



May 8, 2012

Newtek Business Services, Inc. Reports First Quarter 2012 Net Income Of \$1.3 Million; EPS Of \$0.04 Per Diluted Share

2012 Guidance Increased to \$7.5 Million Pretax Income Midpoint and \$15.3 Million Modified EBITDA Midpoint Announces 2012 EPS Midpoint Guidance of \$0.12 per Diluted Share

NEW YORK, May 8, 2012 /PRNewswire/ -- Newtek Business Services, Inc. (NASDAQ: NEWT) (www.thesba.com) *The Small Business Authority*, a provider of business services and financial products to the small- and medium-sized business market, reported today its financial results for the quarter ended March 31, 2012.

First Quarter 2012 Highlights:

- | The Company had consolidated pretax income of \$2.1 million; an increase of \$1.3 million compared to the first quarter of 2011.
- | The Company had consolidated net income attributable to Newtek Business Services (excludes non-controlling interests) of \$1.3 million; an increase of \$794 thousand compared to the first quarter of 2011, and EPS of \$0.04 per diluted share as compared to \$0.01 per diluted share for the first quarter of 2011.
- | Consolidated Modified EBITDA was \$3.6 million, as compared to \$2.6 million for the first quarter of 2011.
- | Electronic payment processing segment pretax income increased 72% to \$2.1 million in the first quarter of 2012 as compared to \$1.2 million in the first quarter of 2011.
- | Small business finance segment pretax income increased 15% to \$1.5 million in the first quarter of 2012 as compared to \$1.3 million in the first quarter of 2011.
- | Our SBA lender funded \$25 million of loans in the first quarter of 2012 as compared to \$19 million during the same period in 2011.
- | The Company signed an agreement with Summit Partners for \$10 million - \$15 million in mezzanine debt on April 26, 2012 to be used to support Newtek's continued growth and provide working capital necessary to expand its product offerings.
- | The Company expects full year EPS of between \$0.10 and \$0.13 per diluted share for 2012.
- | The Company is revising its guidance for pretax income to between \$6.5 million and \$8.5 million, up from its previously issued guidance of \$5.0 million to \$7.0 million, and Modified EBITDA to between \$14.3 million and \$16.3 million, up from its previously issued guidance of \$11.0 million to \$13.0 million.

Barry Sloane, Chairman, President and Chief Executive Officer said "We are elated at the financial results of the business and its model as years of planning and investment are paying off in growing earnings for our shareholders. Our electronic payment processing and small business finance segments are driving results while our managed technology solutions segment repositions and refocuses its efforts on new products and creating efficiencies for our clients.

"Our Modified EBITDA midpoint forecast of \$15.3 million and pretax income midpoint forecast of \$7.5 million is indicative of our strategy succeeding. Our recent mezzanine capital raise allows us to grow our lending business. Every \$100 million of SBA 7(a) loan originations equates to an estimated additional \$4 million of pretax income. We believe our future is bright and we anticipate growth in earnings and revenue for the remainder of 2012."

First Quarter 2012 Financial Results

For the quarter ended March 31, 2012, the Company had consolidated pretax income of \$2.1 million, compared to \$834 thousand in 2011, an increase of \$1.3 million. The Company reported first quarter 2012 consolidated net income attributable to Newtek Business Services, Inc. of \$1.3 million or \$0.04 per share for the quarter, as compared to \$509 thousand, or \$0.01 per share in the first quarter of 2011. Improvements in both the pretax and after tax earnings are attributable in part to improvements in pretax income of all segments except Managed technology solutions.

For the quarter ended March 31, 2012, total consolidated operating revenues increased \$206 thousand to \$30.7 million compared to \$30.5 million for the first quarter of 2011. Total net change in fair value increased by \$1 million to a loss of \$58 thousand for the quarter ended March 31, 2012, from a loss of \$1.1 million for the quarter ended March 31, 2011. The decrease in fair value loss for the period was attributable to a reduction in the discount the Company uses to measure the fair value of loans held for investment, as well as a fair value loss recognized in the first quarter of 2011 for SBA loans

transferred, subject to premium recourse.

Revised Outlook for 2012

The Company now expects 2012 consolidated revenues of between \$129.1 million and \$132.2 million and pretax income of between \$6.5 million and \$8.5 million. Midpoint Modified EBITDA is forecast at \$15.3 million. Annual guidance by segment for revenue, pretax income (loss) and Modified EBITDA will be provided in the conference call presentation today Tuesday, May 8, 2012 at 4:15 p.m. ET and will be available in the 'Events & Presentations' section of the Investor Relations portion of Newtek's website at www.thesba.com.

Cautionary Statement

2012 Guidance information contained in this press release is based on management's current expectations. These statements are forward-looking and actual results may differ materially. See "Note Regarding Forward-Looking Statements" below.

Use of Non-GAAP Financial Measures

In evaluating its business, Newtek considers and uses Modified EBITDA as a supplemental measure of its operating performance. The Company defines Modified EBITDA as earnings before income from tax credits, interest expense, taxes, depreciation and amortization, stock compensation expense, other than temporary decline in value of investments, Capco fair value change and the loss on the lease restructure. The Company also presents Modified EBITDA because it believes it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance.

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

First Quarter 2012 Conference Call and Webcast

A conference call to discuss these results will be hosted by Barry Sloane, Chairman, President and Chief Executive Officer, and Jennifer Eddelson, Chief Accounting Officer, today, Tuesday, May 8, 2012 at 4:15 p.m. ET. The live conference call can be accessed by dialing (877) 303-6993 or (760) 666-3611.

A live audio webcast of the call and the corresponding presentation will be available in the 'Events & Presentation' section of the Investor Relations portion of Newtek's website at <http://investor.newtekbusinessservices.com/events.cfm>. A replay of the webcast with the corresponding presentation will be available on Newtek's website shortly following the live presentation. The telephone replay can be accessed by dialing (855) 859-2056 or (404) 537-3406 and entering code 73471638. Both web-based and telephonic replays will be available through May 14, 2012.

About Newtek Business Services, Inc.

Newtek Business Services, Inc., [The Small Business Authority](http://www.thesba.com), is a direct distributor of a wide range of business services and financial products to the small- and medium-sized business market under the Newtek[®] brand. Since 1999, Newtek has helped small- and medium-sized business owners realize their potential by providing them with the essential tools needed to manage and grow their businesses and to compete effectively in today's marketplace. Newtek provides one or more of its services to over 100,000 business accounts and has positioned the Newtek[®] and The Small Business Authority brands as a one-stop-shop provider of such business services. According to the U.S. Small Business Administration, there are over 27.5 million small businesses in the United States, which in total represent 99.7% of all employer firms.

Newtek Business Services, [The Small Business Authority](http://www.thesba.com), provides the following products and services:

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

- | **eCommerce:** A suite of services that enable small businesses to get up and running on-line quickly and cost effectively, with integrated web design, payment processing and shopping cart services.
- | **Business Lending:** Broad array of lending products including SBA 7(a) and SBA 504 loans.
- | **Insurance Services:** Commercial and personal lines of insurance, including health and employee benefits in all 50 states, working with over 40 insurance carriers.
- | **Web Services:** Customized web design and development services.
- | **Data Backup, Storage and Retrieval:** Fast, secure, off-site data backup, storage and retrieval designed to meet the specific regulatory and compliance needs of any business.
- | **Accounts Receivable Financing:** Receivable purchasing and financing services.
- | **Payroll:** Complete payroll management and processing services.

Note Regarding Forward-Looking Statements

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

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

Contact:

Newtek Business Services, Inc.
 Barry Sloane
 Chairman and CEO
 212-356-9500
bsloane@thesba.com

Rubenstein Public Relations
 Telephone: (212) 843-9335
 Contact: Jonathan Goldberg / jgoldberg@rubensteinpr.com

Rubenstein Investor Relations
 Telephone: (212) 843-9337
 Contacts:
 Timothy Clemensen / tclemensen@rubensteinir.com
 William Swalm / bswalm@rubensteinir.com

NEWTEK BUSINESS SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011
 (In Thousands, except for Per Share Data)

	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 30,729	\$ 30,523
Net change in fair value of:		
SBA loans	(94)	(1,172)
Credits in lieu of cash and notes payable in credits in lieu of cash	<u>36</u>	<u>75</u>
Total net change in fair value	<u>(58)</u>	<u>(1,097)</u>
Operating expenses:		
Electronic payment processing costs	16,881	17,096
Salaries and benefits	5,676	5,179
Interest	837	1,055
Depreciation and amortization	801	1,030
Provision for loan losses	110	13
Other general and administrative costs	<u>4,261</u>	<u>4,219</u>

Total operating expenses	28,566	28,592
Income before income taxes	2,105	834
Provision for income taxes	796	356
Net income	1,309	478
Net (income) loss attributable to non-controlling interests	(6)	31
Net income attributable to Newtek Business Services, Inc.	\$ 1,303	\$ 509
Weighted average common shares outstanding - basic	35,779	35,676
Weighted average common shares outstanding - diluted	36,193	36,196
Earnings per share - basic and diluted	\$ 0.04	\$ 0.01

NEWTEK BUSINESS SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 2012 AND DECEMBER 31, 2011
(In Thousands, except for Per Share Data)

	March 31, 2012	December 31, 2011
	Unaudited	(Note 1)
<u>ASSETS</u>		
Cash and cash equivalents (includes \$2,850 and \$0, respectively, related to VIE)	\$ 15,341	\$ 11,363
Restricted cash	7,307	14,066
Broker receivable	13,923	4,911
SBA loans held for investment, net (includes \$14,671 and \$15,217, respectively, related to securitization trust VIE; net of reserve for loan losses of \$2,814 and \$2,900, respectively)	17,871	18,555
SBA loans held for investment, at fair value (includes \$24,005 and \$19,617, respectively, related to securitization trust VIE)	27,226	21,857
Accounts receivable (net of allowance of \$454 and \$308, respectively)	12,503	10,493
SBA loans held for sale, at fair value	2,642	2,198
Prepaid expenses and other assets, net (includes \$1,259 and \$1,211, respectively, related to securitization trust VIE)	8,298	11,762
Servicing asset (net of accumulated amortization and allowances of \$6,152 and \$5,964, respectively)	3,609	3,420
Fixed assets (net of accumulated depreciation and amortization of \$12,645 and \$16,463, respectively)	2,867	2,853
Intangible assets (net of accumulated amortization of \$13,443 and \$13,226, respectively)	1,230	1,420
Credits in lieu of cash	14,485	16,948
Goodwill	12,092	12,092
Deferred tax asset, net	936	72
Total assets	<u>\$ 140,330</u>	<u>\$ 132,010</u>
<u>LIABILITIES AND EQUITY</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 13,859	\$ 14,196
Bank notes payable	21,586	13,565
Note payable — Securitization trust	25,400	26,368
Deferred revenue	1,490	1,634
Notes payable in credits in lieu of cash	14,485	16,948
Total liabilities	<u>76,820</u>	<u>72,711</u>
Commitments and contingencies		
Equity:		
Newtek Business Services, Inc. shareholders' equity:		
Preferred shares (par value \$0.02 per share; authorized 1,000 shares, no shares issued and outstanding)	—	—
Common shares (par value \$0.02 per share; authorized 54,000 shares, 36,701 issued; 35,914 and 35,702 outstanding, respectively, not including 83 shares held in escrow)	738	734
Additional paid-in capital	58,199	57,960
Retained earnings	2,814	45
Treasury shares, at cost (999 shares)	(620)	(620)
Total Newtek Business Services, Inc. shareholders' equity	<u>61,131</u>	<u>58,119</u>
Non-controlling interests	2,379	1,180
Total equity	<u>63,510</u>	<u>59,299</u>

Total liabilities and equity

\$ 140,330

\$ 132,010

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