
- NSBF owned 100% of this loan, having purchased the guaranteed portion from the SBA

Non-Accrual Loan that Paid Off

Mitchell Auto Repair, LLC and C&M Mitchell, LLCF

- Mitchell Auto Repair is a motor vehicle service and repair facility in MD
- NSBF provided the company with a \$773,000 SBA 7(a) loan to purchase a commercial property to house their growing business and working capital
- Loan was secured by a 1st lien on all business assets which includes \$150,000 in equipment, a 1st lien on commercial real estate valued at \$770,000, and a 2nd lien on residential real estate with minimal net market value
- Loan was 155 days past due when it paid off in full on 5/4/20 in the amount of \$788,882.74. This included:
 - Principal: \$763,186.00
 - Interest: \$11,665.13
 - Late fees: \$5,223.15
 - Miscellaneous fees: \$922.20
 - Pre-payment penalty: \$254.40
 - Recoupment fee: \$7,631.86

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	10.90%
Term	25 years

Net Cash Created	
Guaranteed Balance	\$750,000
Realized Gains on Guaranteed Balance ²	\$81,750
Cash Received in Securitization ⁽³⁾	\$208,750
Total	\$1,040,500
Net Cash Created (Post Securitization) ^{4,5}	\$40,500

¹Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 111.80% premium. The additional 1.80% (11.80% - 10%) is split with SBA. NSBF nets 10.90%.

²Assumes 10.90% 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	\$81,750
Guaranteed Balance (75%)	\$750,000	Servicing Asset ³	<u>\$13,200</u>
Unguaranteed Balance (25%)	\$250,000	Total Realized Gain	\$94,950
Realized Gain (Premium) ¹	10.90%	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	\$83,700

¹Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 11.80% premium. The additional 1.80% (11.80% - 10%) is split with SBA. NSBF nets 10.90%.

²Assumes 10.90% 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

Newtek's Conventional Loan Portfolio

- Newtek Conventional Lending, the Company's joint venture, funds non-conforming conventional loans
- Portfolio company Newtek Business Lending, LLC, originates SBA 504 loans and non-conforming conventional loans
- The portfolio of closed and committed non-conforming conventional loans had a total principal balance of approximately \$92 million and is 100% current as of April 30, 2020

Portfolio Companies: Newtek Payment Processing Companies



- Newtek Merchant Solutions' ("NMS") has an equity fair market value of \$115 million at March 31, 2020
- Total fair value of Newtek's investment in POS on Cloud is equal to \$850,000 at March 31, 2020
- Newtek Merchant Solutions' equity fair market value of \$115 million equates to a total enterprise value multiple of 9.5x 2020 forecasted Adjusted EBITDA excluding extraordinary non-recurring items

NMS Points to Consider for 2020

- Processing volume for the three months ended March 31, 2020 decreased by approximately 11% over the same period in 2019
- Processing volume in March 2020 decreased by approximately 23% over March 2019
- Processing volume in April 2020 decreased by approximately 37% over April 2019
- Processing volume in the first six business days in May 2020 increased by approximately 21% over the first six business days in April 2020
- NMS estimates that processing will decrease by approximately 20% in May 2020 over May 2019, and forecasts that Adjusted EBITDA for Newtek Merchant Solutions will decrease by 10% in 2020 over 2019
- Covid-19 impact on Mobil Money
- NMS expects a rebound in its processing business and will look at its ecommerce solutions business and POS on Cloud to boost Newtek Payment Systems performance

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
- Provides NMS with its own branded POS system
- NMS is 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 is an all-encompassing system that can:
 - Process payments
 - Integrate with ecommerce
 - Integrate with all food delivery services like Uber Eats, Grubhub, DoorDash etc.
 - 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 \$31.1 million, net of debt as of March 31, 2020
- NTS is a managed technology & cloud computing business, wholly owned and managed for 10+ years
- NTS Adjusted EBITDA
 - 2018: \$(836,000)
 - 2019: \$203,000
 - Forecasted 2020 Adjusted EBITDA: \$3.5 to \$4.5 million**
- IPM provides professional technology solutions and consulting services
- C9 provides white-labeled professional services for some of the largest software companies in the world

Turnaround in Newtek Technology Portfolio Companies

- **NTS enhanced its data center presence by terminating long-term data space at an annualized cost of \$2.4 million per year**
- NTS entered a new state-of-the-art facility with Aligned data center in Scottsdale at 30% of previous expense with similar capacity
- NTS estimates **\$3.5 to \$4.5 million of Adjusted EBITDA** in 2020; an increase from \$203,000 in 2019

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

Newtek Payroll & Benefits Solutions & Newtek Insurance Solutions

- Expect to expand Newtek's Payroll & Benefits Solutions offering with its revamped management and iSolved[®] software in 2021
- Expect to expand Newtek's Insurance Solutions offering with its revamped management in 2021

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 **December 31, 2019**, including reinvested dividends:

5-Year Total Return

NEWT: 198.8%
S&P 500: 73.8%
Russell 2000: 48.1%

3-Year Total Return

NEWT: 88.4%
S&P 500: 53.1%
Russell 2000: 28.0%

1-Year Total Return

NEWT: 42.8%
S&P 500: 31.5%
Russell 2000: 25.5%

- Newtek's 10-year return was 800%, including reinvested dividends, which equates to 25% annually rounded

Note: Total returns as per Bloomberg.

Investment Summary

- Newtek Business Services Corp. has a differentiated and diversified BDC model
- Diversified business model provides multiple streams of revenue
- Newtek is an **internally managed BDC**; does not pay a management fee to an external manager
- Proven track record; Established in 1998; publically traded since September 2000
- Over 18-year lending history through multiple lending cycles; great depth and breadth of experience
- Management's interests aligned with shareholders; management and Board combined own approximately 6.3% of outstanding shares as of March 31, 2020
- **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

Financial Review

Chris Towers, Chief Accounting Officer

Consolidated Statements of Operations

Newtek Business Services Corp. and Subsidiaries



(in thousands except per share data amounts)

	Three Months Ended March 31,	
	2020	2019
Investment income:		
Interest income	\$ 7,779	\$ 7,234
Dividend income	4,402	3,181
Servicing income	2,715	2,428
Other income	906	921
Total investment income	<u>15,802</u>	<u>13,764</u>
Expenses:		
Salaries and benefits	3,447	3,588
Interest	5,184	4,735
Depreciation and amortization	115	129
Professional fees	964	984
Origination and loan processing	1,824	1,653
Origination and loan processing - related party	2,638	2,188
Change in fair value in contingent consideration liabilities	54	46
Other general and administrative costs	1,858	1,427
Total expenses	<u>16,084</u>	<u>14,750</u>
Net investment loss	(282)	(986)
Net realized and unrealized gains (losses):		
Net realized gain on investments	4,513	9,344
Net unrealized (depreciation) appreciation on investments, net of deferred taxes	(12,572)	1,281
Net unrealized appreciation (depreciation) on servicing assets	1,088	(556)
Net realized and unrealized gains (losses)	<u>(6,971)</u>	<u>10,069</u>
Net (decrease) increase in net assets resulting from operations	<u>\$ (7,253)</u>	<u>\$ 9,083</u>
Net investment loss per share	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>
Net (decrease) increase in net assets resulting from operations per share	<u>\$ (0.35)</u>	<u>\$ 0.48</u>
Weighted average shares outstanding	<u>20,738</u>	<u>19,003</u>

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, 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 March 31, 2020 and 2019

(in thousands, except per share amounts)

	<u>Three months ended March 31, 2020</u>	<u>Per share</u>	<u>Three months ended March 31, 2019</u>	<u>Per share</u>
Net investment loss	\$ (282)	\$ (0.01)	\$ (986)	\$ (0.05)
Net realized gain on non-affiliate investments - SBA 7(a) loans	4,513	0.22	9,344	0.49
Loss on lease	-	-	(78)	(0.00)
Change in fair value of contingent consideration liabilities	54	0.00	46	0.00
Adjusted Net investment income	<u>\$ 4,285</u>	<u>\$ 0.21</u>	<u>\$ 8,326</u>	<u>\$ 0.44</u>

Note: Per share amounts may not foot due to rounding