

Newtek Business Services Corp. NASDAQ: NEWT

Full Year 2020
Financial Results Conference Call
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Hosted by:
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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: Total Returns



- Total return year to date through March 22, 2021, including reinvested dividends:
 - NEWT: **33.2%**
 - S&P 500: **5.3%**
 - Russell 2000: **15.0%**
- At Newtek’s current common stock price¹ levels, Newtek’s market capitalization is over \$500 million
- The Company believes a \$500 million market capitalization could open Newtek to greater acceptance by small-cap investors with an investment thesis that requires a minimum market capitalization threshold of \$500 million
- As of December 31, 2020, including reinvested dividends:

10-Year Total Return	5-Year Total Return	3-Year Total Return	1-Year Total Return
NEWT: <u>405.1%</u>	NEWT: <u>136.9%</u>	NEWT: <u>45.6%</u>	NEWT: <u>-1.5%</u>
S&P 500: <u>266.7%</u>	S&P 500: <u>99.6%</u>	S&P 500: <u>48.8%</u>	S&P 500: <u>18.4%</u>
Russell 2000: <u>189.0%</u>	Russell 2000: <u>82.2%</u>	Russell 2000: <u>33.9%</u>	Russell 2000: <u>19.9%</u>

Note: Total returns as per Bloomberg

¹Newtek’s common stock closing price on March 22, 2021 was \$25.74

Adaptability of Newtek's Business Model

- While 2020 was one of the most challenging years in Newtek's 23-year operating history, Newtek was able to shift its business model quickly and effectively to meet the needs of independent business owners
- Newtek has proven to be systematically vital to the economy during this pandemic
- The Company paid a 2020 annual dividend of \$2.05 per share, out of taxable income, which was only a 4.7% decrease from the 2019 annual dividend, in light of unprecedented market conditions
 - This was the first annual dividend decrease in the Company's history
 - The Company is forecasting a record annual dividend in 2021
- The Company is now “firing on all cylinders”, and is looking forward to a fruitful 2021, as the U.S. economy continues to open and the Company has renewed focus on its growth drivers
- We believe Newtek and its portfolio companies are extremely well positioned to capture market opportunity and growth in 2021 across Newtek and its portfolio companies' business and finance solutions led by our loan product offerings, merchant solutions, managed technology solutions and insurance agency solutions
- The Company has provided forecasts across several key metrics for the first quarter of 2021 and full year 2021 that reflect the Company's anticipated growth trajectory

2021 Key-Metric Forecasts: Well Positioned for Growth



Dividend

- The Company increased its 2021 annual dividend forecast to a range of \$2.40 to \$2.90 per share¹; an increase from the previous range of \$2.00 to \$2.50 per share
- The midpoint of the 2021 annual dividend forecast range would represent an approximate 29% increase over the 2020 annual dividend

Adjusted Net Investment Income (“ANII”)

- The Company anticipates achieving record ANII for the first quarter of 2021

SBA 7(a) Funding

- NSBF forecasts full year 2021 SBA 7(a) loan fundings of approximately \$600 million

SBA 504 Funding

- NBL forecasts SBA 504 loan fundings and/or closings of \$35 to \$40 million for the first quarter of 2021
- NBL forecasts approximately \$125 million SBA 504 fundings and/or closings for the full year 2021

Non-Conforming Conventional Loans

- The Company is in the process of negotiating new joint-venture agreements and hopes to finalize and launch new joint ventures during the second quarter of 2021, and restart its non-conforming conventional loan program shortly thereafter

PPP Loans

- The Company anticipates funding between \$350 and \$400 million of PPP loans by March 31, 2021. If the Congress extends the PPP through June 30, 2021, NSBF believes it can ultimately fund \$500 million of PPP loans by that date

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

Full Year 2020 Financial Highlights

- Net investment income of \$32.0 million, or \$1.51 per share, for the twelve months ended December 31, 2020; an increase of 620.7%, on a per share basis, compared to net investment loss of \$(5.6) million, or \$(0.29) per share, for the twelve months ended December 31, 2019
- ANII¹ of \$43.4 million, or \$2.05 per share, for the twelve months ended December 31, 2020; a decrease of 12.0%, on a per share basis, compared to ANII of \$45.0 million, or \$2.33 per share, for the twelve months ended December 31, 2019
- Total investment income of \$92.2 million for the twelve months ended December 31, 2020; an increase of 55.5% over total investment income of \$59.3 million for the twelve months ended December 31, 2019
- Debt-to-equity ratio of 1.35x at December 31, 2020
- Total investment portfolio increased by 1.8% to \$671.2 million at December 31, 2020, from \$659.0 million at December 31, 2019
- Net asset value (“NAV”) of \$339.4 million, or \$15.45 per share, at December 31, 2020; a decrease of 1.6%, on a per share basis, compared to NAV of \$15.70 per share at December 31, 2019

¹Please see page 40 for definition of ANII.

Full Year 2020 Net Investment Income & ANII

- For the twelve months ended December 31, 2020, net investment income increased significantly over 2019 primarily due to the funding of \$1.2 billion of PPP loans during the full year of 2020
- For the twelve months ended December 31, 2020, ANII decreased over the same period last year due to the temporary suspension of lending activities in and the shifting of resources from the Company's SBA 7(a) loan program to originating PPP loans beginning March 2020 through June 30, 2020

Paycheck Protection Program (PPP)

- Pursuant to the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), Congress tasked the SBA and U.S. Treasury with implementing the PPP
- The PPP enabled 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
 - There have been three rounds of PPP funding, with the third round to conclude on March 31, 2021, with a potential extension through June 30, 2021 depending on further action by Congress

PPP Loans

- Newtek Small Business Finance, LLC (“NSBF”) funded \$1.2 billion of PPP loans during the twelve months ended December 31, 2020
- Through the twelve months ended December 31, 2020, NSBF funded approximately 10,500 new borrowers through the first two rounds of the PPP
- We estimate that over 130,000 PPP borrowers’ employees were retained with the funding of the \$1.2 billion in PPP loans
- NSBF funded 2 years’ worth of loan production in slightly over 6 months’ time
- NSBF was able to offer 100% of its current SBA borrowers a PPP loan
- NSBF partnered with several banks to sell them up to 100% participations in the PPP loans NSBF originated

Third Round of PPP Funding 2021

- On January 15, 2021, NSBF began submitting first- and second-draw PPP loan applications to the SBA, in accordance with the government’s third stimulus package
- The Company anticipates funding between \$350 and \$400 million of PPP loans by March 31, 2021
- If Congress extends the PPP through June 30, 2021, NSBF believes it can ultimately fund \$500 million of PPP loans by that date

2020 SBA 7(a) Lending Highlights

- NSBF funded \$113.6 million of SBA 7(a) loans during the three months ended December 31, 2020; compared to \$183.0 million of SBA 7(a) loans for the same period in 2019
- NSBF funded \$196.8 million of SBA 7(a) loans during the twelve months ended December 31, 2020; compared to \$517.7 million of SBA 7(a) loans funded for the same period in 2019
- The decline was due to NSBF's shifting of resources from and temporarily suspending originations in its SBA 7(a) loan program to originating approximately \$1.2 billion of PPP loans beginning March 2020 through June 30, 2020 as a result of the COVID-19 pandemic
- NSBF forecasts full year 2021 SBA 7(a) loan fundings of approximately \$600 million

2020 Portfolio Company Lending Highlights



- Newtek Business Lending (“NBL”), Newtek’s wholly owned portfolio company which originates SBA 504 loans, funded and/or closed \$87.2 million in SBA 504 loans through the twelve months ended December 31, 2020
- NBL forecasts SBA 504 loan fundings and/or closings of \$35 to \$40 million for the first quarter of 2021
- NBL forecasts SBA 504 loan fundings and/or closings of approximately \$125 million for the full year 2021
- NBL closed on the renewal of its existing \$75 million line of credit with Capital One Bank N.A. for SBA 504 lending for a period of three years
- In March 2021, NBL closed a \$100 million credit facility with Deutsche Bank AG, which has an initial two-year term
 - The facility will be used to fund SBA 504 loans
- NBL contributed \$1.6 million in dividend income to the Company in the fourth quarter of 2020

2020 & 2021 Dividends

- The Company paid a fourth quarter 2020 cash dividend of \$0.47 per share on December 30, 2020 to shareholders of record as of December 18, 2020
- The Company paid a 2020 annual dividend of \$2.05 per share out of taxable income
- The Company declared a first quarter 2021 cash dividend of \$0.50 per share, payable on March 31, 2021 to shareholders of record as of March 22, 2020
 - The payment of the first quarter 2021 dividend would represent a 13.6% increase over the first quarter 2020 dividend of \$0.44 per share, and a 25% increase over the first quarter 2019 dividend of \$0.40 per share
- The Company increased its 2021 annual dividend forecast to a range of \$2.40 per share to \$2.90 per share¹; an increase from the previous range of \$2.00 per share to \$2.50 per share
 - The midpoint of the 2021 annual dividend forecast range would represent an approximate 29% increase over the 2020 annual dividend
- The Company has historically paid its distributions in the form of dividends out of taxable income

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

Positive Cost-Cutting Initiatives: Effects of COVID-19

- The Company's and its portfolio companies real estate footprint shrunk in 2020 and will continue to shrink in 2021 and beyond as a result of the effects of employees working remotely
- Newtek and its portfolio companies have 6 to 7 physical locations that have recently closed or will be closing in the near term
- We have increased our real estate footprint in the Company's Lake Success, NY location
- The Company has been able to manage employee's efficiency working remotely through its Time Tracker program
- Newtek and its portfolio companies employees have benefitted from not having to commute

Subsequent 2020 Highlight: Bond Deal

- In January 2021, the Company closed a \$115 million public offering of 5.50% Notes due 2026
- These Notes trade on the Nasdaq Global Market under the symbol “NEWTZ”
- This transaction was record in size for Newtek for a publicly traded baby bond issuance as well as a record-low coupon
- This issuance was rated BBB+ by Egan Jones, and garnered strong institutional demand
- The Company used the net proceeds from the sale of the Notes to fully retire the Company’s outstanding 6.25% Notes due 2023, to fund investments in debt and equity securities in accordance with the Company’s investment objectives and strategies, and general corporate purposes

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 customers 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 businesses immediately when other leading players have failed to perform
- Newtek Insurance Agency ("NIA") provides insurance solutions for our business clientele and business owners. These insurance solutions cover property and causality insurance, health insurance, and key man life insurance. We believe with all of the changes in business operations due to the pandemic, cyber-security issues and health-related incidents, there isn't a more important time for our clientele to allow us to perform a health check on all of their coverages to ensure they have they best available coverage at the best available price
- Newtek Payment Processing has emphasized, now more than ever, the value of its fully integrated 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 30 on our POS on Cloud investment explaining how we are positioned in this space on a go-forward basis

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
- 3rd largest SBA 7(a) lender as of December 31, 2020 (including banks)
- National SBA 7(a) lender to small businesses since 2003; 18-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 2,347 loans
 - Average loan size is approximately \$179K 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

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 approximately 329,607 loan referrals in units for the twelve months ended December 31, 2020
- We have received approximately 102,268 loan referrals in units for the three months ended December 31, 2020
- Newtek's database of customer opportunities is very deep
- Cross-selling efforts are being realized as we have integrated our sales and marketing efforts as well as continued to invest in training of Newtek's and its portfolio companies' solutions providers
- Newtek has 18 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
- Newtek is significantly different than other fintech companies like OnDeck Capital, Kabbage, and Lendio

Loan Portfolio Weighted Average Seasoning

- The following shows the loan portfolio's weighted average seasoning at December 31, for the past three years:
 - At December 31, 2018: 27.4 Months
 - At December 31, 2019: 28.5 Months
 - At December 31, 2020: 35.6 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 Portfolio

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

	12/31/2020			9/30/2020			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	2,074	\$ 343,856,231	95.27%	2,103	\$ 346,777,441	98.50%	2,085	\$ 338,830,058	92.21%
31 - 60	62	\$ 12,678,886	3.51%	19	\$ 5,236,832	1.49%	48	\$ 14,458,727	3.93%
61 - 90	0	-	0.00%	0	-	0.00%	0	\$ -	0.00%
91 - 120	28	\$ 3,950,675	1.09%	1	\$ 28,750	0.01%	26	\$ 8,749,888	2.38%
> 120	2	-	0.12%	0	-	0.00%	20	\$ 5,410,029	1.47%
Accrual Total	2,166	\$ 360,917,554	100%	2,123	\$ 352,043,023	100%	2,179	\$ 367,448,702	100%

¹ December 31, 2020 and September 30, 2020 reflect principal and interest payments made by the SBA pursuant to Section 1112 of the CARES Act. December 31, 2020 and September 30, 2020 data do not include PPP loans.

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 12/31/20 and 9/30/2020 was \$6.1 million and \$4.4 million, respectively, and is included in SBA unguaranteed non-affiliate investments on the consolidated statements of assets and liabilities.

SBA 7(a) Loan Sale Transaction

Net Cash Created on SBA 7(a) Loan Sale Transaction – An Example

Key Variables in Loan Sale Transaction		Net Cash Created	
Loan Amount	\$1,000,000	Guaranteed Balance	\$750,000
Guaranteed Balance (75%)	\$750,000	Realized Gains on Guaranteed Balance ²	\$88,425
Unguaranteed Balance (25%)	\$250,000	Cash Received in Securitization ⁽³⁾	\$208,750
Realized Gain (Premium) ¹	11.79%	Total	\$1,047,175
Term	25 years	Net Cash Created (Post Securitization) ^{4,5}	\$47,175

¹Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 113.58% premium. The additional 3.58% (13.58% -10%) is split with SBA. NSBF nets 11.79%.

²Assumes 11.79% 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.

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	\$88,425
Guaranteed Balance (75%)	\$750,000	Servicing Asset ³	<u>\$13,200</u>
Unguaranteed Balance (25%)	\$250,000	Total Realized Gain	\$101,625
Realized Gain (Premium) ¹	11.79%	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	\$90,375

¹Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 113.58% premium. The additional 3.58% (13.58% - 10%) is split with SBA. NSBF nets 11.79%.

²Assumes 11.79% 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

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 company Newtek Business Lending, LLC (“NBL”) originates and funds SBA 504 loans; and originates non-conforming conventional loans on behalf of NCL
- Newtek Small Business Lending services SBA 504 loans originated by NBL
- Funded and/or closed \$87.2 million in SBA 504 loans for the twelve months ended December 31, 2020
- NBL forecasts first quarter 2021 SBA 504 loan fundings and/or closings of approximately \$35 to \$40 million
- NBL forecasts approximately \$125 million SBA 504 fundings and/or closings for the full year 2021
- NBL contributed \$1.6 million in dividend income to the Company in the fourth quarter of 2020

Newtek's Conventional Loan Portfolio

- Newtek Conventional Lending (“NCL”), the Company’s joint venture, funds non-conforming conventional loans
- Newtek Small Business Lending services non-conforming conventional loans originated by NCL
- At December 31, 2020, the portfolio of closed and committed non-conforming conventional loans had a total principal balance of approximately \$80.6 million, consisting of 17 loans, all of which are current with payments except for one loan. NCL ceased funding non-conventional conforming loans in 2020 due to the COVID-19 pandemic

Prospective Joint Ventures

- The Company anticipates restarting its non-conforming conventional loan program in 2021
- The Company is in the process of negotiating new joint-venture agreements and hopes to finalize and launch new joint ventures during the second quarter of 2021, and restart its non-conforming conventional loan program shortly thereafter

Portfolio Companies: Newtek Payment Processing Companies

- Newtek Merchant Solutions' ("NMS") had an equity fair market value of \$111.5 million at December 31, 2020
- Total enterprise value ("TEV") of \$126.4 million, including debt and excess cash, equates to a total enterprise value multiple of 8.3x 2021 forecasted adjusted EBITDA of \$14.5 million, excluding extraordinary non-recurring items

Market Comparables		
Ticker	Company	TEV/ 2021 EBITDA ⁽¹⁾
EVTC	EVERTEC, Inc.	12.1x
GPN	Global Payments Inc.	18.9x
EVOP	EVO Payments	13.9x
IIIV	i3 Verticals, Inc.	15.8x

(1) Source: S&P Capital IQ as of March 15, 2021.

NMS Points to Consider for 2020

- NMS' payment processing business has been recovering sequentially month over month, with August 2020 to December 2020 processing volumes recovering from previous levels earlier in the year
- We believe this is a result of increased consumer spending as local and state economies continued to reopen across the U.S.
- We anticipate continued growth in 2021 from these levels, and have added senior talent to the NMS team to assist in the growth of NMS'
- NMS adjusted EBITDA decreased by 12.9% in 2020 over 2019
- Covid-19 impact on Mobil Money

New Senior Executives in NMS

- We expect these new executives to have a significant positive impact on our growth trajectory going forward in the payments space

David Simon, Chief Operating Officer of NMS

- Over 25 years' experience in financial services and banking, with an extensive background in electronic payments, banking, and credit, debit and prepaid cards across consumer, small businesses and corporate finance sectors
- Held senior and management positions at Visa, Inc., TriStar Payments, Citigroup, CitiCards, and One Bank West (now CIT Bank)

Andrew Jadatz, Senior Vice President of Product Development

- Over 30 years' experience in the merchant services arena, with an extensive background in product development and management, managing and coordinating system integrations, as well as developing systems, processes, and procedures to streamline corporate operations
- Held senior and management positions at Bank of America, Bluefin Payment Systems, Vantiv, Cynergy Data, First Data International and Bank of America Merchant Services

Shawn Ecksel, Senior Vice President of Business Development

- 15 years' experience in sales and product development, with extensive background in merchant services, payments, and credit cards
- Held senior and management positions at USPAY Group LLC, GatewayPay and Fidelity National Financial

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 continue 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"), which have a combined equity fair market value of \$30.0 million, (net of debt) as of December 31, 2020 (as of January 1, 2021, IPM and C9 are subsidiaries of NTS and will be consolidated for reporting purposes)
- **NTS enhanced its data center presence moving into a new data center at an annualized savings of \$2.4 million per year**
- **NTS had \$4.3 million of adjusted EBITDA in 2020**
- NTS forecasts 2021 revenue between \$40 and \$50 million, and 2021 adjusted EBITDA between \$5.5 and \$6.0 million

Technology Portfolio Companies: NTS, IPM & Sidco

- In the first quarter of 2021, Newtek contributed its technology portfolio companies, IPM and Sidco, which were acquired in 2017, to NTS, our core technology portfolio company, which we have developed and owned since 2004
 - Will present as one branded solution, Newtek Technology Solutions, to our core customer base
 - The combination of these portfolio companies is expected to eliminate between \$1.0 to \$2.0 million of operating expense
 - You can visit our website at <https://www.newtekone.com> and view the very robust offerings of technology solutions our portfolio companies offer

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

- Expanded Newtek's Payroll & Benefits Solutions offering with its revamped management and iSolved[®] software in 2021
 - Samantha Razon, Director of Payroll Operations, has joined Shannon Vestal, Senior Vice President of Newtek Payroll Solutions, to enhance, grow and develop our state-of-the-art payroll, health and benefits offerings
- Expanded Newtek's Insurance Solutions offering with its revamped management in 2021
 - New additions to our team as part of the core management team for their expertise in the property and casualty arena include:
 - Rick Carpenter, Director of Property & Casualty Insurance
 - Kathryn Ingram, Senior Vice President, Property and Casualty Insurance – Commercial Lines Specialist, have joined Newtek Insurance Agency
- On October 28, 2020, Newtek CEO Barry Sloane, hosted a webinar to address the future of payroll and benefits discussing timely, important topics in the areas of payroll, tax, health insurance, benefits and human resource concerns brought about by the COVID-19 pandemic and the changing economic landscape that will follow in the post-pandemic world
 - The replay of this webinar can be found through the following link:
https://www.youtube.com/watch?v=_SbzM1WnWwA

Risk Vs. Reward

- We believe our loan portfolio and balance sheet have less leverage than our BDC peers
- Historically, we have successfully managed our assets during challenging economic landscapes, like the 2008-2009 credit crisis
- The loans that NSBF and Newtek's portfolio companies originate are personally guaranteed and collateralized
- Newtek's diversified business model allows for alternate streams of reoccurring income
- Newtek's business model utilizes technology to acquire clients and process business remotely without brokers, bankers, branches or business development officers, which we believe creates value, particularly in the current environment
- We believe shareholders can realize long-term rewards due to Newtek's unique infrastructure and business methodology

Newtek's Catalysts Going Forward

- Renewed engines of growth post-pandemic
 - Renewed SBA 7(a) loan efforts
 - SBA 504 dividend income contribution to the BDC from increased loan fundings and gain-on-sale income
 - Resume joint venture lending activity in the non-conforming conventional loan market
- NTS forecasts 2021 revenue between \$40.0 and \$50.0 million and 2021 adjusted EBITDA of between \$5.5 and \$6.0 million, with forecasted continued growth in both metrics from the 2021 forecasted levels
- NMS forecasts 2021 Adjusted EBITDA of \$14.5 million
- The August 5, 2020 SEC-endorsed proposal to modify AFFE is still in proposal stage. To date, the SEC has not adopted any changes for the AFFE requirement as it applies to BDCs. The pending proposal would allow funds to exclude AFFE from the bottom-line expense figures if the fund invests less than 10% of its assets in other funds; and could positively impact BDCs in that it could open more institutional interest in the BDC space

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 19-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 6.0% of outstanding shares as of December 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

Nicholas Leger, Chief Accounting Officer

Consolidated Statements of Operations

Newtek Business Services Corp. and Subsidiaries



(in thousands except per share data amounts)

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Investment income:				
Interest income	\$ 6,143	\$ 7,314	\$ 27,055	\$ 29,491
Interest income - PPP loans	1	—	37,743	—
Dividend income	4,601	3,834	13,556	14,398
Servicing income	2,787	2,605	11,154	10,078
Other income	1,244	1,608	2,693	5,328
Total investment income	14,776	15,361	92,201	59,295
Expenses:				
Salaries and benefits	3,355	3,646	14,211	14,305
Interest	4,150	5,499	17,877	20,422
Depreciation and amortization	90	123	402	501
Professional fees	896	965	3,718	3,807
Origination and servicing	2,765	3,299	8,431	9,215
Origination and servicing - related party	1,417	3,226	9,855	9,944
Change in fair value in contingent consideration liabilities	—	(22)	54	42
Loss on extinguishment of debt	—	—	—	251
Other general and administrative costs	1,253	1,646	5,668	6,427
Total expenses	13,926	18,382	60,216	64,914
Net investment income (loss)	850	(3,021)	31,985	(5,619)
Net realized and unrealized gains (losses):				
Net realized gain on investments	8,791	16,541	11,368	50,401
Net unrealized (depreciation) appreciation on investments, net of deferred taxes	6,443	927	(8,209)	1,531
Net unrealized depreciation on servicing assets	(226)	(1,709)	(1,525)	(5,178)
Net realized and unrealized gains	15,008	15,759	1,634	46,754
Net increase in net assets resulting from operations	\$ 15,858	\$ 12,738	\$ 33,619	\$ 41,135
Net investment income (loss) per share	\$ 0.04	\$ (0.15)	\$ 1.51	\$ (0.29)
Net increase in net assets resulting from operations per share	\$ 0.73	\$ 0.64	\$ 1.59	\$ 2.13
Weighted average shares outstanding	21,747	19,951	21,146	19,326

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 Twelve Months Ended December 31, 2020 and 2019

<i>(in thousands, except per share amounts)</i>	Year ended		Year ended	
	December 31, 2020	Per share	December 31, 2019	Per share
Net investment income (loss)	\$ 31,985	\$ 1.51	\$ (5,619)	\$ (0.29)
Net realized gain on non-affiliate investments - SBA 7(a) loans	11,368	0.54	47,816	2.47
Net realized gain on controlled investments	-	-	2,585	0.13
Loss on lease	-	-	(105)	(0.00)
Change in fair value of contingent consideration liabilities	54	0.00	42	0.00
Loss on debt extinguishment	-	-	251	0.01
Adjusted Net investment income	\$ 43,407	\$ 2.05	\$ 44,970	\$ 2.33

Note: Per share amounts may not foot due to rounding