

Newtek Business Services Corp. NASDAQ: NEWT

First Quarter 2021
Financial Results Conference Call
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Hosted by:
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Note Regarding Forward-Looking Statements

The matters discussed in this Presentation, as well as in future oral and written statements by management of Newtek Business Services Corp., that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions. Important assumptions include our ability to originate new investments, achieve certain margins and levels of profitability, the availability of additional capital, and the ability to maintain certain debt to asset ratios. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this Presentation should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this Presentation include statements as to: our future operating results; our business prospects and the prospects of our portfolio companies; the impact of investments that we expect to make; our relationships with third parties; the dependence of our future success on the general economy and its impact on the industries in which we invest; our ability to access debt markets and equity markets; the ability of our portfolio companies to achieve their objectives; our expected financings and investments; our regulatory structure and tax status; our ability to operate as a BDC and a RIC; the adequacy of our cash resources and working capital; the timing of cash flows, if any, from the operations of our portfolio companies; the timing, form and amount of any dividend distributions; the impact of fluctuations in interest rates on our business; the valuation of any investments in portfolio companies, particularly those having no liquid trading market; and our ability to recover unrealized losses. The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing in our quarterly and annual reports filed with the U.S. Securities and Exchange Commission.

Newtek Vs. Indices: Total Returns



- Total return year to date through May 5, 2021 including reinvested dividends:
 - NEWT: **43.4%**
 - S&P 500: **12.0%**
 - Russell 2000: **12.8%**
- At Newtek’s current common stock price¹ levels, Newtek’s market capitalization is over \$600 million
- The Company believes an over \$500 million market capitalization could open Newtek to greater acceptance by small-cap investors with an investment thesis that requires a minimum market capitalization threshold of \$500 million
- As of March 31, 2021, including reinvested dividends:

10-Year Total Return	5-Year Total Return	3-Year Total Return	1-Year Total Return
NEWT: <u>632.2%</u>	NEWT: <u>256.5%</u>	NEWT: <u>101.5%</u>	NEWT: <u>124.7%</u>
S&P 500: <u>267.6%</u>	S&P 500: <u>112.6%</u>	S&P 500: <u>59.2%</u>	S&P 500: <u>56.3%</u>
Russell 2000: <u>201.7%</u>	Russell 2000: <u>113.0%</u>	Russell 2000: <u>51.0%</u>	Russell 2000: <u>94.8%</u>

Note: Total returns as per Bloomberg

¹Newtek’s common stock closing price on May 5, 2021 was \$28.45

Adaptability of Newtek's Business Model

- While 2020 was one 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 systematically vital to the economy during this pandemic
- The Company is forecasting a record annual dividend in 2021 of \$3.00 per share to \$3.30 per share¹
- The Company has historically paid its distributions in the form of dividends out of taxable income, and endeavors to continue to do so
- The Company is now “firing on all cylinders”, and is looking forward to a fruitful 2021, 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 opportunity and growth in 2021 across Newtek's and its portfolio companies' business and finance solutions, led by our loan product offerings, merchant solutions, managed technology solutions and insurance agency solutions
- The Company has provided forecasts across several key metrics for 2021 that reflect the Company's anticipated growth trajectory

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

2021 Key-Metric Forecasts: Well Positioned for Growth



Dividend

- The Company increased its 2021 annual dividend forecast to a range of \$3.00 per share to \$3.30 per share; an increase from the previous range of \$2.40 per share to \$2.90 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 \$580 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 million SBA 504 fundings and/or closings for the full year 2021

Non-Conforming Conventional Loans

- The Company anticipates restarting its non-conforming conventional loan program in the second quarter of 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 is currently negotiating an additional joint-venture agreement with a global investment management firm with over \$500 billion in assets under management

PPP Loans

- NSBF forecasts it will ultimately fund in excess of \$600 million of PPP loans - approximately 14,000 loan units - in 2021

2020 & 2021 Dividends

- The Company revised its 2021 annual dividend forecast upwards to a range of \$3.00 per share to \$3.30 per share¹; an increase from the previous range of \$2.40 per share to \$2.90 per share
- The midpoint of the 2021 annual dividend forecast range would represent a 53.7% increase over the 2020 annual dividend
- The Company paid a first quarter 2021 cash dividend of \$0.50 per share on March 31, 2021 to shareholders of record as of March 22, 2021
- On May 11, 2021, the Company's board of directors declared a second quarter 2021 cash dividend of \$0.70 per share¹ payable on June 30, 2021 to shareholders of record as of June 15, 2021
- The second quarter 2021 dividend represents a 25% increase over the second quarter 2020 dividend of \$0.56 per share, and a 52.2% increase over the second quarter 2019 dividend of \$0.46 per share
- With the payment of the second quarter 2021 dividend, the Company will have paid \$1.20 per share in dividends for the first and second quarters of 2021, which would represent a 20% increase over dividends paid for the first and second quarters of 2020
- The Company has historically paid its distributions in the form of dividends out of taxable income, and endeavors to continue to do so

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

First Quarter 2021 Financial Highlights

- Net investment income of \$15.2 million, or \$0.68 per share, for the three months ended March 31, 2021, increased by \$0.69 per share, compared to net investment loss of \$(0.3) million, or \$(0.01) per share, for the three months ended March 31, 2020, primarily due to the income earned by NSBF from funding \$424.9 million of PPP loans during the three months ended March 31, 2021
- Adjusted net investment income (“ANII”)¹ of \$23.5 million, or \$1.05 per share, for the three months ended March 31, 2021, increased by 400.0%, on a per share basis, compared to ANII of \$4.3 million, or \$0.21 per share, for the three months ended March 31, 2020 due to the funding of PPP loans as well as the funding of SBA 7(a) loans, which was disrupted during the first quarter of 2020
- Total investment income of \$34.7 million for the three months ended March 31, 2021; an increase of 119.5% over total investment income of \$15.8 million for the three months ended March 31, 2020
- Debt-to-equity ratio of 1.27x at March 31, 2021; proforma debt-to-equity ratio was 1.23x after taking into account sales of government-guaranteed portions of SBA 7(a) loans prior to March 31, 2021, which sales settled subsequent to the balance sheet date
- Total investment portfolio increased by 9.6% to \$726.1 million at March 31, 2021, from \$662.4 million at March 31, 2020
- Net asset value (“NAV”) of \$366.9 million, or \$16.28 per share, at March 31, 2021; an increase of 5.4%, on a per share basis, compared to NAV of \$15.45 per share at December 31, 2020

¹Please see page 40 for definition of ANII.

Proforma Debt-to-Equity Reconciliation

NEWTEK BUSINESS SERVICES CORP. AND SUBSIDIARIES DEBT-TO-EQUITY RATIO-ACTUAL AT MARCH 31, 2021		
Actual Debt-to-Equity Ratio at March 31, 2021		
Total senior debt	\$	466,603
Total equity	\$	366,852
Debt to equity ratio - actual		<u>127.2%</u>

NEWTEK BUSINESS SERVICES CORP. AND SUBSIDIARIES DEBT-TO-EQUITY RATIO-PROFORMA AT MARCH 31, 2021	
<i>(in thousands):</i>	
Broker receivable, including premium income receivable	\$ 20,095
Less: realized gain on sale included in broker receivable	<u>(2,437)</u>
Broker receivable	17,658
90% advance rate on SBA guaranteed non-affiliate portions of loans sold, not settled	<u>\$ 15,892</u>
Proforma Debt Adjustments at March 31, 2021:	
Total senior debt	\$466,603
Proforma adjustment for broker receivable	<u>(15,892)</u>
Total proforma debt at March 31, 2021	<u>\$450,711</u>

Proforma Debt-to-Equity Ratio at March 31, 2021:	
Total proforma debt	\$450,711
Total equity	<u>\$366,852</u>
Debt to equity ratio - proforma	<u>122.9%</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 March 31, 2021, there were approximately \$20.1 million of guaranteed portions of SBA 7(a) loans sold pending settlement (broker receivable) against our line of credit

Paycheck Protection Program (PPP)

- Pursuant to the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), Congress tasked the SBA and U.S. Treasury with implementing the PPP
- 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
- NSBF funded \$1.2 billion of PPP loans in 2020, which is equivalent to funding 2 years’ worth of loan production in slightly over 6 months’ time
- NSBF funded approximately 10,500 new borrowers through the first two rounds of the PPP
- On May 4, 2021, the SBA announced that PPP funding had been exhausted; however, borrowers with approved PPP loans (i.e., with an SBA loan number) may continue to have their PPP loans closed and funded. NSBF expects to close and fund the balance of its PPP loans by the end of the second quarter
- NSBF forecasts it will ultimately fund in excess of \$600 million of PPP loans - approximately 14,000 loan units - in 2021
- The Company forecasts it will have funded in excess of \$1.8 billion of PPP loans in 2020 and 2021 (from all three rounds), totaling approximately 24,000 loan units by the end of the second quarter of 2021

First Quarter 2021 PPP Loans

- NSBF funded \$424.9 million of PPP loans totaling 6,255 PPP loan units for the three months ended March 31, 2021
- Year to date, (through May 11, 2021), NSBF funded a total of \$593.7 million PPP loans, totaling approximately 12,646 loan units
- It was a tremendous undertaking to fund approximately \$1.8 billion in PPP loans in 2020 and 2021 to date (from the three rounds of the PPP), for which we credit Newtek's flexible and adaptable business model and state-of-the-art technology
- In the first quarter of 2021, we served both new and existing clients with PPP loans, while also focusing on our other lending products that we suspended during the first half of 2020
- During the second quarter 2021, we will continue 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

First Quarter 2021 SBA 7(a) Lending Highlights

- NSBF funded \$104.4 million of SBA 7(a) loans during the three months ended March 31, 2021; compared to \$52.8 million of SBA 7(a) loans funded for the three months ended March 31, 2020, and \$97.8 million of SBA 7(a) loans funded for the three months ended March 31, 2019
- NSBF forecasts full year 2021 SBA 7(a) loan fundings of approximately \$580 million to \$600 million
- During the second quarter of 2021, we will continue to redeploy the Company's 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
- Due to stability in loan sale pricing on the guaranteed portions of SBA 7(a) loans in the first quarter of 2021, the Company made the decision to hold approximately \$40.3 million in guaranteed portions of SBA 7(a) loans on its balance sheet as of March 31, 2021 in order to have the opportunity to earn additional interest income during the second quarter 2021

2021 Baby Bond Issuance

- In January 2021, the Company closed a \$115 million public offering of 5.50% Notes due 2026
- These Notes have a 5-year term and are callable after one year
- These Notes trade on the Nasdaq Global Market under the symbol “NEWTZ”
- This transaction was record in size for Newtek for a publicly traded baby bond issuance as well as a record-low coupon
- This issuance was rated BBB+ by Egan Jones, and garnered strong institutional demand
- The Company used the net proceeds from the sale of the Notes to fully retire the Company’s outstanding 6.25% Notes due 2023, to fund investments in debt and equity securities in accordance with the Company’s investment objectives and strategies, and general corporate purposes
- This capital raise creates a drag on ANII due to the refinance fee, however the baby bond deal locked in a lower financing cost for 5 years

First Quarter 2021 Portfolio Company Lending Highlights



- NBL funded and/or closed \$20.7 million in SBA 504 loans for the three months ended March 31, 2021
- NBL funded and/or closed \$31.3 million SBA 504 loans during the month of April 2021
- NBL forecasts SBA 504 loan fundings and/or closings of approximately \$125 million for the full year 2021
- NBL closed a \$100 million credit facility with Deutsche Bank AG, which has an initial two-year term, in addition to its existing \$75 million line of credit with Capital One Bank N.A., both for SBA 504 lending

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
- 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

Future Opportunities in Challenging Markets

- Newtek’s management team has historically emphasized the adaptability and flexibility of its business model which afforded the entire Company a seamless transition to working remotely
- Newtek’s business model is ideal for the post-coronavirus economy, without the use of branches, brokers, business development officers, and limited salesforce contact with end customers
- Most customers prefer not to go into a financial institution’s branch, or see a sales person; remote business is the future of the market
- Newtek portfolio companies’ IT solutions’ products and why they are timely, vital, and important
- PPP loans have made payroll a core functionality for businesses, and Newtek Payroll and Benefits Solutions has been able to help businesses immediately when other leading players have failed to perform
- Newtek Insurance Agency (“NIA”) provides insurance solutions for our business clientele and business owners. These insurance solutions cover property and causality insurance, health insurance, and key man life insurance. We believe with all of the changes in business operations due to the pandemic, cyber-security issues and health-related incidents, there isn’t a more important time for our clientele to allow us to perform a health check on all of their coverages to ensure they have they best available coverage at the best available price
- Newtek Merchant Solutions has emphasized, now more than ever, the value of its fully integrated ecommerce platform
- Due to Covid-19, the utilization of paper currency and coin will become less prevalent with tap-and-go, or contactless, payments becoming more widely used
 - Please see slide 30 on our POS on Cloud investment explaining how we are positioned in this space on a go-forward basis

Newtek Small Business Finance Overview:

SBA 7(a) Loans

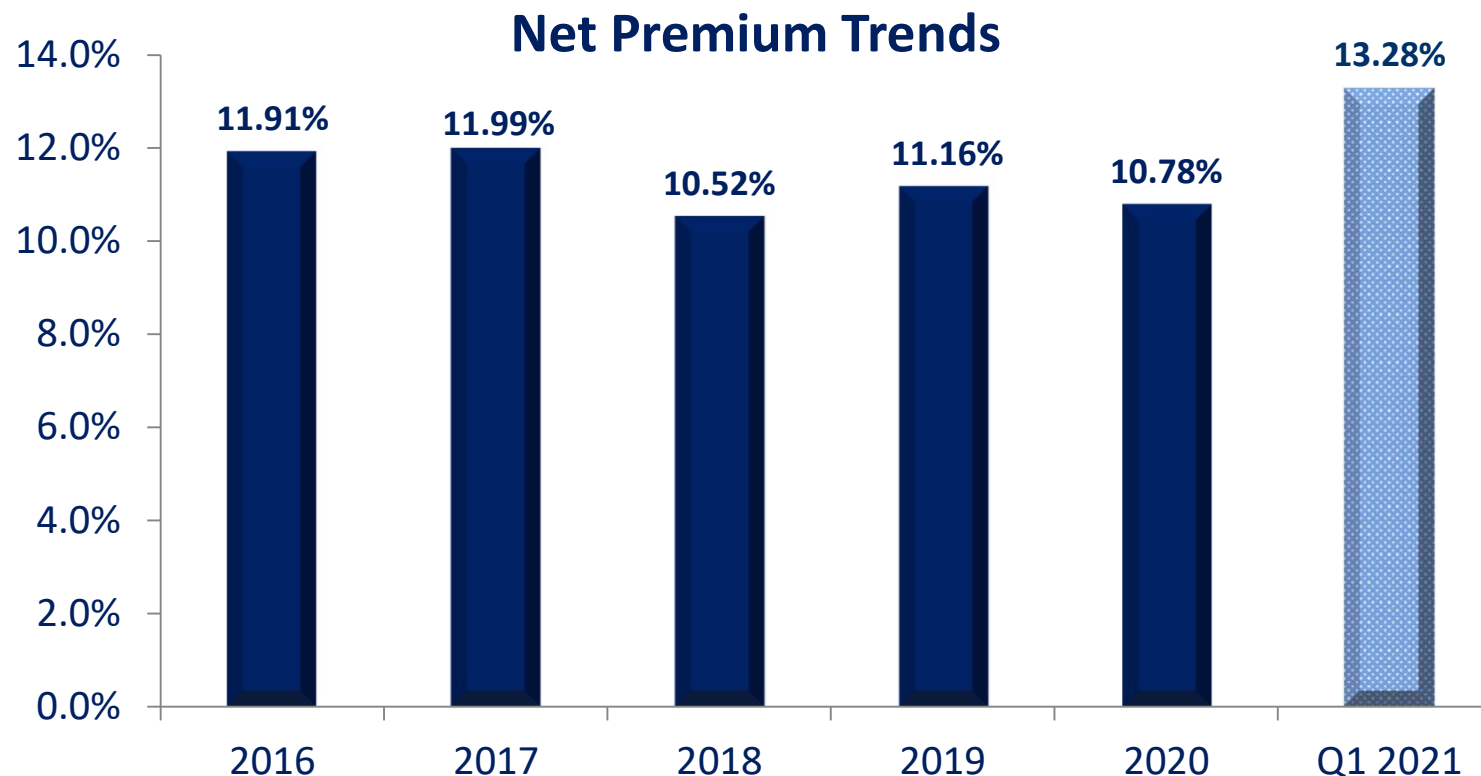


- Currently the largest non-bank lender (with PLP status) licensed by the SBA under the federal Section 7(a) loan program, based on annual origination volume
- One of 14 Non-Bank SBA Government-Guaranteed Lender Licenses
- 4th largest SBA 7(a) lender by lending volume as of December 31, 2020 (including 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 2,462 loans
 - Average loan size is approximately \$172K 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

- Historical metrics used for growth in loan referrals are currently not relevant due to the PPP and COVID-19
- We have received approximately 177,336 loan referrals in units for the three months ended March 31, 2021
- Newtek's database of customer opportunities is very deep
- Cross-selling efforts are being realized as we have integrated our sales and marketing efforts as well as continued to invest in training of Newtek's and its portfolio companies' solutions providers
- 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 March 31, 2021, the weighted average net premium received on the sale of guaranteed portions of SBA 7(a) loans was 13.28%
- Due to stability in loan sale pricing on the guaranteed portions of SBA 7(a) loans in the first quarter of 2021, the Company made the decision to hold approximately \$40.3 million in guaranteed portions of SBA 7(a) loans on its balance sheet as of March 31, 2021 in order to have the opportunity to earn additional interest income during the second quarter 2021

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 March 31, for the past three years:
 - At March 31, 2019: 28.2 Months
 - At March 31, 2020: 30.6 Months
 - At March 31, 2021: 37.4 Months
- Defaults tend to accelerate between 18 and 40 months, and flatten thereafter
- See Standard and Poor's Global Ratings risk analysis report from April 28, 2020 titled 'Small Business ABS Credit Quality Hinges on Pandemic Duration and Stimulus Efficacy' through the following link:
 - <https://www.spglobal.com/ratings/en/research/articles/200428-small-business-abs-credit-quality-hinges-on-pandemic-duration-and-stimulus-efficacy-11467182>

Portfolio Currency Analysis of Unguaranteed Portfolio

- The following chart shows the SBA 7(a) loan portfolio aging and currency at March 31, 2021, December 30, 2020 and March 31, 2020 **on accrual loans only**

	3/31/2021			12/31/2020			3/31/2020		
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	2,209	\$ 344,631,645	94.83%	2,074	\$ 343,856,231	95.27%	2,099	\$ 341,715,811	93.71%
31 - 60	40	\$ 11,405,490	3.14%	62	\$ 12,678,886	3.51%	74	\$ 13,449,346	3.69%
61 - 90	18	\$ 6,558,154	1.80%	0	-	0.00%	9	\$ 4,649,756	1.28%
91 - 120	1	\$ 820,778	0.23%	28	\$ 3,950,675	1.09%	0	-	0.00%
> 120	0	-	0.00%	2	\$ 431,762	0.12%	11	\$ 4,855,504	1.33%
Accrual Total	2,268	\$ 363,416,066	100%	2,166	\$ 360,917,554	100%	2,193	\$ 364,670,417	100%

¹ December 31, 2020 reflects principal and interest payments made by the SBA pursuant to Section 1112 of the CARES Act. March 31, 2021, December 31, 2020 and March 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 3/31/2021, 12/31/2020 and 3/31/2020 was \$7.0 million, \$6.1 million and \$7.4 million, respectively, and is included in SBA unguaranteed non-affiliate investments on the consolidated statements of assets and liabilities.

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	13.28%
Term	25 years

Net Cash Created	
Guaranteed Balance	\$750,000
Realized Gains on Guaranteed Balance ²	\$99,600
Cash Received in Securitization ⁽³⁾	\$208,750
Total	\$1,058,350
Net Cash Created (Post Securitization) ^{4,5}	\$58,350

¹Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 116.56% premium. The additional 6.56% (16.56% -10%) is split with SBA. NSBF nets 13.28%.

²Assumes 13.28% of the Guaranteed balance.

³Assumes 83.5% advance rate in securitization on unguaranteed balance.

⁴Assuming the loan is sold in a securitization in 12 months.

⁵Net cash created per \$1 million of loan originations.

SBA 7(a) Loan Sale Transaction

Direct Revenue / Expense of an SBA 7(a) Loan Sale Transaction – An Example

Key Variables in Loan Sale Transaction		Resulting Revenue (Expense)	
Loan Amount	\$1,000,000	Associated Premium ²	\$99,600
Guaranteed Balance (75%)	\$750,000	Servicing Asset ³	<u>\$13,200</u>
Unguaranteed Balance (25%)	\$250,000	Total Realized Gain	\$112,800
Realized Gain (Premium) ¹	13.28%	Packaging Fee Income	\$2,500
Term	25 years	FV Non-Cash Adjustment on Uninsured Loan Participations ⁴	\$(6,250)
		Referral Fees Paid to Alliance Partners	<u>\$(7,500)</u>
		Total Direct Expenses	<u>\$(13,750)</u>
		Net Risk-Adjusted Profit Recognized ⁵	\$101,550

¹Realized gains (premiums on loan sales) above 10% are split 50/50 with the SBA. This example assumes guaranteed balance is sold at a 116.56% premium. The additional 6.56% (16.56% - 10%) is split with SBA. NSBF nets 13.28%.

²Assumes 13.28% of the Guaranteed balance.

³Fair value estimate of servicing asset.

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

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

Portfolio Company Review

- 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 \$20.7 million in SBA 504 loans for the three months ended March 31, 2021
- NBL funded and/or closed \$31.3 million SBA 504 loans during the month of April 2021
- NBL forecasts SBA 504 loan fundings and/or closings of approximately \$125 million for the full year 2021
- NBL closed a \$100 million credit facility with Deutsche Bank AG, which has an initial two-year term, in addition to its existing \$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	\$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

Net Cash Created in SBA 504 Loan Sale Transaction – An Example

Key Variables in Loan Sale Transaction	
Total Projected Financing	\$2,769,300
Senior Loan Balance	\$1,538,500
Junior Bridge Loan Balance ⁽¹⁾	\$1,230,800
Premium	3.00%
Rate	Fixed
Term	10 Years

Net Cash Created Pretax	
Total Senior & Junior Debt	<u>\$2,769,300</u>
Funded Under Bank Facility	\$2,492,370
NBL Equity	\$276,930
Premium Earned	\$46,040
Interest Earned Before Sale ⁽²⁾	\$45,632
Origination Fees	\$27,693
Interest Expense	<u>(\$30,985)</u>
Total	<u>\$2,857,680</u>
Net Cash Created ⁽³⁾	<u>\$88,379</u>
Return on Investment (Gross Operating Profit/ Equity) ⁽⁴⁾	<u>31.91%</u>

- (1) Funded by NBL, to be taken out within 90 days by a junior lender through SBA guaranteed debentures.
- (2) Interest earned on Senior and Junior Bridge loans are outstanding prior to takeout from CDC and loan sale.
- (3) Net cash created equals the addition of Net Premium Earned, Net Interest Earned Before Sale, Origination Fees, less interest expense.
- (4) The first year return on investment is based on net cash created of \$88,379 divided by NBL equity of \$276,930. The holding period for the loan is assumed to be 3 months in this example, but the return is based on the full year.

Newtek'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 March 31, 2021, the portfolio of closed and committed non-conforming conventional loans had a total principal balance of approximately \$72.7 million, consisting of 15 loans, all of which are current with payments except for one loan. NCL ceased funding non-conventional conforming loans during 2020 due to the COVID-19 pandemic

- The Company anticipates restarting its non-conforming conventional loan program in the second quarter of 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 is currently negotiating an additional joint-venture agreement with a global investment management firm with over \$500 billion in assets under management

Portfolio Companies: Newtek Payment Processing Companies

- Newtek Merchant Solutions' ("NMS") had an equity fair market value of \$111.5 million at March 31, 2021
- Total enterprise value ("TEV") of \$119.4 million, including debt and excess cash, equates to a total enterprise value multiple of 8.2x 2021 forecasted adjusted EBITDA of \$14.5 million

Market Comparables		
Ticker	Company	TEV/ 2021 EBITDA ⁽¹⁾
EVTC	EVERTEC, Inc.	13.0x
GPN	Global Payments Inc.	18.8x
EVOP	EVO Payments	14.8x
IIIV	i3 Verticals, Inc.	15.3x

(1) Source: S&P Capital IQ as of May 6, 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 51.1% increase in monthly sales volume for the month of April 2021 compared to April 2020
- 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 is offering the Newtek Payment Systems POS system to its clients and is in the process of updating and further commercializing the software
- Several major clients include a state government and a large assisted-living company
- POS on Cloud has been co-branded Newtek Payment Systems and will be white labeled for our alliance partners so they will be able to offer POS payment systems to their clients including credit unions, banking institutions, trade associations and investment banking clientele
- POS on Cloud is an all-encompassing system that can:
 - Process payments
 - Integrate with ecommerce
 - Integrate with all food delivery services like Uber Eats, Grubhub, DoorDash etc.
 - Integrate with general ledger accounting software
 - Include the Newtek Payroll Solutions payroll product to provide payroll solutions, workman's compensation, health insurance, and a window into 401K
- Our depository alliance partners will be able to manage and operate accounts for payroll and payments and distribute and sell their own 401K

Technology Portfolio Companies

- **We 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 March 31, 2021
- Combined TEV including debt and excess cash is \$43.5 million (as of January 1, 2021, IPM and C9 are subsidiaries of NTS and were consolidated for reporting purposes)
- **NTS had \$4.3 million of pro forma consolidated adjusted EBITDA in 2020**
- **NTS forecasts 2021 revenue between \$40 and \$50 million, and 2021 adjusted EBITDA of approximately \$6.2 million (7.0x 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
 - The combination of these portfolio companies is expected to eliminate between \$1.0 to \$2.0 million of operating expense
 - 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

- 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

- Expanded Newtek’s Payroll & Benefits Solutions offering with its revamped management and iSolved[®] 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

Risk Vs. Reward

- We believe our loan portfolio and balance sheet have less leverage than our BDC peers
- Historically, we have successfully managed our assets during challenging economic landscapes, like the 2008-2009 credit crisis and the current global pandemic
- The loans that NSBF and Newtek's portfolio companies originate are personally guaranteed and collateralized
- Newtek's business model allows for alternate streams of reoccurring income giving it many engines for growth and diversified sources of revenue
- Newtek's business model utilizes technology to acquire clients and process business remotely without brokers, bankers, branches or business development officers, which we believe creates value, particularly in the current environment
- We believe that Newtek's homegrown technology can one day be used for resale to financial institutions, demonstrating its innate value
- We believe shareholders can realize long-term rewards due to Newtek's unique infrastructure and business methodology

Newtek's Catalysts Going Forward

- Renewed engines of growth post-pandemic
 - Renewed SBA 7(a) loan efforts
 - Resume lending activity in the non-conforming conventional loan market with two new joint-venture lending partners
- NTS forecasts 2021 revenue between **\$40.0 and \$50.0** million and 2021 adjusted EBITDA of approximately **\$6.2 million**, with forecasted continued growth in both metrics from the 2021 forecasted levels
- NMS forecasts 2021 Adjusted EBITDA of \$14.5 million

Investment Summary

- Newtek Business Services Corp. has a differentiated and diversified BDC model
- Diversified business model provides multiple streams of revenue
- Newtek is an **internally managed BDC**; does not pay a management fee to an external manager
- Proven track record; Established in 1998; publically traded since September 2000
- Over 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 6.2% of outstanding shares as of March 31, 2021
- **No** derivative securities in BDC; **No** SBIC leverage; **Do not** invest in CDOs or loans with equity kickers; **No** 2nd lien or mezzanine financing as a business line; **No** direct lending exposure to oil and gas industry

Financial Review

Nicholas Leger, Chief Accounting Officer

Consolidated Statements of Operations

Newtek Business Services Corp. and Subsidiaries



(in thousands except per share data amounts)

	<u>Three Months Ended</u> <u>March 31, 2021</u>	<u>Three Months Ended</u> <u>March 31, 2020</u>
Investment income:		
Interest income	\$ 6,606	\$ 7,779
Interest income - PPP	24,208	-
Dividend income	26	4,402
Servicing income	2,740	2,715
Other income	1,114	906
Total investment income	<u>34,694</u>	<u>15,802</u>
Expenses:		
Salaries and benefits	4,450	3,447
Interest	5,072	5,184
Depreciation and amortization	85	115
Professional fees	1,188	964
Origination and loan processing	2,971	1,824
Origination and loan processing - related party	3,143	2,638
Change in fair value in contingent consideration liabilities	-	54
Loss on extinguishment of debt	955	-
Other general and administrative costs	1,635	1,858
Total expenses	<u>19,499</u>	<u>16,084</u>
Net investment income (loss)	15,195	(282)
Net realized and unrealized gains (losses):		
Net realized gain on investments	7,393	4,513
Net realized gain on controlled investments	-	-
Net unrealized (depreciation) appreciation on investments, net of deferred taxes	8,049	(12,572)
Net unrealized depreciation on servicing assets	(513)	1,088
Net realized and unrealized gains	<u>14,929</u>	<u>(6,971)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 30,124</u>	<u>\$ (7,253)</u>
Net investment income (loss) per share	<u>\$ 0.68</u>	<u>\$ (0.01)</u>
Net increase (decrease) in net assets resulting from operations per share	<u>\$ 1.35</u>	<u>\$ (0.35)</u>
Weighted average shares outstanding	<u>22,337</u>	<u>20,738</u>

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 March 31, 2021 and 2020

	Three Months Ended March 31, 2021	Per Share	Three Months Ended March 31, 2020	Per Share
Net investment income (loss)	15,195	0.68	(282)	(0.01)
Net realized gain on non-affiliate investments - SBA 7(a) loans	7,393	0.33	4,513	0.22
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	-	-	54	0.00
Loss on debt extinguishment	955	0.04	-	-
Adjusted Net investment income	<u>\$ 23,543</u>	<u>\$ 1.05</u>	<u>\$ 4,285</u>	<u>\$ 0.21</u>

Note: Per share amounts may not foot due to rounding