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Newtek Business Services Corp.
NASDAQ: NEWT

Full Year 2019
Financial Results Conference Call
March 5, 2020 8:30 am ET

Hosted by:

Barry Sloane, CEO & President **Chris Towers, EVP & CAO**

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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.

Full Year 2019 Financial Highlights

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- Total investment income of $59.3 million for the year ended December 31, 2019; an increase of 19.8% over total investment income of $49.5 million for the year ended December 31, 2018
- Net asset value ("NAV") on December 31, 2019 of $322.2 million, or $15.70 per share; an increase of 3.4% on a per share basis compared to NAV of $15.19 per share at December 31, 2018
- Net investment loss of $(5.6) million, or $(0.29) per share, for the year ended December 31, 2019, an improvement of 27.5% on a per share basis, over a net investment loss of $(7.5) million, or $(0.40) per share, for the year ended December 31, 2018
- Adjusted net investment income ("ANII")1 of $45.0 million, or $2.33 per share, for the year ended December 31, 2019; an increase of 20.1% on a per share basis, compared to ANII of $36.4 million, or $1.94 per share, for the year ended December 31, 2018
- Debt-to-equity ratio of 1.36x at December 31, 2019
  - At December 31, 2019, proforma debt-to-equity ratio was 1.27x as a result of the settlement of government-guaranteed portions of SBA 7(a) loans sold prior to December 31, 2019, settling subsequent to the balance sheet date
- Total investment portfolio increased by 21.8% to $659.0 million at December 31, 2019, from $541.1 million at December 31, 2018

[1]See page 41 for definition of ANII.

Debt-to-Equity Ratio Explanation

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Newtek Business Services Corp. and Subsidiaries Debt to equity ratio, as of December 31, 2019		
Total senior debt	$	439,550
Total equity	$	322,226
Debt to equity ratio - at December 31, 2019		136.4%

Newtek Business Services Corp. and Subsidiaries Debt to equity ratio - proforma at December 31, 2019		
(in thousands):		
Proforma debt adjustments:		
Total Senior Debt as of December 31, 2019	$	439,550
Proforma adjustment for broker receivable as of Deccember 31, 2019		(30,000)
Total proforma debt at December 31, 2019	$	409,550

Proforma Debt to Equity ratio at December 31, 2019:		
Total proforma debt	$	409,550
Total equity	$	322,226
Debt to equity ratio - proforma at December 31, 2019		127.1%

- 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

NAV Growth

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Period Ended	Shares Outstanding at End of Period	Total Net Assets ($ in thousands)	NAV Per Share	% Change
December 31, 2015	14,509,000	$203,949	$14.06	
December 31, 2016	14,624,000	$209,094	$14.30	1.70%
December 31, 2017	18,457,000	$278,329	$15.08	5.50%
December 31, 2018	18,919,000	$287,445	$15.19	0.73%
December 31, 2019	20,530,000	$322,226	$15.70	3.40%

- The average annual increase of Newtek's NAV over the past four years was approximately 2.8%.

Significant Improvement in Net Investment Income (Loss)

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- Net investment income (loss) improved by 27.5%, on a per share basis, for the year ended December 31, 2019, compared to the same period last year
- Net investment income (loss) continues to narrow as the unguaranteed SBA loan portfolio continues to grow, which is primarily financed by cost effective securitization debt, and becomes a larger portion of our growing business
- Cost of debt financing has continued to decrease
  - Tighter spreads in securitization pricing continue to be realized
  - Cost effective bond issuance
- The Company anticipates that its diversified business model with multiple streams of income will add to this trend
  - Future dividend contributions from Newtek Conventional Lending
  - Dividend contributions from other portfolio companies are anticipated to add to this trend
  - Servicing income

2019 Dividends

- The Company paid a fourth quarter 2019 cash dividend of $0.71 per share on December 30, 2019, which represented a 42% increase over the fourth quarter dividend in 2018
- The Company paid cash dividends of $2.15 per share in 2019
- Approximately 31% of the Company's full year 2019 dividend was classified as qualified and long-term capital gains and therefore are eligible to receive preferential tax treatment
- On February 5, 2020, the Company declared a first quarter 2020 cash dividend of $0.44 per share, payable on March 31, 2020 to shareholders of record March 18, 2020, which represents a 10% increase over the first quarter 2019 dividend
- Over the past 20 quarters, our annual cash dividends have been between 90% to 100% of taxable income

Dividend Classification Comparisons

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	4-Year Average Percentage of Total Dividends Paid that are Eligible to Receive Preferential Tax Rate
Newtek	34.8%
Ares Capital Management	7.4%
Main Street Capital	20.1%
Hercules Capital	5.3%

- Over the past 4 years, an average of 34.8% of Newtek's dividends were classified as long-term capital gains or qualified dividends, which qualify for preferential tax treatment, and is a potential added benefit to investors
- This percentage is driven by the Company's diverse business model

Note: The information on this slide is not intended to constitute tax, legal, investment, or other professional advice.

2020 Dividend Forecast

- **The Company forecasts paying an annual cash dividend of $2.19[1] per share in 2020, which would represent an approximate 2.0% increase over the 2019 annual dividend of $2.15 per share**
- Historically, the Company has issued annual dividend guidance approximately 14 months in advance
- The operational aspects of Newtek's business causes the quarterly dividend payments to fluctuate
- The Company's continued focus on operational improvements in its portfolio companies is anticipated to yield growth in contributions to the Company's income
- Newtek's average dividend increase is approximately 10% on an annual basis over the past 4 years, including newly issued annual 2020 dividend forecast
- For the past three years as a BDC, our annual dividend payout has exceeded our initial annual dividend forecast:
  - 2016: Initial annual dividend forecast of $1.50 per share; paid $1.53 per share
  - 2017: Initial annual dividend forecast of $1.57 per share; paid $1.64 per share
  - 2018: Initial annual dividend forecast of $1.69 per share; paid $1.80 per share
  - 2019: Initial annual dividend forecast of $1.84 per share; paid $2.15 per share

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

Additional 2019 Highlights

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- On October 4, 2019, the Company closed its tenth and largest small business loan securitization, with the sale of $118,920,000 of Unguaranteed SBA 7(a) Loan-Backed Notes, Series 2019-1, consisting of $93,540,000 of Class A Notes and $25,380,000 Class B Notes (collectively, the “Notes”), rated “A” and “BBB-”, respectively, by S&P Global Ratings
  - The Notes had an approximate 83% advance rate, and were priced at an average initial yield of approximately 3.84% (Note Interest Rates will be floating rate), which is equivalent to a spread of 183 basis points over LIBOR, across both classes
  - Throughout Newtek’s nine-year securitization history, this issuance garnered the largest advance rate and best pricing
  - This deal was oversubscribed as we received approximately $451 million in aggregate orders across both classes of Notes, and we issued over $118 million in investment grade Notes to 12 investors across both classes
- The Company closed its public offering of $63.3 million in aggregate principal amount of 5.75% Notes Due 2024 (“Notes,” Nasdaq “NEWTL”), including the exercise of the overallotment of $8.25 million
  - The Company utilized the net proceeds from this offering to redeem its outstanding 7.50% 2022 Notes, to fund its SBA 7(a) lending activity, to make direct investments in portfolio companies and for general working capital purposes.
  - In connection with the Notes offering, Egan Jones maintained its rating of A- on Newtek and rated the Notes A-

Lending Highlights

- Newtek Small Business Finance, LLC ("NSBF") funded $183.0 million of SBA 7(a) loans during the three months ended December 31, 2019; a 22.8% increase over SBA 7(a) loans funded for the three months ended December 31, 2018
- For the year ended December 31, 2019, NSBF funded $517.7 million of SBA 7(a) loans; an increase of 10.3% over SBA 7(a) loans funded for the year ended December 31, 2018
- The Company forecasts full year 2020 loan closings growth in excess of 25% across the Newtek business finance ecosystem (including NSBF, Newtek Business Lending ("NBL"), the Company's SBA 504 lender portfolio company, and Newtek Conventional Lending ("NCL"), the Company's joint venture which originates non-conforming conventional loans
- For the three months ended December 31, 2019, NSBF, NBL and NCL, closed a total of $249.1 million of SBA 7(a), SBA 504 and non-conforming conventional loans
- For the year ended December 31, 2019, the Newtek business finance ecosystem (NSBF, NBL and the JV) closed a total of $643 million of loans (this does not include the fundings of the other member of the business finance platform, Newtek Business Credit Solutions, a wholly-owned controlled portfolio company that provides receivables and inventory financing)
- The Company recognized $0.80 million of dividend income from NCL during 2019

Loan Servicing Activities Across Newtek and Portfolio Companies

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- Servicing assets for the SBA 7(a) business are capitalized on our balance sheet
- SBL, one of our portfolio companies, services loans for third parties
- SBL is the servicer for our joint venture, NCL, at 100 basis points
- SBL provides originations, closing, and loan servicing services to NBL

Debt Cost of Capital

- The Company utilizes different forms of debt capital to fund its business
  - Capital One, N.A. lines of credit
    - Prime plus 25 bps: 4.50%
    - Prime minus 75 bps: 3.50%
  - Baby Bonds:
    - NEWTI: 6.25% Notes due 2023
  - 2019-1 securitization Notes, rated “A” and “BBB-”, were priced at an average initial yield of approximately 3.84% (Note Interest Rates will be floating rate), which is equivalent to a spread of 183 basis points over LIBOR, across both classes
- Portfolio company lines of credit

Equity ATM Utilization

- On July 10, 2019, the Company entered into the 2019 ATM Equity Distribution Agreement
  - Amended on 2/22/2020 to add UBS Securities as an additional distribution agent
- The 2019 ATM Equity Distribution Agreement provides that the Company may offer and sell up to 3,000,000 shares of common stock from time to time through the placement agents
- From inception through December 31, 2019, the Company sold 1,356,698 shares of its common stock at a weighted average price of $22.72 per share
- Proceeds, net of offering costs and expenses, were $30,212,000
  - In Q3 2019, the Company sold 292,260 shares of its common stock at a weighted average price of $22.66
  - In Q4 2019, the Company sold 1,064,438 shares of its common stock at a weighted average price of $22.74
- From January 1, 2020 through February 28, 2020, the Company sold 290,046 shares of its common stock at a weighted average price of $21.91 per share
- As of February 28, 2020, there were 1,353,256 shares of common stock available for sale under the 2019 ATM Equity Distribution Agreement

Newtek Small Business Finance Overview: SBA 7(a) Loans

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- 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 (including banks[1])
- 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 2,395 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 7.00% 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

[1]As of December 31, 2019

Growth in Loan Referrals

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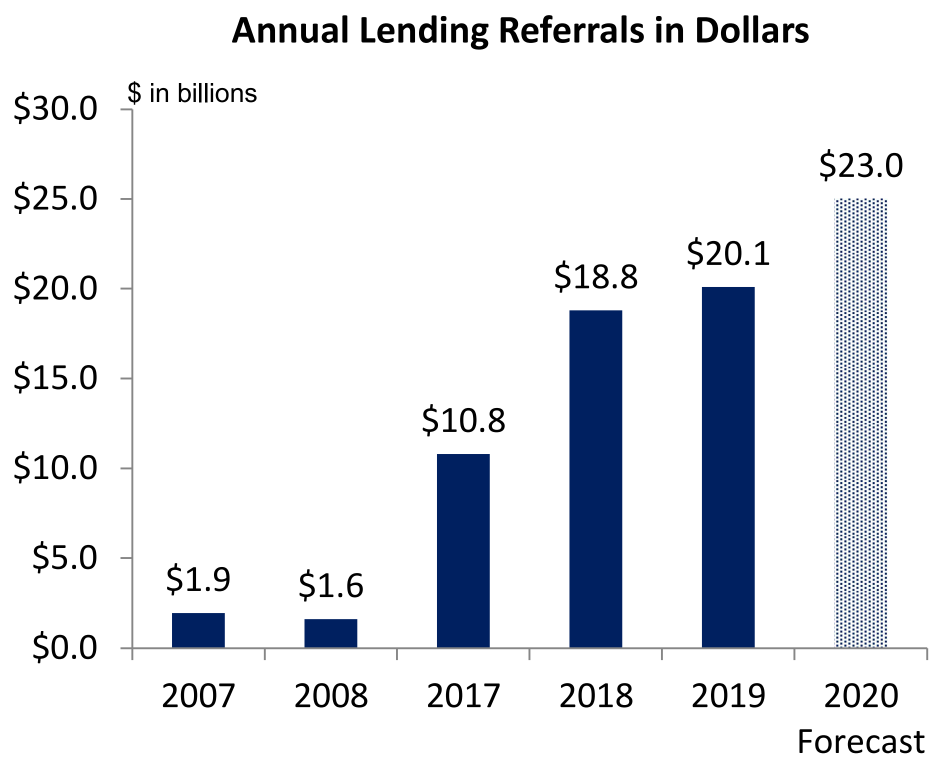
- Our large and growing referral volume enables us to select the loans with the best credit quality

Loan Referrals ($ in millions)		
For the Year Ended		
31-Dec-18	31-Dec-19	Year-over-Year % Change
$ 18,627	$ 20,101	7.9%



- We anticipate approximately $23 billion in referrals in 2020, which represents an approximate 14% increase over 2019
- Loan referrals have increased significantly in gross referral dollars over the past 10 years

Average Net Premium From SBA Guaranteed Loan Sales

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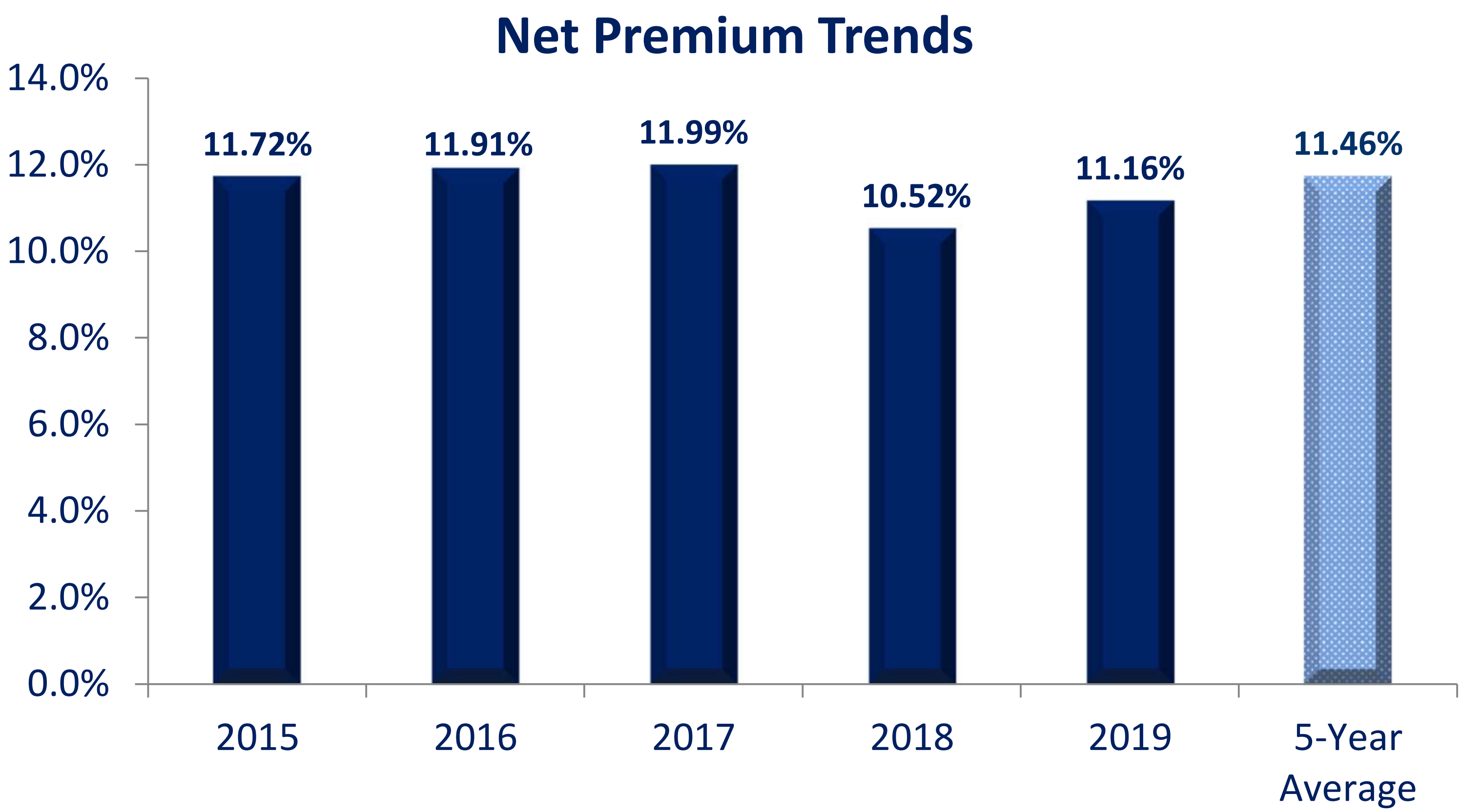

- For the three months ended December 31, 2019, the weighted average net premium received on the sale of guaranteed portions of SBA 7(a) loans was 10.73%

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

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- The following shows the loan portfolio's weighted average seasoning at December 31 for the past three years:
  - At December 31, 2017: 27.3 Months
  - At December 31, 2018: 27.4 Months
  - At December 31, 2019: 28.5 Months
- Defaults tend to accelerate and flatten between 18 and 36 months

Portfolio Currency Analysis of Unguaranteed Retained Portfolio

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

	12/31/2019		
Days Past Due	**# of Loans**	**Retained Principal Balance**	**% of Portfolio**
Current	2085	$338,830,058	92.21%
31 - 60	48	$ 14,458,727	3.93%
61 - 90	0	$ -	0.00%
91 - 120	26	$ 8,749,888	2.38%
> 120	20	$ 5,410,029	1.47%
Accrual Total	**2,179**	**$367,448,702**	**100%**

Note: The table above does not include performing loans in which NSBF owns 100% as a result of NSBF repurchasing the guaranteed portions from the SBA. The total of 100% NSBF-owned accrual loans at 12/31/19, was $3.2 million and is included in SBA unguaranteed non-affiliate investments on the consolidated statements of assets and liabilities.

Accrual and Non-Accrual SBA 7(a) Loans

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	At December 31, 2019			
	Cost Basis	% of SBA 7(a) portfolio	Fair Value	% of SBA 7(a) portfolio
Accrual Status	$ 370,610,404	86.25%	$ 382,984,839	91.79%
Non-Accrual Status	$ 59,085,225	13.75%	$ 34,236,297	8.21%
Total Loans	$ 429,695,629	100.00%	$ 417,221,136	100.00%

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]	10.73%
Term	25 years

Net Cash Created		
Guaranteed Balance	$750,000	
Realized Gains on Guaranteed Balance[2]	$80,475	
Cash Received in Securitization[(3)]	$208,750	
Total		$1,039,225
Net Cash Created (Post Securitization) [4,5]	$39,225	

[1]Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 111.46% premium. The additional 1.46% (11.46% - 10%) is split with SBA. NSBF nets 10.73%.
[2]Assumes 10.73% of the Guaranteed balance.
[3]Assumes 83.5% advance rate in securitization on unguaranteed balance.
[4]Assuming the loan is sold in a securitization in 12 months.
[5]Net 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	
Loan Amount	$1,000,000
Guaranteed Balance (75%)	$750,000
Unguaranteed Balance (25%)	$250,000
Realized Gain (Premium)[1]	10.73%
Term	25 years

Resulting Revenue (Expense)		
Associated Premium[2]	$80,475	
Servicing Asset[3]	$13,200	
Total Realized Gain		$93,675
Packaging Fee Income		$2,500
FV Non-Cash Adjustment on Uninsured Loan Participations[4]	$(6,250)	
Referral Fees Paid to Alliance Partners	$(7,500)	
Total Direct Expenses		$(13,750)
Net Risk-Adjusted Profit Recognized [5]		**$82,425**

[1]Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 11.46% premium. The additional 1.46% (11.46% - 10%) is split with SBA. NSBF nets 10.73%.
[2]Assumes 10.73% of the Guaranteed balance.
[3]Fair value estimate of servicing asset.
[4]Example assumes a 2.5% discount to reflect cumulative estimate of default frequency and severity among other assumptions.
[5]Net risk-adjusted profit recognized per $1 million of loan originations.

Portfolio Company Review

- Newtek Business Lending (“NBL”)
- Newtek Conventional Lending (“NCL”)
- Newtek Merchant Solutions (“NMS”)
- Technology Portfolio Companies

SBA 504 Loans: Newtek Business Lending (“NBL”)

- Beginning in 2019, all SBA 504 loans are originated by Newtek Business Lending (“NBL”), a wholly owned portfolio company
- The Certified Development Company (“CDC”)/504 Loan Program is a long-term financing tool that provides growing businesses with fixed-rate financing to acquire assets such as land, buildings, and sizeable purchases of equipment
- SBA 504 Loans:
  - Cannot be used for working capital or purchasing inventory (allowed uses under the SBA 7(a) loan program)
  - Loan-to-value (“LTV”) ratio for the borrower of 90%; borrowers contribute 10% equity
  - Gives borrowers a fixed-rate alternative
- NBL has a first lien on collateral with a 50% LTV
- U.S. Government has second lien on collateral subordinate to NBL’s lien
- NBL sells the senior loan participations at anticipated 3-5 point premiums

SBA 504 Loans, Portfolio Statistics & Forecast

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- NBL has closed $120 million of SBA 504 loans through December 31, 2019 since its inception three years ago
- At December 31, 2019, there has been one SBA 504 loan delinquency in the amount of $264,000
- NBL forecasts full year 2020 SBA 504 loan closings of approximately $80 to $100 million

Sample SBA 504 Loan Structure

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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	$1,000,000	Total	$1,000,000	100%

- 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

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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	$2,769,300
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	($30,985)
Total	$2,857,680
Net Cash Created(3)	$88,379
Return on Investment (Gross Operating Profit/ Equity)(4)	31.91%

(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.

Non-Conforming Loans, Portfolio Statistics & Forecast

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- NCL has closed $69.5 million in non-conforming conventional loans through December 31, 2019 since its inception in May 2019
- At December 31, 2019, there have been no delinquencies or defaults in non-conventional conforming loans
- NCL forecasts 2020 full year non-conforming conventional loan closings of approximately $300 million

Anticipated NCL Returns

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- Leverage in warehouse
- Leverage on securitizations
- Servicing of NCL loan portfolio by Small Business Lending, LLC ("SBL")
  - Servicing income not included in the joint venture; earned by SBL
- Net spread on loan coupon
- Loan origination fees
- 10% return to JV participants on preferred shares, plus dividends

Non-Conforming Loan Highlights

- Engaged DBRS Morningstar for rating on first pool
- Negotiating memorandum of understanding (“MOU”) for $175 million securitized takeout based on approximately $260 million of collateral being place into special purpose vehicle, which will issue the bonds
- Negotiating with two potential additional joint venture partners, each with a minimum equity contribution of $100 million

Portfolio Companies:
Newtek Payment Processing Companies

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- Newtek payment processing companies consists of Newtek Merchant Solutions (“NMS”) and Mobil Money
- We have owned and operated NMS for 15+ years
- Processed approximately $5.8 billion in electronic payments volume in 2019

2020 Forecast

- 2020 Adjusted EBITDA*: $16.2 million

Valuation & Financial Performance

- Newtek payment processing businesses equity fair market value of $125.0 million[1] and equivalent total enterprise value including debt and cash of $134.5 million which equates to approximately 8.3x 2020 Forecast Adjusted EBITDA*

Publicly Traded Comparable Companies

Name (Symbol)	Enterprise Value / 2020E EBITDA[2]
i3 Verticals (IIIV)	13.0x
EVO Payments (EVOP)	13.0x
Global Payments (GPN)	18.4x
EVERTEC (EVTC)	11.0x

[1]See Form 10-K, for the year ended December 31, 2019, for specific valuation methodologies for controlled portfolio companies.
[2]Multiples calculated using market values and estimates as of March 4, 2020 sourced from S&P Capital IQ.
*See page 43 for definition of Adjusted EBITDA.

NMS Expense Reduction

- Company resolved 5.5 year litigation costing over $2.5 million in legal expenses. This expense should be significantly and materially reduced over time
- Company closing NMS' Wisconsin office, which reduces real estate costs and employee headcount

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
- Will provide NMS with its own branded POS system
- NMS will be 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 will be an all-encompassing system that can:
  - Process payments
  - Integrate with ecommerce
  - 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 $31.0 million, net of debt as of December 31, 2019
- 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: $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 Vs. Indices: Historical Stock Performance

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- 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	3-Year Total Return	1-Year Total Return
NEWT: **198.8%**	NEWT: **88.4%**	NEWT: **42.8%**
S&P 500: **73.8%**	S&P 500: **53.1%**	S&P 500: **31.5%**
Russell 2000: **48.1%**	Russell 2000: **28.0%**	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.

Earnings and Dividend Trends

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Quarterly Dividend Payout			
Year	First Quarter Dividend	First Quarter Dividend as a % of FY Dividend	Full Year Dividend
2015	$ 0.39	22.2%	$ 1.76
2016	$ 0.35	22.9%	$ 1.53
2017	$ 0.36	22.0%	$ 1.64
2018	$ 0.40	22.2%	$ 1.80
2019	$ 0.40	18.6%	$ 2.15

Adjusted Net Investment Income (ANII)			
Year	First Quarter ANII	First Quarter ANII as a % of FY ANII	Full Year ANII
2015	$ 0.51	24.8%	$ 2.06
2016	$ 0.34	21.3%	$ 1.60
2017	$ 0.40	22.6%	$ 1.77
2018	$ 0.44	22.7%	$ 1.94
2019	$ 0.44	18.9%	$ 2.33

Investment Summary

- Newtek Business Services Corp. has a differentiated and diversified BDC model
- Diversified business model provides multiple streams of revenue with six different entities comprising the corporate dividend
- Newtek is an **internally managed BDC;** does not pay a management fee to an external manager
- Newtek's dividend has increased on an annual basis over the past four years
  - Newtek's average dividend increase is approximately 10% on an annual basis over the past 4 years, including newly issued annual 2020 dividend forecast
- Paid 2019 annual cash dividend of $2.15 per share and forecast paying an annual cash dividend of $2.19 per share in 2020
- Increase in NAV since 2015 on an annual basis
- 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 6.2% of outstanding shares as of December 31, 2019
- **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

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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 December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Investment income:				
Interest income	$ 7,314	$ 6,652	$ 29,491	$ 23,807
Dividend income	3,834	4,469	14,398	12,630
Servicing income	2,605	2,302	10,078	8,552
Other income	1,608	1,235	5,328	4,526
Total investment income	15,361	14,658	59,295	49,515
Expenses:				
Salaries and benefits	3,646	5,523	14,305	21,082
Interest	5,499	4,652	20,422	16,066
Depreciation and amortization	123	126	501	484
Professional fees	965	925	3,807	3,094
Origination and loan processing	3,299	2,606	9,215	8,362
Origination and loan processing - related party	3,226	-	9,944	-
Change in fair value in contingent consideration liabilites	(22)	(74)	42	(51)
Loss on extinguishment of debt	-	-	251	1,059
Other general and administrative costs	1,646	2,035	6,427	6,907
Total expenses	18,382	15,793	64,914	57,003
Net investment loss	(3,021)	(1,135)	(5,619)	(7,488)
Net realized and unrealized gains (losses):				
Net realized gain on investments	16,541	12,091	50,401	43,175
Net unrealized appreciation (depreciation) on investments, net of deferred taxes	927	(885)	1,531	5,676
Net unrealized depreciation on servicing assets	(1,709)	(2,510)	(5,178)	(5,685)
Net realized and unrealized gains	15,759	8,696	46,754	43,166
Net increase in net assets resulting from operations	$ 12,738	$ 7,561	$ 41,135	$ 35,678
Net investment loss per share	$ (0.15)	$ (0.06)	$ (0.29)	$ (0.40)
Net increase in net assets resulting from operations per share	$ 0.64	$ 0.40	$ 2.13	$ 1.91
Weighted average shares outstanding	19,951	18,888	19,326	18,714

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.

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Newtek Business Services Corp. and Subsidiaries
Adjusted Net Investment Income
For the Year Ended December 31, 2019 and 2018

(in thousands, except per share amounts)	Year ended December 31, 2019	Per share	Year ended December 31, 2018	Per share
Net investment loss	$ (5,619)	$ (0.29)	$ (7,488)	$ (0.40)
Net realized gain on non-affiliate investments - SBA 7(a) loans	47,816	2.48	42,845	2.29
Net realized gain on non-affiliate investments - conventional loans	-	-	278	0.01
Net realized gain on controlled investments	2,585	0.13	52	0.00
Loss on lease	(105)	(0.00)	(307)	(0.02)
Change in fair value of contingent consideration liabilities	42	-	(51)	0.00
Loss on debt extinguishment	251	0.01	1,059	0.06
Adjusted Net investment income	$ 44,970	$ 2.34	$ 36,388	$ 1.94

Note: Per share amounts may not foot due to rounding

Non-GAAP Financial Measures

Newtek's Controlled Portfolio Company Investments

The Company's controlled portfolio company investments define Adjusted EBITDA as earnings before net interest expense, taxes, depreciation and amortization, impairment, loss on extinguishment of debt, gain on sale of merchant portfolio and managerial assistance fees. Adjusted EBITDA is used as a supplemental measure to review and assess the operating performance of the controlled portfolio companies. The Company's controlled portfolio companies also present Adjusted EBITDA because the Company believes it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance.

The term Adjusted EBITDA 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 EBITDA has limitations as an analytical tool and, when assessing the portfolio company's operating performance, investors should not consider Adjusted EBITDA in isolation, or as a substitute for net income, or other income statement data prepared in accordance with U.S. GAAP. Among other things, Adjusted EBITDA does not reflect the controlled portfolio companies' actual cash expenditures. Other companies may calculate similar measures differently than the controlled portfolio company, limiting their usefulness as comparative tools. The Company compensates for these limitations by relying primarily on its GAAP results supplemented by Adjusted EBITDA.

2020 Projected Adjusted EBITDA Reconciliation – Electronic Payment Processing (Newtek Merchant Solutions)

(in millions)	Year Ended December 31, 2020	
Pretax income	$	10.9
Interest expense, net		2.2
Depreciation and amortization		2.5
Managerial assistance fees		0.6
Adjusted EBITDA	**$**	**16.2**