

Newtek Business Services Corp. NASDAQ: NEWT

Second Quarter 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.

Second Quarter 2020 Financial Highlights

- Newtek reported record financial results across several key metrics for the three- and six-months ended June 30, 2020
- Due to the pandemic, we had to immediately change and shift our business model to accommodate the altered economic landscape
- We believe the mark of a great company is one that can excel under adverse circumstances
- As we go through this presentation, please note we still have the second half of 2020, and always encourage our shareholders to evaluate Newtek on a long-term basis
- We believe we will distribute solid dividends for the remainder of 2020, and hope to return to a normal business environment in 2021 with financial metrics comparable to 2019
- We are forecasting full year 2020 adjusted net investment income (“ANII”)¹ in the range of \$1.80 per share to \$2.30 per share

¹See page 37 for definition of ANII.

Second Quarter 2020 Financial Highlights

- Total investment income of \$46.7 million for the three months ended June 30, 2020; an increase of 230% over total investment income of \$14.1 million for the three months ended June 30, 2019
- Net investment income (“NII”) increased to \$29.7 million, or \$1.42 per share, for the three months ended June 30, 2020 compared to a net investment income (loss) of \$(1.1) million, or \$(0.06) per share, for the three months ended June 30, 2019
- ANII of \$28.5 million, or \$1.37 per share, for the three months ended June 30, 2020; an increase of 140.4% compared to ANII of \$11.0 million, or \$0.57 per share, for the three months ended June 30, 2019
- Net asset value (“NAV”) of \$327.4 million, or \$15.66 per share, at June 30, 2020; an increase of 4.4% over NAV of \$15.00 per share at March 31, 2020, and an increase of 2.2% over NAV of \$15.33 per share at June 30, 2019
- Debt-to-equity ratio of 1.20x at June 30, 2020 compared to debt-to-equity ratio of 1.44x at March 31, 2020
- Total investment portfolio increased by 13.1% to \$648.4 million at June 30, 2020, from \$573.5 million at June 30, 2019

Financial Highlights: Six Months Ended June 30, 2020

- Total investment income of \$62.5 million for the six months ended June 30, 2020; an increase of 123.9% over total investment income of \$27.9 million for the six months ended June 30, 2019
- Net investment income increased to \$29.5 million, or \$1.42 per share, for the six months ended June 30, 2020 compared to a net investment income (loss) of \$(2.1) million, or \$(0.11) per share, for the six months ended June 30, 2019
- ANII of \$32.8 million, or \$1.58 per share, for the six months ended June 30, 2020; an increase of 56.4% on a per share basis over ANII of \$19.3 million, or \$1.01 per share, for the six months ended June 30, 2019

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
- 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
 - The PPP is legislatively scheduled to conclude on August 8, 2020, but we are hopeful there will be a third round of PPP funding, which we believe could provide the Company with the opportunity to generate additional income from the continued origination of PPP loans
- The CARES Act also provides that the SBA will pay the principal and interest on any existing and current SBA 7(a) loan for a period of six months. These principal and interest payments are made by the SBA directly to the SBA 7(a) lender and began in April 2020
 - We are hopeful that Congress will authorize the SBA to extend the current six-month term of providing payments of principal and interest on behalf of SBA 7(a) borrowers in regular (accrual) servicing status, for an additional three to six months
- There is bipartisan support in Congress for the extension of the PPP program

PPP Loans

- The Company achieved record NII and ANII for the second quarter of 2020 based on its PPP lending activity and its regular business operations
- Newtek Small Business Finance, LLC (“NSBF”) funded \$1.11 billion of PPP loans during the three months ended June 30, 2020
- By the close of business on August 4, 2020, NSBF funded \$1.15 billion of PPP loans
- NSBF received \$34.7 million in fees from the origination of PPP loans for the three months ended June 30, 2020
- We anticipate by August 8, 2020 we will have obtained approximately 10,200 new borrowers that obtained either loan approvals, or closed or funded loans through NSBF by borrowing money through the first two rounds of the already-legislated PPP
- NSBF estimates that upwards of 130,000 PPP borrowers’ employees were retained with the funding of the \$1.15 billion in PPP loans
- NSBF funded 2 years’ worth of loan production in slightly over 4 months’ time
- NSBF was able to offer 100% of its current SBA borrowers a PPP loan
- NSBF has partnered with several banks to sell them up to 100% participations in the PPP loans NSBF originates

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 has received subsequent payments in May 2020 and June 2020 and as a result, its SBA 7(a) accrual portfolio is 99.0% current on all payments as of June 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, six months of principal and interest provides a tremendous economic benefit to our 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
- We are hopeful that Congress will authorize the SBA to extend the current six-month term of providing payments of principal and interest on behalf of SBA 7(a) borrowers in regular (accrual) servicing status, for an additional three to six months

Second Quarter 2020 Lending Highlights

- NSBF funded \$17.4 million of SBA 7(a) loans during the three months ended June 30, 2020
- NSBF restarted its SBA 7(a) loan business and began accepting applications on June 29, 2020
 - Throughout the remainder of the year, NSBF will continue to participate in the SBA 7(a) loan program in a cautious and measured manner, selectively financing businesses based on the health of their financial statements, forward projections, focusing on companies with a 2- to 3-year operating history, hard collateral assets, pre-Covid-19 cash flows, liquidity to maintain their business and in geographical locations that were least affected by the current pandemic and economic slowdown
- NSBF forecasts funding \$150.0 million in SBA 7(a) loans in the second half of 2020
- NSBF renewed its existing \$150.0 million line of credit with Capital One Bank N.A. for a period of three years
- Portfolio company, Newtek Business Lending, will restart its SBA 504 loan program in the second half of 2020
- Portfolio company, Newtek Conventional Lending's conventional loan program will remain on hold at this time

2020 Dividends

- The Company paid a second quarter 2020 cash dividend of \$0.56 per share on July 31, 2020 to shareholders of record as of July 15, 2020, which represents a 21.7% increase over the second quarter 2019 cash dividend
- The Company declared a third quarter 2020 cash dividend of \$0.58 per share, which is payable on September 30, 2020 to shareholders of record as of September 21, 2020
- With the payment of the third quarter 2020 dividend, the Company will have paid a total of \$1.58 per share for the first three quarters of 2020, which would represent a 9.7% increase over the dividends paid in the first three quarters of 2019 of \$1.44 per share
- As a BDC that has elected to be treated for U.S. federal income tax purposes as a regulated investment company (“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
- Newtek is an internally managed BDC

Second Quarter 2020 NAV Discussion

- NAV of \$327.4 million, or \$15.66 per share, at June 30, 2020; an increase of 4.4% over NAV of \$15.00 per share at March 31, 2020, and an increase of 2.2% over NAV of \$15.33 per share at June 30, 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 liquidated several non-accrual loans over the last quarter, at or above their marked-to-market values

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 casualty 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 26 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

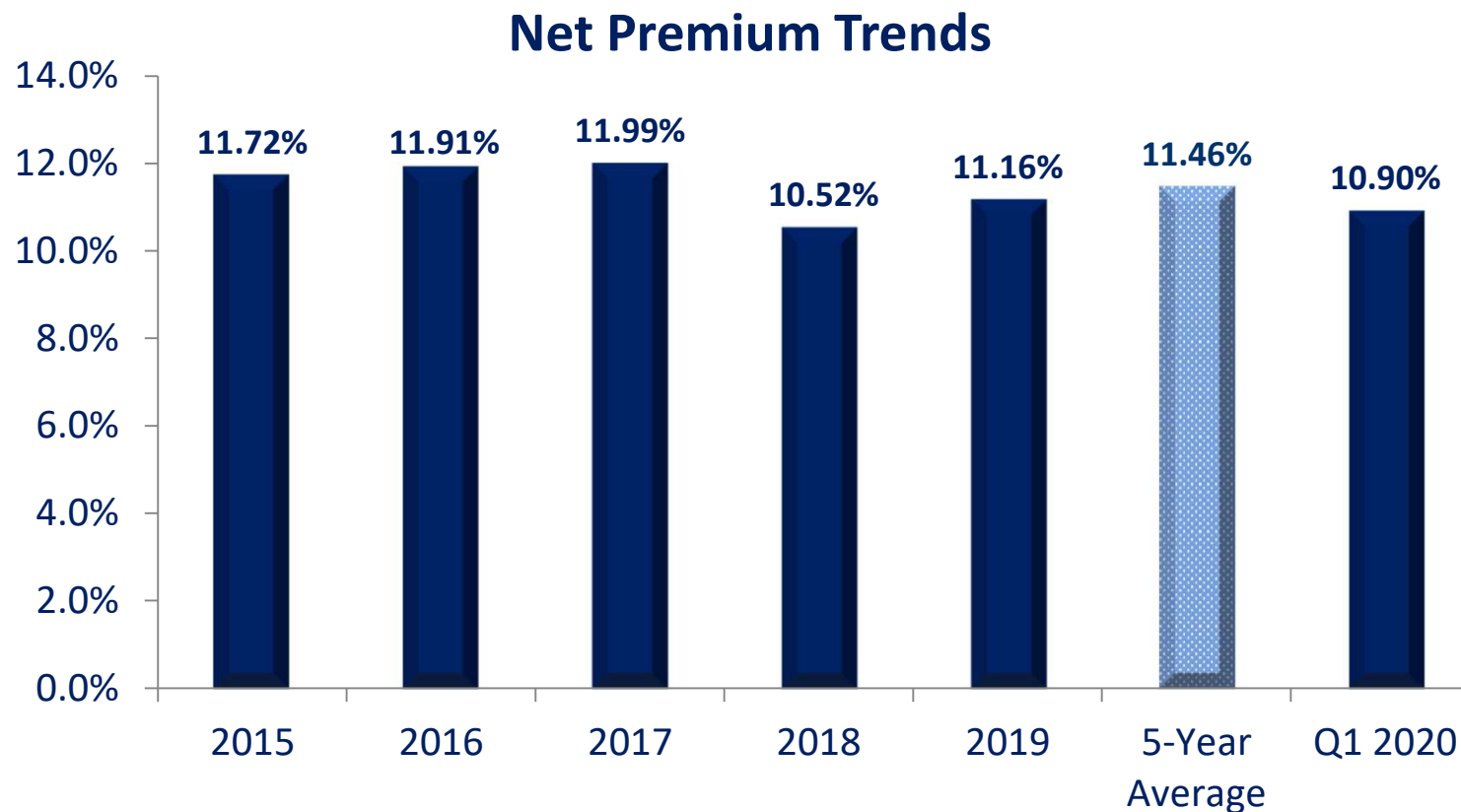


- Currently the largest non-bank lender (with PLP status) licensed by the SBA under the federal Section 7(a) loan program based on annual origination volume
- One of 14 Non-Bank SBA Government-Guaranteed Lender Licenses
- 2nd largest SBA 7(a) lender as of June 30, 2020 (including banks) through the SBA's 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 2,366 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

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 100,000 loan referrals in units for the six months ended June 30, 2020
- We have received approximately 80,000 loan referrals in units for the three months ended June 30, 2020
 - We received approximately 900 loan referrals in units per day on average for the three months ended June 30, 2020
- 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
- Newtek is significantly different than other fintech companies like OnDeck Capital, Kabbage, and Lendio



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 June 30 for the past three years:
 - At June 30, 2018: 27.7 Months
 - At June 30, 2019: 28.5 Months
 - At June 30, 2020: 32.6 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 March 31, 2020, June 30, 2020 and December 31, 2019 **on accrual loans only**

	3/31/2020			6/30/2020			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	2,099	\$ 341,715,811	93.71%	2,156	\$ 354,141,554	99.05%	2,085	\$ 338,830,058	92.21%
31 - 60	74	\$ 13,449,346	3.69%	1	\$ 1,338	0.00%	48	\$ 14,458,727	3.93%
61 - 90	9	\$ 4,649,756	1.28%	2	\$ 1,326,252	0.37%	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	\$ 2,076,803	0.58%	20	\$ 5,410,029	1.47%
Accrual Total	2,193	\$ 364,670,417	100%	2,163	\$ 357,545,947	100%	2,179	\$ 367,448,702	100%

¹ June 30, 2020 presented to demonstrate impact of CARES Act payments - data does 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 03/31/20 and 6/30/2020 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 Loan that Paid Off

Busby Outdoor, LLC

- Busby Outdoor, LLC is a national digital billboard company in business for 20 years
- On 8/29/17, NSBF provided them with \$5.0 million in 2 SBA 7(a) loans (\$2.8 million for debt refi/WC and \$2.2 million for leasehold improvements/WC)
- The loan was secured by CRE, RRE, and all business assets which included the billboards valued at almost \$14.0 million
- The combined LTNMV was 38% while the combined LTLV was 82%
- Borrower became delinquent claiming cash flow difficulties and ultimately stopped paying in August of 2019
- A buyer for the business was found and the sale closed on 7/10/20 wherein the 2 non-accrual loans were paid in full in the amount of \$5,257,113. This included:
 - Principal: \$4,890,582 (Unguaranteed retained balance - \$1,222,645)
 - Interest: \$340,096
 - Late fees: \$15,314
 - Miscellaneous fees & expenses: \$525
 - Pre-payment penalty: \$10,596

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	11.50%
Term	25 years

Net Cash Created	
Guaranteed Balance	\$750,000
Realized Gains on Guaranteed Balance ²	\$86,250
Cash Received in Securitization ⁽³⁾	\$208,750
Total	\$1,045,000
Net Cash Created (Post Securitization) ^{4,5}	\$45,000

¹Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 113.00% premium. The additional 3.0% (13% -10%) is split with SBA. NSBF nets 11.50%.

²Assumes 11.50% 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	\$86,250
Guaranteed Balance (75%)	\$750,000	Servicing Asset ³	<u>\$13,200</u>
Unguaranteed Balance (25%)	\$250,000	Total Realized Gain	\$99,450
Realized Gain (Premium) ¹	11.50%	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	\$88,200

¹Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 113.00% premium. The additional 3.0% (13% - 10%) is split with SBA. NSBF nets 11.50%.

²Assumes 11.50% 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.

- Newtek Conventional Lending, the Company's joint venture, funds non-conforming conventional loans
- Portfolio company Newtek Business Lending, LLC ("NBL") originates SBA 504 loans and non-conforming conventional loans
- Newtek Small Business Lending services SBA 504 loans and non-conforming conventional loans originated by NBL and NCL
- 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 June 30, 2020

Portfolio Companies: Newtek Payment Processing Companies



- Newtek Merchant Solutions' ("NMS") has an equity fair market value of \$115 million at June 30, 2020
- Total fair value of Newtek's investment in POS on Cloud is equal to \$850,000 at June 30, 2020
- Based upon adjusted EBITDA data from July 2020, we are forecasting adjusted EBITDA of \$1.0 to \$1.2 million per month for the remainder of 2020
- Newtek Merchant Solutions' equity fair market value of \$115 million equates to a total enterprise value multiple of 9.9x 2020 forecasted Adjusted EBITDA excluding extraordinary non-recurring items

NMS Points to Consider for 2020

- NMS' payment processing business has been recovering sequentially month over month, and its June and July processing volumes are recovering from steep declines in April and May
- We believe this is a result of increased consumer spending as local and state economies continue to reopen across the U.S.
- Monthly payment processing volume statistics:
 - March 2020 decreased by approximately 23% over March 2019
 - April 2020 decreased by approximately 37% over April 2019
 - May 2020 decreased by approximately 27% over May 2019
 - June 2020 decreased by approximately 14% over June 2019
 - July 2020 decreased by approximately 5% over July 2019
- NMS forecasts that Adjusted EBITDA will decrease by 10% to 15% in 2020 over 2019
- Covid-19 impact on Mobil Money

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 \$32.2 million, net of debt as of June 30, 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: \$3.0 to \$4.0 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 **\$3.0 to \$4.0 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.

Proposed AFFE Disclosure Change; a Positive for BDCs

- On 8/5/2020, the SEC approved a proposal to modify AFFE disclosure within Fund Shareholder Reports, which could be a positive for BDCs
- The 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
 - ‘Other funds’ would include BDCs
- This could positively impact BDCs in that it could open more institutional interest in the BDC space
- For example, a mutual fund could invest up to 10% of its assets in BDCs without it affecting its disclosed expense ratio
- This proposal is now subject to a 60-day comment period

Risk Vs. Reward

- We believe our loan portfolio and balance sheet have less leverage than our BDC peers
- 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

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 June 30, 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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Investment income:				
Interest income	\$ 6,669	\$ 7,252	\$ 14,448	\$ 14,486
Interest income - PPP loans	34,657	-	34,657	-
Dividend income	2,288	2,828	6,690	6,009
Servicing income	2,777	2,503	5,492	4,931
Other income	303	1,566	1,209	2,487
Total investment income	46,694	14,149	62,496	27,913
Expenses:				
Salaries and benefits	3,740	3,484	7,187	7,072
Interest	4,604	4,712	9,788	9,447
Depreciation and amortization	104	124	219	253
Professional fees	1,207	643	2,171	1,627
Origination and loan processing	2,722	2,128	4,546	3,781
Origination and loan processing - related party	3,095	2,471	5,733	4,659
Change in fair value in contingent consideration liabilities	-	9	54	55
Other general and administrative costs	1,475	1,657	3,333	3,084
Total expenses	16,947	15,228	33,031	29,978
Net investment income (loss)	29,747	(1,079)	29,465	(2,065)
Net realized and unrealized gains (losses):				
Net realized gain (loss) on investments	(1,214)	12,051	3,299	21,395
Net unrealized (depreciation) appreciation on investments, net of	(1,886)	(1,383)	(14,458)	(102)
Net unrealized depreciation on servicing assets	(1,180)	(911)	(92)	(1,467)
Net realized and unrealized gains (losses)	(4,280)	9,757	(11,251)	19,826
Net increase in net assets resulting from operations	\$ 25,467	\$ 8,678	\$ 18,214	\$ 17,761
Net investment income (loss) per share	\$ 1.42	\$ (0.06)	\$ 1.42	\$ (0.11)
Net increase in net assets resulting from operations per share	\$ 1.22	\$ 0.45	\$ 0.88	\$ 0.93
Weighted average shares outstanding	20,893	19,113	20,815	19,058

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 June 30, 2020 and 2019

<i>(in thousands, except per share amounts)</i>	Three months ended June 30, 2020	Per share	Three months ended June 30, 2019	Per share
Net investment income (loss)	\$ 29,747	\$ 1.42	\$ (1,079)	\$ (0.06)
Net realized gain (loss) on non-affiliate investments - SBA 7(a)	(1,214)	(0.06)	12,051	0.63
Loss on lease	-	-	(26)	(0.00)
Change in fair value of contingent consideration liabilities	-	-	9	0.00
Adjusted Net investment income	<u>\$ 28,533</u>	<u>\$ 1.37</u>	<u>\$ 10,955</u>	<u>\$ 0.57</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 Six Months Ended June 30, 2020 and 2019

<i>(in thousands, except per share amounts)</i>	Six months ended June 30, 2020	Per share	Six months ended June 30, 2019	Per share
Net investment income (loss)	\$ 29,465	\$ 1.42	\$ (2,065)	\$ (0.11)
Net realized gain (loss) on non-affiliate investments - SBA 7(a)	3,299	0.16	21,395	1.12
Loss on lease	-	-	(105)	(0.01)
Change in fair value of contingent consideration liabilities	54	0.00	55	0.00
Adjusted Net investment income	<u>\$ 32,818</u>	<u>\$ 1.58</u>	<u>\$ 19,280</u>	<u>\$ 1.01</u>

Note: Per share amounts may not foot due to rounding