



March 10, 2010

## Newtek Business Services Reports Full Year 2009 Financial Results

NEW YORK, Mar 10, 2010 (GlobeNewswire via COMTEX News Network) -- Newtek Business Services, Inc. (Nasdaq:NEWT) ([www.newtekbusinessservices.com](http://www.newtekbusinessservices.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 full year ended December 31, 2009.

### Full Year 2009 Overview

- 2009 net loss of \$429 thousand compared to 2008's \$10.5 million net loss.
- Reduced pretax loss \$9.1 million or 69% to \$4.0 million for 2009 from \$13.1 million for 2008 due to increased revenues and our cost cutting efforts.
- Cash flow from operations positive in 2009.
- Total revenues increased by 7% year over year.
- Salaries and benefits decreased by \$3.5 million year over year.
- 2009 Electronic payment processing segment revenue increased 10% and Web hosting segment revenue increased 4% over 2008.
- Small business finance segment resumed originating new loans in the fourth quarter of 2009 and cut costs, decreasing segment net loss by 63% from 2008 to \$2.3 million.
- Reaffirming 2010 guidance; midpoint indicates achieving breakeven pretax net income.

Barry Sloane, Chairman and Chief Executive Officer of Newtek Business Services, Inc., said, "In a year that challenged most public companies both in terms of market conditions and competition, we had dramatic improvements almost across the board. We cut our net loss position year over year, by \$10 million. We improved our pretax loss position year over year by \$9.1 million. We generated significant positive cash flows from operations versus negative cash flows from operations in 2008. The company has accomplished its goals of dramatically cutting costs while growing total revenues by 7 percent. We continue to believe that our strategy of positioning the company as "The Small Business Authority" is beginning to pay dividends by building enterprise value and improving our income statement and balance sheet. The capital markets have begun to recognize this as our share price has risen to a level that has Newtek back in compliance with the NASDAQ listing requirements.

"Subject to SBA approval we have a definitive agreement with Capital One, N.A. to refinance our GECC line of credit. This should reduce the market concern regarding the effect of the GE line maturing, as well as solidifying the company's ability to finance its lending operation in the near term.

"We continue to strongly believe the company's best opportunity for improved growth and cash flow will come from the lending division. Our contrarian view toward lending has kept the company from harming itself in perceived good times while leaving a strong capital base and a good loan performance track record to provide funding to small businesses going forward. There are very few national non-bank preferred SBA lenders currently doing business. For as long as the 90 percent guaranty is available, it will be instrumental in our ability to make loans and drive our profits and cash flow performance in 2010. However, we believe that the SBA lending business will in the long term revert to a 75 percent guaranty, and we will be prepared to reposition this business when and if this should occur. The strength of the lending business we have built is reflected in the services we are performing for the FDIC under contract, which is a great honor for us. In addition, we anticipate becoming a rated Commercial Loan Servicer by Standard and Poors within the next few months.

"Our eCommerce initiatives have been launched and our early results have been very positive as NEWT Pay(TM) and NEWT Pay Pro(TM) have been well received by merchants as a superior alternative to Pay Pal(TM). We believe there are many merchants looking to reduce their costs, improve their cash flow by reducing their cash float holding time, and receive

improved customer service from a company that has all of its service operations provided by English or Spanish speaking U.S. citizens. We believe that we are the better alternative for eCommerce merchants as a one stop shop for the gateway, shopping cart, web design, payment processing option and hosting plan. It is not easy to go up against a success such as eBay(R)'s Pay Pal(TM) product, which is the biggest in this market, but we are convinced that our product is simply the best and that this will provide our small business clients with a superior alternative and our shareholders with improved results.

"Our ONBA strategy (Open New Business Accounts) being launched with our strategic alliance partners has drawn a waiting list of depositories. This enables them to provide a free website to their small business clientele in exchange for opening a business checking account. This product and approach, which we view as the "21st Century Free Toaster Giveaway" for depositories, will give small businesses a vital tool to attract more business through internet sales, either by establishing a new presence or updating an old tired presence.

"We could not be more excited about our strategy, new products and the climate for success in front of us. As 2010 guidance, we are predicting a midpoint of breakeven for consolidated pretax net income, up from this year's \$4 million loss, and positive cash flow and EBITDA. We look forward to working hard and delivering continued good performance in 2010."

## 2009 Financial Results

For the full year ended December 31, 2009, the Company had a pretax loss of \$4.0 million, compared to a pretax loss of \$13.1 million for 2008, a reduction of 69%. The Company reported a net loss of \$429 thousand or (\$0.01) per share in 2009, compared to a net loss of \$10.5 million, or (\$0.29) per share in 2008.

For the full year ended December 31, 2009, total revenue increased \$6.8 million, or 7%, to \$105.7 million compared to \$98.9 million one year ago. Total revenue from the three core business services segments (electronic payment processing, web hosting and small business finance) increased to \$95.9 million, or 8%, in 2009 compared with \$88.8 million in 2008. These three segments represented approximately 91% and 90% of total revenue in 2009 and 2008, respectively.

## Outlook for 2010

We are reaffirming that our 2010 consolidated revenues will be between \$110.2 million and \$115.8 million. In 2010, we expect pretax income (loss) of between \$2.4 million and \$2.3 million. Annual guidance by segment for revenue, pretax income (loss), and EBITDA will be provided in the conference call presentation today Wednesday, March 10, 2010 at 4:15 p.m. ET and will be available in the 'Events & Presentation' section of the Investor Relations portion of Newtek's website at [www.newtekbusinessservices.com](http://www.newtekbusinessservices.com).

## Cautionary Statement

2010 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 EBITDA as a supplemental measure of its operating performance. The Company defines EBITDA as earnings before interest expense, taxes, depreciation and amortization. The Company also presents EBITDA because it believes it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance.

The term 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. EBITDA has limitations as an analytical tool and, when assessing the Company's operating performance, investors should not consider 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, 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. Newtek compensates for these limitations by relying primarily on its GAAP results supplemented by EBITDA.

## Full Year 2009 Conference Call and Webcast

A conference call to discuss these results will be hosted by Barry Sloane, Chairman and Chief Executive Officer, and Seth Cohen, Chief Financial Officer, today, Wednesday, March 10, 2010 at 4:15 p.m. ET. The live conference call can be accessed by dialing (877) 303-6993 (domestic) or (760) 666-3611 (international).

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 [www.newtekbusinessservices.com](http://www.newtekbusinessservices.com). 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 (800) 642-1687 (domestic) or (760) 645-9291 (international), and using the replay passcode 57398545. Both web-based and telephonic replays will be available for 90 days following the live presentation.

#### About Newtek Business Services, Inc.

Newtek Business Services, Inc. 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(TM) 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(TM) brand as a one-stop-shop provider of such business services. According to the U.S. Small Business Administration, there are over 29.6 million small businesses in the United States, which in total represent 99.7% of all employer firms.

#### Newtek's business service lines include:

- 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.
- 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.newtekbusinessservices.com](http://www.newtekbusinessservices.com).

	2009	2008	2007
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Operating revenues	\$ 105,711	\$ 98,885	\$ 92,835
Operating expenses:			
Electronic payment processing costs	58,312	51,109	45,240
Salaries and benefits	18,375	21,890	22,293
Interest	10,350	10,887	14,804
Depreciation and amortization	5,847	7,592	6,599
Insurance	383	464	3,427
Goodwill impairment	--	980	162
Provision for loan losses	1,833	2,530	840
Other general and administrative costs	15,513	16,494	16,989
	-----	-----	-----
Total operating expenses	110,613	111,946	110,354
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Operating loss before fair market value adjustment, income taxes and discontinued operations	(4,902)	(13,061)	(17,519)
Net change in fair market value of credits in lieu of cash and notes payable in credits in lieu of cash	900	(8)	--
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Operating loss before income taxes and discontinued operations	(4,002)	(13,069)	(17,519)
Benefit for income taxes	2,593	2,050	6,375
	-----	-----	-----
Loss from continuing operations	(1,409)	(11,019)	(11,144)
Discontinued operations, net of taxes	--	--	(490)
	-----	-----	-----
Net loss	(1,409)	(11,019)	(11,634)
Net loss attributable to noncontrolling interests	980	556	415
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Net loss attributable to Newtek Business Services, Inc.	\$ (429)	\$ (10,463)	\$ (11,219)
	=====	=====	=====
Weighted average common shares outstanding			
Basic and diluted	35,644	35,738	35,817
Loss per share from continuing operations:			
Basic and diluted	\$ (0.01)	\$ (0.29)	\$ (0.30)
Loss per share from discontinued operations, net of taxes:			
Basic and diluted	--	--	(0.01)
	-----	-----	-----
Basic and diluted loss per share	\$ (0.01)	\$ (0.29)	\$ (0.31)
	=====	=====	=====

(In Thousands, except for Per Share Data)

	2009	2008
	-----	-----
ASSETS		
Cash and cash equivalents	\$ 12,581	\$ 16,852
Restricted cash	6,739	8,366
Broker receivable	6,467	364
Credits in lieu of cash	51,947	70,559
SBA loans held for investment (net of reserve for loan losses of \$3,985 and \$3,420, respectively)	23,257	26,912
Accounts receivable (net of allowance of \$211 and \$192, respectively)	5,012	5,175
SBA loans held for sale	200	6,133
Prepaid expenses and other assets (net of accumulated amortization of deferred financing costs of \$2,491 and \$2,122, respectively)	7,502	9,634
Servicing asset (net of accumulated amortization and allowances of \$4,539 and \$3,756, respectively)	2,436	2,282
Fixed assets (net of accumulated depreciation and amortization of \$12,276 and \$9,477, respectively)	3,631	5,062
Intangible assets (net of accumulated amortization of \$10,299 and \$12,113, respectively)	4,218	6,096
Goodwill	12,092	12,092
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Total assets	\$ 136,082	\$ 169,527
	=====	=====
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued expenses	\$ 8,314	\$ 9,344
Bank notes payable	16,298	25,998
Deferred revenue	1,862	2,203
Notes payable in credits in lieu of cash	51,947	70,559
Deferred tax liability	3,634	5,344
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Total liabilities	82,055	113,448
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Commitments and contingencies		
Equity:		
Newtek Business Services, Inc. stockholders' equity:		

Preferred stock (par value \$0.02 per share; authorized 1,000 shares, no shares issued and outstanding)	--	--
Common stock (par value \$0.02 per share; authorized 54,000 shares, 36,674 and 36,667 issued, respectively; 35,648 and 35, 649 outstanding, respectively, not including 83 and 394 shares held in escrow, respectively)	733	733
Additional paid-in capital	57,302	58,232
Accumulated deficit	(4,974)	(4,545)
Treasury stock, at cost (1,026 shares)	(649)	(649)
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Total Newtek Business Services, Inc. stockholders' equity	52,412	53,771
Noncontrolling interests	1,615	2,308
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Total equity	54,027	56,079
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Total liabilities and equity	\$ 136,082	\$ 169,527
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