

# Newtek Business Services Corp. NASDAQ: NEWT

Second Quarter 2021  
Financial Results Conference Call  
August 11, 2021 8:30 am ET

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,” “would,” “allows,” “outlook,” “seeks,” “desires,” “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 close the pending acquisition of the National Bank of New York City (the “Acquisition”), obtain required regulatory approvals for the pending Acquisition and obtain shareholder approval to withdraw our election as a BDC, as well as projections concerning the pending Acquisition, 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: the pending Acquisition and the potential benefits thereof, our future operating results; our business prospects and the prospects of our portfolio companies; the impact of investments that we expect to make; our ability to enter into joint venture agreements and the joint ventures abilities to originate loans; the ability to maintain key personnel and hire new personnel; our ability to expand our product offering; our ability and that 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 the section entitled “Risk Factors,” and 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 (“SEC”). We may not actually achieve the plans, intentions or expectations disclosed in forward-looking statements, and you should not place undue reliance on forward looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in forward-looking statements. We do not assume any obligations to update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. In addition to factors previously disclosed in our reports filed with the SEC and those identified elsewhere in this Presentation, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: our ability to obtain regulatory approvals (and the timing of such approvals) and meet other closing conditions to the Acquisition; modification or termination of certain businesses to comply with regulatory requirements; delay in closing the Acquisition; the occurrence of any event, change or other circumstance that could give rise to the right of one or both parties to terminate the Acquisition; the risk that any announcements relating to the proposed Acquisition could have adverse effects on the market price of our common stock; difficulties and delays in integrating the NBNYC business; diversion of management’s attention from ongoing business operations and opportunities; our ability to operate as a bank holding company and the increase in regulatory burden and compliance costs; the attractiveness of our banking products to our existing customer base and our ability to cross-sell; any change in our dividend payout due to no longer operating as a BDC and RIC. These are representative of the factors that could affect the outcome of the forward-looking statements. In addition, such statements could be affected by general industry and market conditions and growth rates, general economic and political conditions, either nationally or in the states in which Newtek or NBNYC does business, including interest rate fluctuations, changes and trends in the securities markets and other factors.

# Proven Shareholder Value Creation

## Track Record of Successful Growth



- Total return<sup>(1)</sup> year to date through August 5, 2021 (including reinvested dividends):

|      |              |         |              |              |              |
|------|--------------|---------|--------------|--------------|--------------|
| NEWT | <b>42.7%</b> | S&P 500 | <b>18.9%</b> | Russell 2000 | <b>13.8%</b> |
|------|--------------|---------|--------------|--------------|--------------|

- Current market capitalization is over \$600 million (as of August 5, 2021)
- Newtek believes that its size could open Newtek to greater acceptance by small-cap investors with a \$500 million market capitalization minimum
- Total return as of August 5, 2021 (including reinvested dividends)

### 10-Year Total Return <sup>(2)</sup>

|              |               |
|--------------|---------------|
| NEWT         | <b>754.7%</b> |
| S&P 500      | <b>352.1%</b> |
| Russell 2000 | <b>258.2%</b> |

### 5-Year Total Return

|              |               |
|--------------|---------------|
| NEWT         | <b>222.7%</b> |
| S&P 500      | <b>125.1%</b> |
| Russell 2000 | <b>93.7%</b>  |

### 3-Year Total Return

|              |              |
|--------------|--------------|
| NEWT         | <b>71.8%</b> |
| S&P 500      | <b>64.7%</b> |
| Russell 2000 | <b>38.9%</b> |

### 1-Year Total Return

|              |              |
|--------------|--------------|
| NEWT         | <b>50.3%</b> |
| S&P 500      | <b>35.1%</b> |
| Russell 2000 | <b>46.1%</b> |

<sup>(1)</sup> Source: total return data from Bloomberg as of August 5, 2021

<sup>(2)</sup> Includes the period before becoming a BDC

## Adaptability of Newtek's Business Model

- While 2020 and the first half of 2021 were some 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 vital to the economy during this pandemic
- The Company is now "firing on all cylinders", and is looking forward to a fruitful 2021 and 2022, 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 opportunities and growth in the second half of 2021 and in 2022 across Newtek's and its portfolio companies' business and finance solutions, led by our loan product offerings, merchant solutions, managed technology solutions, payroll solutions and insurance agency solutions
- The Company has provided forecasts across several key metrics for 2021 that reflect the Company's anticipated growth trajectory particularly in lending, payments and technology

# 2021 Key-Metric Forecasts: Well Positioned for Growth



## Dividend

- The Company reaffirmed its 2021 annual dividend forecast to a range of \$3.00 per share to \$3.30 per share
- The midpoint of the 2021 annual dividend forecast range of \$3.15 per share would represent an approximate 53.7% increase over the 2020 annual dividend

## SBA 7(a) Funding

- Newtek Small Business Finance ("NSBF") forecasts full year 2021 SBA 7(a) loan fundings of approximately \$550 million to \$600 million

## SBA 504 Funding

- Newtek Business Lending ("NBL"), Newtek's wholly owned portfolio company which originates SBA 504 loans, forecasts approximately \$125 to \$150 million SBA 504 fundings and/or closings for the full year 2021

## Non-Conforming Conventional Loans

- In April 2021, the Company signed a joint-venture agreement with a leading U.S.-based middle market investment firm with over \$1.0 billion in assets under management
  - The intended purpose of the joint venture is to originate commercial loans to middle-market companies as well as small businesses
  - The Company expects to fund up to \$50 million of non-conforming conventional loans during the second half of 2021
- The Company is currently negotiating an additional joint-venture agreement with a global investment management firm with over \$500 billion in assets under management<sup>1</sup>
- The Company is considering securitizing its existing JV loans with our initial JV partner<sup>1</sup>

## PPP Loans

- NSBF funded \$722.6 million in Paycheck Protection Program ("PPP") loans, with approximately 15,580 loan units for the six months ended June 30, 2021. This amount was higher than original forecast of \$600 million in PPP loans for Q2 2021, given in Newtek's Q1 2021 earnings call and by analysts

<sup>1</sup> There are no assurance that these transactions can be consummated.

## 2021 Dividends

- On August 10, 2021, the Company's board of directors declared a third quarter 2021 cash dividend of \$0.90 per share payable on September 30, 2021 to shareholders of record as of September 20, 2021
- The third quarter 2021 dividend represents a 55.2% increase over the third quarter 2020 dividend of \$0.58 per share
- With the payment of the third quarter 2021 dividend, the Company will have paid \$2.10 per share in dividends for the first three quarters of 2021, which would represent a 32.9% increase over dividends paid for the first three quarters of 2020
- Newtek's current 2021 annual dividend forecast indicates a remaining estimated dividend payment of \$1.05 per share, at the midpoint of the 2021 annual dividend forecast range, subject to Company performance and board approval, which would represent a 123.4% increase over the fourth quarter 2020 dividend of \$0.47 per share
- The Company reaffirmed its 2021 annual dividend forecast range of \$3.00 per share to \$3.30 per share<sup>1</sup>
- The Company paid a second quarter 2021 cash dividend of \$0.70 per share on June 30, 2021 to shareholders of record as of June 15, 2021

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

## Second Quarter 2021 Financial Highlights

- Total investment income of \$36.6 million for the three months ended June 30, 2021; a decrease of 21.6% over total investment income of \$46.7 million for the three months ended June 30, 2020
- Net investment income of \$15.6 million, or \$0.69 per share, for the three months ended June 30, 2021; a decrease of \$(0.73) per share compared to net investment loss of \$29.7 million, or \$1.42 per share, for the three months ended June 30, 2020
- Adjusted net investment income (“ANII”)<sup>1</sup> of \$27.0 million, or \$1.20 per share, for the three months ended June 30, 2021; a decrease of 12.4%, on a per share basis, compared to ANII of \$28.5 million, or \$1.37 per share, for the three months ended June 30, 2020
- Debt-to-equity ratio of 1.24x at June 30, 2021; proforma debt-to-equity ratio was 1.16x after taking into account the sales of government-guaranteed portions of SBA 7(a) loans prior to June 30, 2021, which sales settled subsequent to the balance sheet date
- Total investment portfolio increased by 7.4% to \$696.1 million at June 30, 2021, from \$648.4 million at June 30, 2020
- Net asset value (“NAV”) of \$369.1 million, or \$16.38 per share, at June 30, 2021; an increase of 6.0%, on a per share basis, compared to NAV of \$15.45 per share at December 31, 2020

<sup>1</sup>Please see page 40 for definition of ANII, and pages 41 and 42 for reconciliation of ANII.

## Management Estimates PPP Resources

- Management estimates that between 65%-70% of the Company's and portfolio companies lending resources were utilized for PPP financing
- These resources will now shift to originating lending products out of the BDC and its controlled portfolio companies, including SBA 7(a) loans, SBA 504 loans, non-conforming conventional loans, and secured lines of credit
- Since January 1, 2021, NSBF and our lending portfolio companies have increased headcount by 46 individuals, representing a 25 % increase in total lending staff. The new hires have allowed us to upgrade and enhance our and our portfolio companies' lending talent pools



## Financial Highlights: Six Months Ended June 30, 2021



- Total investment income of \$71.3 million for the six months ended June 30, 2021; an increase of 14.1% over total investment income of \$62.5 million for the six months ended June 30, 2020
- Net investment income of \$30.7 million, or \$1.37 per share, for the six months ended June 30, 2021, which represents a 4.4% increase on a dollar basis, and a 3.5% decrease, on a per share basis, compared to net investment income of \$29.5 million, or \$1.42 per share, for the three months ended June 30, 2020
- ANII of \$50.6 million, or \$2.26 per share, for the six months ended June 30, 2021; an increase of 43.0%, on a per share basis, compared to ANII of \$32.8 million, or \$1.58 per share, for the six months ended June 30, 2020
- We believe the six month results provide a more accurate depiction of the Company's performance due to the uneven distribution of PPP income<sup>1</sup> on a quarterly basis over the first and second quarters of 2020 and 2021

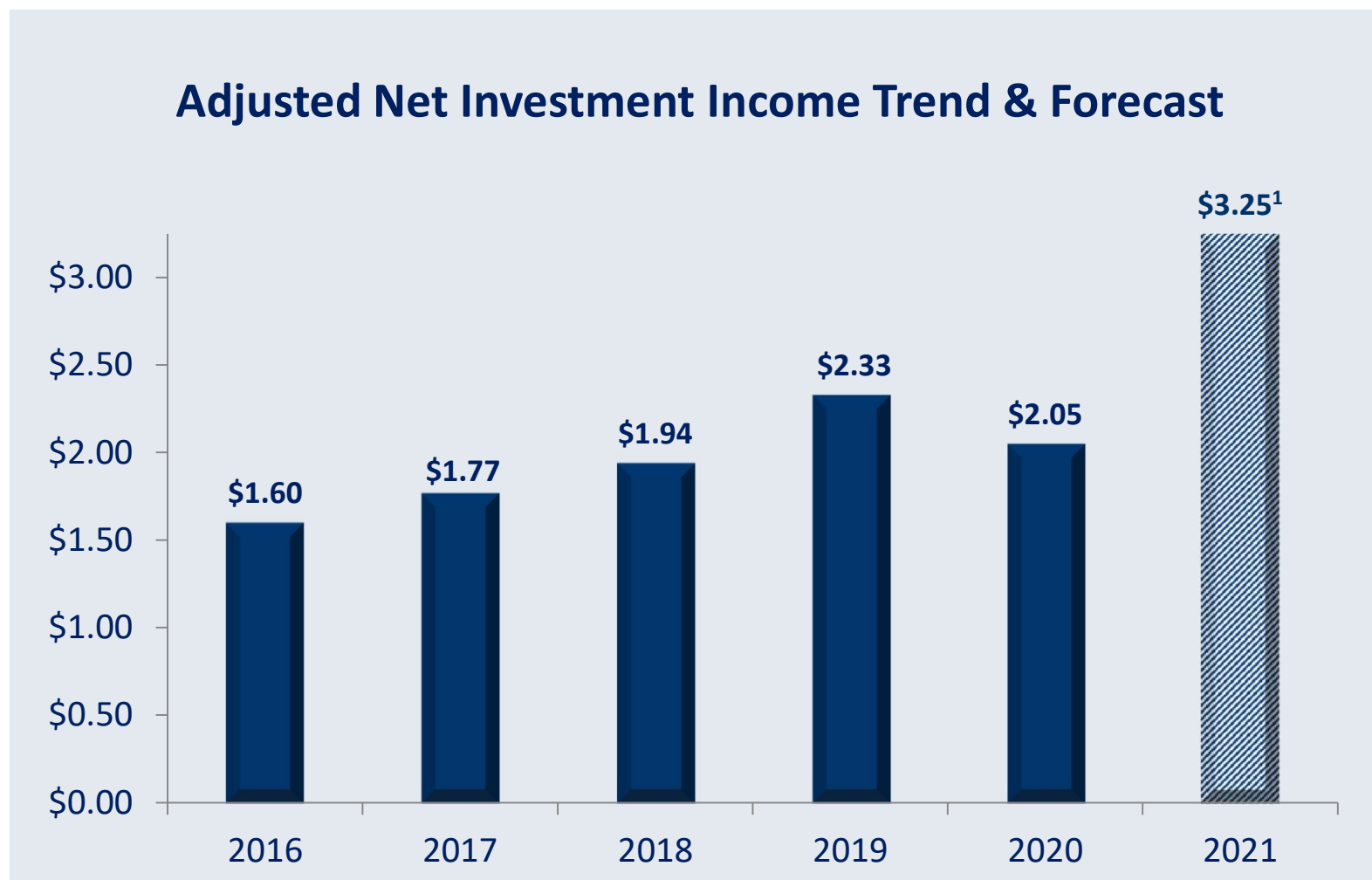
<sup>1</sup> Income earned in connection with the PPP for the six months ended June 30, 2021 should not be viewed as recurring.

## 2022 Estimated Metrics

- The Company will endeavor to issue Q1 2022 BDC dividend guidance<sup>1</sup> in the next 30-45 days in order to provide transparency to the market into the next three quarters of operations
- The Company's 2019 full year ANII of \$2.33 per share can be used as a base to estimate forward projections, as this metric did not include PPP loan program earnings and was achieved prior to the pandemic

<sup>1</sup>Subject to maintaining RIC status and the Company's board declaring a dividend consistent with the forecast.

# Adjusted Net Investment Income Trend & Forecast



<sup>1</sup>Forecasted 2021 ANII

# Proforma Debt-to-Equity Reconciliation

| Newtek Business Services Corp. and Subsidiaries<br>Debt to equity ratio, actual as of June 30, 2021 |               |
|---|---------------|
| <b><u>Actual Debt to Equity ratio at June 30, 2021</u></b>  |               |
| Total senior debt   | \$ 455,783    |
| Total equity  | 369,097       |
| Debt to equity ratio - actual at June 30, 2021  | <u>123.5%</u> |

- Newtek funds both the unguaranteed and guaranteed portions of SBA 7(a) loans through its credit facility. The guaranteed portions of its SBA 7(a) loans are levered until the loans are sold and settled, typically within 10-14 days of origination
- Based on timing of when the guaranteed portions of SBA 7(a) loans are sold and settled, the debt-to-equity ratio will fluctuate
- As of June 30, 2021, there were approximately \$30.7 million of guaranteed portions of SBA 7(a) loans sold pending settlement (broker receivable) against our line of credit

| Newtek Business Services Corp. and Subsidiaries<br>Debt to equity ratio - proforma at June 30, 2021 |                   |
|---|-------------------|
| <i>(in thousands):</i>  |                   |
| Broker receivable, including premium income receivable  | \$ 35,102         |
| Less: premium income included in broker receivable  | <u>(4,386)</u>    |
| Broker receivable   | 30,716            |
| 90% advance rate on SBA guaranteed non-affiliate portions of loans sold, not settled                | <u>\$ 27,644</u>  |
| <b><u>Proforma debt adjustments:</u></b>  |                   |
| Total Senior Debt as of June 30, 2021   | \$ 455,783        |
| Proforma adjustment for broker receivable as of June 30, 2021, as calculated above                  | <u>(27,644)</u>   |
| Total proforma debt at June 30, 2021  | <u>\$ 428,139</u> |
| <b><u>Proforma Debt to Equity ratio at June 30, 2021:</u></b>                                       |                   |
| Total proforma debt   | \$ 428,139        |
| Total equity  | <u>\$ 369,097</u> |
| Debt to equity ratio - proforma at June 30, 2021  | <u>116.0%</u>     |

## Paycheck Protection Program (PPP)

- NSBF funded \$722.6 million of PPP loans, totaling approximately 15,580 loan units, for the six months ended June 30, 2021.
- NSBF funded \$1.9 billion of PPP loans in 2020 and 2021 (from all three rounds), totaling approximately 26,142 loan units by the end of the second quarter of 2021
- In excess of 99.6% of the PPP loans Newtek funded were sold to third parties
- During the second quarter 2021, we continued to shift our resources and refocus our efforts on funding SBA 7(a) loans, SBA 504 loans, non-conforming conventional loans and secured lines of credit, as well as on the growth of our portfolio companies' business service product offerings
- 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

## Second Quarter 2021 SBA 7(a) Lending Highlights

- NSBF funded \$94.3 million of SBA 7(a) loans during the three months ended June 30, 2021; compared to \$17.4 million of SBA 7(a) loans funded for the three months ended June 30, 2020
- NSBF funded \$198.6 million of SBA 7(a) loans during the six months ended June 30, 2021; compared to \$70.2 million of SBA 7(a) loans funded for the six months ended June 30, 2020.
- NSBF forecasts full year 2021 SBA 7(a) loan fundings of approximately \$550 million to \$600 million
- During the second quarter of 2021, we continued to redeploy the assets, resources and management away from funding PPP loans and refocus our efforts on funding SBA 7(a) loans, SBA 504 loans, non-conforming conventional loans and secured lines of credit
- The Company made the decision to retain approximately \$26.7 million in guaranteed portions of SBA 7(a) loans on its balance sheet as of June 30, 2021 that are available for sale

## Second Quarter 2021 Portfolio Company Lending Highlights



- NBL funded and/or closed \$49.7 million in SBA 504 loans for the three months ended June 30, 2021
  - NBL did not fund any SBA 504 loans in the three months ended June 30, 2020
- NBL funded and/or closed \$72.7 million in SBA 504 loans for the six months ended June 30, 2021; an increase over \$18.2 million SBA 504 loans in during the same period last year
- NBL forecasts SBA 504 loan fundings and/or closings of approximately \$125 million to \$150 million for the full year 2021, which would represent an increase from \$87.2 million closed and/or funded SBA 504 loans in 2020
- NBL has a \$100 million credit facility with Deutsche Bank AG, which has an initial two-year term, in addition to its \$75 million line of credit with Capital One Bank N.A., both for SBA 504 lending

# Newtek & Its Portfolio Companies: Lending Pipeline Breakdown at June 30, 2021



## Newtek & Its Portfolio Companies Lending Pipeline at June 30, 2021

|                          | Non-Conforming<br>Conventional<br>Loans |                |                | Consolidated   |
|--------------------------|---|----------------|----------------|----------------|
|                          | SBA 7(a) Loans                          | SBA 504 Loans  |                |                |
| Prequalification         | \$ 218,095,655                          | \$ 135,596,000 | \$ 97,422,250  | \$ 451,113,905 |
| Underwriting             | \$ 89,152,784                           | \$ 38,842,000  | \$ 26,801,750  | \$ 154,796,534 |
| Approved Pending Closing | \$ 122,831,136                          | \$ 50,484,445  | \$ 13,450,000  | \$ 186,765,581 |
| Total                    | \$ 430,079,575                          | \$ 224,922,445 | \$ 137,674,000 | \$ 792,676,020 |

- We currently have a robust pipeline of lending opportunities across all of Newtek and its portfolio companies' lending products, as we move through the third and fourth quarters of 2021, which we believe will continue to fuel our earnings growth
- We anticipate Newtek and its portfolio companies' lending products to be at the forefront of our growth, replacing the pandemic-oriented PPP loan program



## Positive Cost-Cutting Initiatives: Effects of COVID-19

- The Company's and its portfolio companies real estate footprint continued to shrink in 2021 as a result of the effects of employees working remotely; however, 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

# Newtek Small Business Finance Overview:

## SBA 7(a) Loans

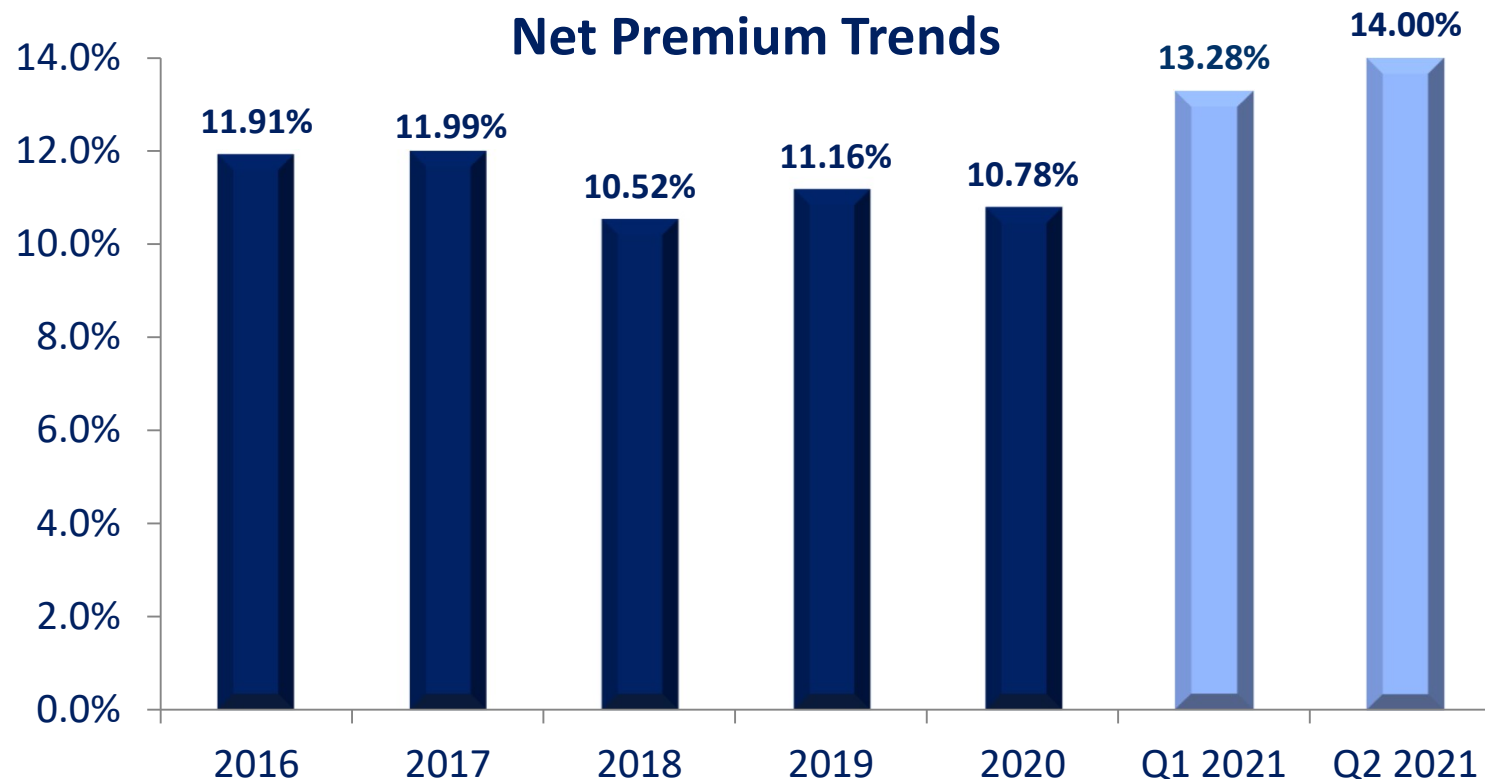


- Currently the largest non-bank lender (with PLP status) licensed by the SBA under the federal Section 7(a) loan program, based on annual origination volume
- One of 14 Non-Bank SBA Government-Guaranteed Lender Licenses
- 5<sup>th</sup> largest SBA 7(a) lender by lending volume as of June 30, 2021 (including 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 2,505 loans
  - Average loan size is approximately \$170K 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 (in addition to the SBA guaranty fee) 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

- We have received approximately 109,923 loan referrals in units for the three months ended June 30, 2021
- Newtek's database of customer opportunities is extensive
- Newtek's database of client referrals is currently 1.5 million business referrals
- Cross-selling efforts are expected to be enhanced through the NewtekOne Dashboard™, the one solution for all of your business needs.
- 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

# Average Net Premium From SBA Guaranteed Loan Sales



- For the three months ended June 30, 2021, the weighted average net premium received on the sale of guaranteed portions of SBA 7(a) loans was 14.00%
- The Company made the decision to hold approximately \$26.7 million in guaranteed portions of SBA 7(a) loans on its balance sheet as of June 30, 2021 that are available for sale

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, 2019: 28.5 Months
  - At June 30, 2020: 32.6 Months
  - At June 30, 2021: 38.0 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 June 30, 2021, March 31, 2021 and June 30, 2020 **on accrual loans only**

| 6/30/2021            |              |                            |                | 3/31/2021    |                            |                | 6/30/2020    |                            |                |
|----------------------|--------------|----------------------------|----------------|--------------|----------------------------|----------------|--------------|----------------------------|----------------|
| 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              | 2,247        | \$ 342,245,558             | 93.81%         | 2,209        | \$ 344,631,645             | 94.83%         | 2,156        | \$ 354,141,554             | 99.05%         |
| 31 - 60              | 56           | \$ 14,441,067              | 3.96%          | 40           | \$ 11,405,490              | 3.14%          | 1            | \$ 1,338                   | 0.00%          |
| 61 - 90              | 28           | \$ 8,147,866               | 2.23%          | 18           | \$ 6,558,154               | 1.80%          | 2            | \$ 1,326,252               | 0.37%          |
| 91 - 120             | 0            | -                          | 0.00%          | 1            | \$ 820,778                 | 0.23%          | 0            | -                          | 0.00%          |
| > 120                | 0            | -                          | 0.00%          | 0            | -                          | 0.00%          | 4            | \$ 2,076,803               | 0.58%          |
| <b>Accrual Total</b> | <b>2,331</b> | <b>\$ 364,834,491</b>      | <b>100%</b>    | <b>2,268</b> | <b>\$ 363,416,066</b>      | <b>100%</b>    | <b>2,163</b> | <b>\$ 357,545,947</b>      | <b>100%</b>    |

<sup>1</sup> March 31, 2021 reflects principal and interest payments made by the SBA pursuant to Section 1112 of the CARES Act. June 30, 2021, March 31, 2021 and June 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 6/30/2021, 3/31/2021 and 6/30/2020 was \$7.0 million, \$7.0 million and \$4.4 million, respectively, and is included in SBA unguaranteed non-affiliate investments on the consolidated statements of assets and liabilities.

# Illustrative 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) <sup>1</sup>   | 14.00%      |
| Term                                   | 25 years    |

| Illustrative Net Cash Created                         |             |
|---|-------------|
| Guaranteed Balance                                    | \$750,000   |
| Realized Gains on Guaranteed Balance <sup>2</sup>     | \$105,000   |
| Cash Received in Securitization <sup>(3)</sup>        | \$208,750   |
| Total   | \$1,063,750 |
| Net Cash Created (Post Securitization) <sup>4,5</sup> | \$63,750    |

\* There is no assurance that this can occur.

<sup>1</sup>Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 118.00% premium. The additional 8.00% (18.00% -10%) is split with SBA. NSBF nets 14.00%.

<sup>2</sup>Assumes 14.00% of the Guaranteed balance.

<sup>3</sup>Assumes 83.5% advance rate in securitization on unguaranteed balance.

<sup>4</sup>Assuming the loan is sold in a securitization in 12 months.

<sup>5</sup>Net cash created per \$1 million of loan originations.

# Illustrative 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 |             | Illustrative Resulting Revenue (Expense)                             |                   |
|--|-------------|--|-------------------|
| Loan Amount                            | \$1,000,000 | Associated Premium <sup>2</sup>                                      | \$105,000         |
| Guaranteed Balance (75%)               | \$750,000   | Servicing Asset <sup>3</sup>   | <u>\$13,200</u>   |
| Unguaranteed Balance (25%)             | \$250,000   | Total Realized Gain  | \$118,200         |
| Realized Gain (Premium) <sup>1</sup>   | 14.00%      | Packaging Fee Income   | \$2,500           |
| Term                                   | 25 years    | FV Non-Cash Adjustment on Uninsured Loan Participations <sup>4</sup> | \$(6,250)         |
|  |             | Referral Fees Paid to Alliance Partners                              | <u>\$(7,500)</u>  |
|  |             | Total Direct Expenses  | <u>\$(13,750)</u> |
|  |             | Net Risk-Adjusted Profit Recognized <sup>5</sup>                     | <b>\$106,950</b>  |

\* There is no assurance that this can occur.

<sup>1</sup>Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 118.00% premium. The additional 8.00% (18.00% - 10%) is split with SBA. NSBF nets 14.00%.

<sup>2</sup>Assumes 14.00% of the Guaranteed balance.

<sup>3</sup>Fair value estimate of servicing asset.

<sup>4</sup>Example assumes a 2.5% discount to reflect cumulative estimate of default frequency and severity among other assumptions.

<sup>5</sup>Net risk-adjusted profit recognized per \$1 million of loan originations.



## Portfolio Company Review

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## SBA 504 Loan Program

- NBL originates and funds SBA 504 loans; and originates non-conforming conventional loans on behalf of the Company's joint venture Newtek Conventional Lending ("NCL")
- Newtek Small Business Lending closes and services SBA 504 loans originated by NBL
- NBL funded and/or closed \$49.7 million in SBA 504 loans for the three months ended June 30, 2021
- NBL funded and/or closed \$72.7 million in SBA 504 loans for the six months ended June 30, 2021
- NBL forecasts SBA 504 loan fundings and/or closings of approximately \$125 million to \$150 million for the full year 2021, which would represent an increase from \$87.2 million closed and/or funded SBA 504 loans in 2020
- NBL has a \$100 million credit facility with Deutsche Bank AG, which has an initial two-year term, in addition to its \$75 million line of credit with Capital One Bank N.A., both for SBA 504 lending

# 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.

# Illustrative 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                 | \$1,000,000 |
| Senior Loan Balance                       | \$500,000   |
| Junior Bridge Loan Balance <sup>(1)</sup> | \$400,000   |
| Premium                                   | 3.00%       |
| Rate                                      | Fixed       |
| Term                                      | 10 Years    |

| Illustrative Net Cash Created Pretax                                 |                  |
|--|------------------|
| Total Senior & Junior Debt   | \$900,000        |
| Funded Under Bank Facility   | <u>\$630,000</u> |
| NBL Equity   | \$270,000        |
| Net Origination Fees   | \$18,000         |
| Interest Earned Before Sale <sup>(2)</sup>                           | \$22,750         |
| Interest Expense   | (\$7,963)        |
| Premium Earned Upon Sale   | <u>\$15,000</u>  |
| Total Net Cash Created <sup>(3)</sup>                                | \$47,788         |
| Return on Investment (Gross Operating Profit/ Equity) <sup>(4)</sup> | <u>35.4%</u>     |

\* There is no assurance that this can occur.

- (1) Funded by NBL, to be taken out within 90 days by a junior lender through SBA guaranteed debenture.
- (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 \$48,400 divided by NBL equity of \$270,000. The holding period for the loan is assumed to be 6 months. In this illustrative example, return on investment is shown annualized for the full year and does not account for \$120,000 of equity returned early after 90 days due to the Junior Bridge Loan replacement via SBA

## Newtek's Conventional Loan Portfolio

- NCL, the Company's joint venture, was formed to fund non-conforming conventional loans
- Newtek Small Business Lending closes and services non-conforming conventional loans funded by NCL
- At June 30, 2021, the portfolio of closed and committed non-conforming conventional loans had a total principal balance of approximately \$72.4 million, consisting of 15 loans, all of which are current with payments
- NCL ceased funding non-conventional conforming loans during 2020 due to the COVID-19 pandemic, but estimates it will fund \$50 million either through JV partners or on-balance sheet funding for the rest of the year

- The Company anticipates restarting its non-conforming conventional loan program in the third quarter 2021
- In April 2021, the Company signed a joint-venture agreement with a leading U.S.-based middle market investment firm with over \$1.0 billion in assets under management
  - The intended purpose of the joint venture is to originate commercial loans to middle-market companies as well as small businesses
  - The Company expects to fund up to \$50 million of non-conforming conventional loans during the second half of 2021 either through JV partners or on-balance sheet funding
- The Company is currently negotiating an additional joint-venture agreement with a global investment management firm with over \$500 billion in assets under management<sup>1</sup>
- The Company is negotiating new lending warehouse facilities for its new JV partners<sup>1</sup>
- The Company is considering securitizing its existing JV loans its initial JV partner<sup>1</sup>

<sup>1</sup> There is no assurance that these transactions can be consummated.

## Portfolio Companies: Newtek Payment Processing Companies



- Newtek Merchant Solutions and Mobil Money had a combined equity fair market value of \$114.0 million at June 30, 2021
- Total enterprise value (“TEV”) of \$122.8 million, including debt and excess cash, equates to a total enterprise value multiple of 8.5x 2021 forecasted EBITDA of \$14.5 million for the combined Newtek Payment Processing Companies

| Market Comparables |                      |                                    |
|--------------------|----------------------|------------------------------------|
| Ticker             | Company              | TEV/ 2021<br>EBITDA <sup>(1)</sup> |
| EVTC               | EVERTEC, Inc.        | 13.3x                              |
| GPN                | Global Payments Inc. | 18.3x                              |
| EVOP               | EVO Payments         | 15.1x                              |
| IIIV               | i3 Verticals, Inc.   | 16.1x                              |

(1) Source: S&P Capital IQ as of July 30, 2021.

## NMS Points to Consider for 2021

- NMS' payment processing business has been recovering sequentially month over month, and year over year
- NMS experienced a 24.7% increase in monthly sales volume for the second quarter of 2021 compared to the same period last 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 processing volumes in 2021 compared to 2020, and have added senior talent to the NMS team to assist in the growth of NMS
- 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 offers 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 \$31.5 million, (net of debt) as of June 30, 2021
- Combined TEV including debt and excess cash is \$41.7 million (as of January 1, 2021, IPM and C9 are subsidiaries of NTS and were consolidated for reporting purposes)
- NTS forecasts 2021 revenue between **\$40 and \$50 million**, and 2021 EBITDA of approximately **\$6.2 million** (6.7x TEV/ 2021E EBITDA multiple)

## Technology Portfolio Companies: NTS, IPM & Sidco

- On January 1 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
  - 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

- We believe that significant opportunity exists in the cloud services space
- NTS has a full suite of IT infrastructure services
- Existing and potential clients may be able to leverage NTS' existing data centers in lieu of building their own data center which may be costly and time consuming
- We believe 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
- Broker dealer initiatives to provide secure, efficient remote work at home environments for broker dealer registered reps and registered investment advisors

- Expanded Newtek's Payroll & Benefits Solutions offering with its revamped management and iSolved<sup>®</sup> 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](https://www.youtube.com/watch?v=_SbzM1WnWwA)

## Investment Summary

- Diversified business model provides multiple streams of revenue
- Proven track record; Established in 1998; publically traded since September 2000
- Newtek has consistently outperformed the Russell 2000 and the S&P 500 for over a decade
- 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 5.1% of outstanding shares as of June 11, 2021

## Financial Review

Nicholas Leger, Chief Accounting Officer

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# 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, |           |
|--|-----------------------------|-----------|---------------------------|-----------|
|  | 2021                        | 2020      | 2021                      | 2020      |
| Investment income:   |                             |           |                           |           |
| Interest income  | \$ 6,948                    | \$ 6,669  | \$ 13,554                 | \$ 14,448 |
| Interest income - PPP loans  | 25,512                      | 34,657    | 49,720                    | 34,657    |
| Dividend income  | 72                          | 2,288     | 98                        | 6,690     |
| Servicing income   | 2,787                       | 2,777     | 5,527                     | 5,492     |
| Other income   | 1,269                       | 303       | 2,383                     | 1,209     |
| Total investment income  | 36,588                      | 46,694    | 71,282                    | 62,496    |
| Expenses:  |                             |           |                           |           |
| Salaries and benefits  | 5,926                       | 3,740     | 10,376                    | 7,187     |
| Interest   | 4,968                       | 4,604     | 10,040                    | 9,788     |
| Depreciation and amortization  | 79                          | 104       | 164                       | 219       |
| Professional fees  | 859                         | 1,207     | 2,047                     | 2,171     |
| Origination and servicing  | 2,998                       | 2,722     | 5,969                     | 4,546     |
| Origination and servicing - related party  | 4,510                       | 3,095     | 7,653                     | 5,733     |
| Change in fair value in contingent consideration liabilities                     | —                           | —         | —                         | 54        |
| Loss on extinguishment of debt   | —                           | —         | 955                       | —         |
| Other general and administrative costs   | 1,706                       | 1,475     | 3,341                     | 3,333     |
| Total expenses   | 21,046                      | 16,947    | 40,545                    | 33,031    |
| Net investment income (loss)   | 15,542                      | 29,747    | 30,737                    | 29,465    |
| Net realized and unrealized gains (losses):                                      |                             |           |                           |           |
| Net realized gain on investments   | 11,414                      | (1,214)   | 18,807                    | 3,299     |
| Net unrealized (depreciation) appreciation on investments, net of deferred taxes | (8,389)                     | (1,886)   | (864)                     | (14,458)  |
| Net unrealized depreciation on servicing assets                                  | (1,193)                     | (1,180)   | (1,706)                   | (92)      |
| Net realized and unrealized gains  | 1,832                       | (4,280)   | 16,237                    | (11,251)  |
| Net increase in net assets resulting from operations                             | \$ 17,374                   | \$ 25,467 | \$ 46,974                 | \$ 18,214 |
| Net investment income (loss) per share   | \$ 0.69                     | \$ 1.42   | \$ 1.37                   | \$ 1.42   |
| Net increase in net assets resulting from operations per share                   | \$ 0.77                     | \$ 1.22   | \$ 2.12                   | \$ 0.88   |
| Weighted average shares outstanding  | 22,524                      | 20,893    | 22,431                    | 20,815    |



## 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, 2021 and 2020

|   | Three Months Ended<br>30-Jun-21 | Per Share      | Three Months Ended<br>30-Jun-20 | Per Share      |
|---|---------------------------------|----------------|---------------------------------|----------------|
| Net investment income (loss)  | 15,542                          | 0.69           | 29,747                          | 1.42           |
| Net realized gain on non-affiliate investments - SBA 7(a) loans     | 11,414                          | 0.51           | (1,214)                         | (0.06)         |
| Net realized gain on non-affiliate investments - conventional loans | -                               | -              | -                               | -              |
| Net realized gain on controlled investments                         | -                               | -              | -                               | -              |
| Loss on lease   | -                               | -              | -                               | -              |
| Change in fair value of contingent consideration liabilities        | -                               | -              | -                               | -              |
| Loss on debt extinguishment   | -                               | -              | -                               | -              |
| Adjusted Net investment income                                      | <u>\$ 26,956</u>                | <u>\$ 1.20</u> | <u>\$ 28,533</u>                | <u>\$ 1.37</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, 2021 and 2020

|   | Six Months Ended<br>30-Jun-21 | Per Share      | Six Months Ended<br>30-Jun-20 | Per Share      |
|---|-------------------------------|----------------|-------------------------------|----------------|
| Net investment income (loss)  | 30,737                        | 1.37           | 29,465                        | 1.42           |
| Net realized gain on non-affiliate investments - SBA 7(a) loans     | 18,807                        | 0.84           | 3,299                         | 0.16           |
| Net realized gain on non-affiliate investments - conventional loans | -                             | -              | -                             | -              |
| Net realized gain on controlled investments                         | -                             | -              | -                             | -              |
| Loss on lease   | -                             | -              | -                             | 0              |
| Change in fair value of contingent consideration liabilities        | -                             | -              | 54                            | -              |
| Loss on debt extinguishment   | 955                           | 0.04           | -                             | -              |
| Adjusted Net investment income                                      | <u>\$ 50,499</u>              | <u>\$ 2.25</u> | <u>\$ 32,818</u>              | <u>\$ 1.58</u> |

Note: Per share amounts may not foot due to rounding