

Newtek Business Services Corp.
NASDAQ: NEWT
Analyst & Investor Day
November 15, 2017

Barry Sloane, CEO & President

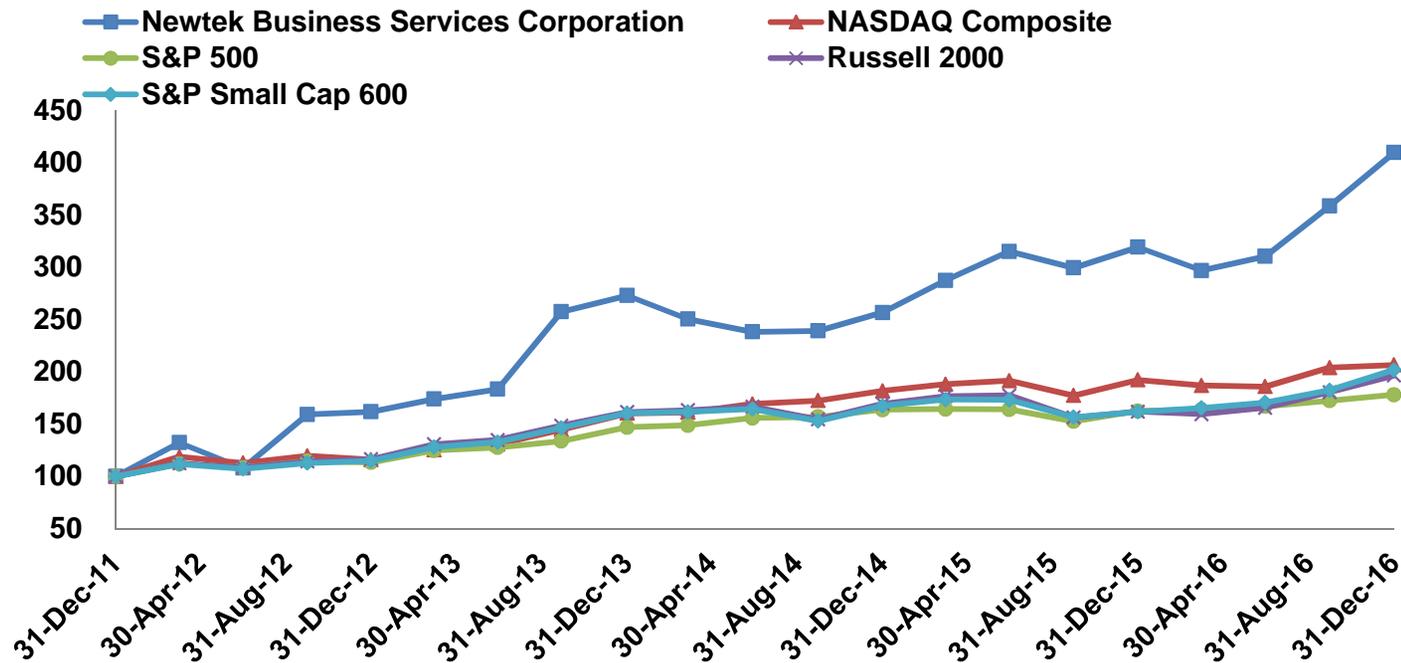
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Note Regarding Forward-Looking Statements

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 prospective portfolio companies; the impact of investments that we expect to make; our informal 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's Historical Stock Performance

- Newtek's 12-month total return at September 30, 2017, including reinvested dividends, was **37.3%**
- As of December 31, 2016, including reinvested dividends in NEWT:
 - Newtek's 5-year total return was **307.2%**
 - Newtek's 3-year total return was **49.1%**
 - Newtek's 1-year total return was **27.7%**



*Note: Total returns as per Bloomberg. Newtek converted to a business development company in November 2014, and therefore the 3-year and 5-year total returns include pre-BDC returns. Historical performance is not indicative of future performance.

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Newtek's Business Purpose Today

- Newtek's business model is similar to what Geico[®] and Amazon.com[®] have done to disrupt their markets
- Newtek acquires clients cost effectively using NewTracker[®]
- Newtek serves client needs by offering financial and business solutions remotely, using state-of-the-art technology

- November 9, 2017: Newtek’s Board declared a fourth quarter 2017 cash dividend⁽¹⁾ of \$0.44 per share, payable on December 28, 2017 to shareholders of record as of December 18, 2017
 - The payment of the fourth quarter dividend is in line with the Company’s 2017 annual dividend guidance of \$1.64 per share; an approximate 7.2% increase over the 2016 annual cash dividend of \$1.53 per share
- November 9, 2017: Newtek Business Services Corp. was assigned an “A-” Rating from Egan-Jones
- October 31, 2017: Newtek Technology Solutions invested (\$2.0 million) in next generation technologies and partnered with industry leaders to offer managed enterprise cloud solutions
- October 30, 2017: Newtek Business Credit appointed Mr. Tony Zara as Executive Vice President, Credit and Risk Management

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

SBA Lending Highlights

Newtek Small Business Finance (“NSBF”)

- Funded a record \$103.6 million of SBA 7(a) loans during the three months ended September 30, 2017; an increase of 20.6% compared to \$85.9 million of SBA 7(a) loans funded for the three months ended September 30, 2016
- For the 12 months ended September 30, 2017, experienced 0.12% in charge offs as a percentage of the average 12-month outstanding SBA 7(a) loan balance

Newtek Business Credit Solutions (“NBC”) – a controlled portfolio company

- Funded \$4.8 million of SBA 504 loans for the three months ended September 30, 2017
- Funded \$9.6 million of SBA 504 loans during the nine months ended September 30, 2017
- Sold \$3.1 million of SBA 504 loans during the three months ended September 30, 2017
- As of September 30, 2017, there were \$43.9 million SBA 504 loans in the pipeline
- Anticipate funding between \$20 to \$40 million SBA 504 loans in 2017

2017 SBA Lending Guidance

- Anticipate funding \$415.0 million in SBA 7(a) loans (by NSBF) and SBA 504 loans (by NBC) in 2017, which would represent an approximate 31% increase in total SBA loan fundings over 2016

Growth in Loan Referrals (Evidences Acquisition Power)

- Q3 2017 loan referrals were \$2.6 billion; a 30.7% year-over-year increase over \$2.0 billion loan referrals in Q3 2016
- Year-to-date through November 10, 2017, loan referrals were \$9.5 billion; a 34.8% year-over-year increase from \$7.0 billion loan referrals for the same period one year ago
- Month-to-date through November 10, 2017, loan referrals were \$557.0 million; a 70.4% year-over-year increase from \$326.8 million loan referrals for the same period one year ago
- Based on the 2017 loan referral trend thus far, we are anticipating receiving \$11.2 billion loan referrals for 2017, a 32.5% increase over \$8.4 billion in loan referrals in 2016
- The 2017 loan referral forecast assumes \$4.2 billion in loan referrals in Q4 2017, which represents 37.5% of total forecasted 2017 loan referrals

Growth in Loan Units Referred (Evidences Technological Efficiency)

- Q3 2017 loan units referred were 7,900; a 135.6% year-over-year increase over 3,353 in Q3 2016
- Year-to-date through November 10, 2017, loan units referred were 24,008; a 89% year-over-year increase from 12,705 loan units referred for the same period one year ago
- Month-to-date through November 10, 2017, loan units referred were 2,103; a 254% year-over-year increase from 594 loan units referred for the same period one year ago
- Based on the 2017 trend thus far in loan units referred, we are anticipating receiving 31,145 in loan units referred for 2017, a 105% increase over 15,175 in loan units referred in 2016
- The 2017 forecast for loan units referred assumes 15,187 in loan units referred in Q4 2017, which represents 48.8% of total loan units referred forecasted for 2017

Recent Financial Highlights

- Net asset value (“NAV”) of \$255.6 million, or \$14.40 per share, at September 30, 2017
 - An increase of 0.7% over \$14.30 per share at December 31, 2016
- Net investment loss of \$(5.0) million, or \$(0.29) per share, for the nine months ended September 30, 2017, improved by 44.2% on a per share basis, compared to a net investment loss of \$(7.6) million, or \$(0.52) per share, for the nine months ended September 30, 2016
- ANII of \$21.6 million, or \$1.26 per share, for the nine months ended September 30, 2017; an increase of 10.5% on a per share basis, over ANII of \$16.5 million, or \$1.14 per share, for the nine months ended September 30, 2016
- Total investment income of \$28.5 million for the nine months ended September 30, 2017; an increase of 30.3% over total investment income of \$21.9 million for the nine months ended September 30, 2016
- Debt-to-equity ratio of 89.6% at September 30, 2017
 - As of September 30, 2017, proforma debt-to-equity ratio was 81.7% as a result of balance sheet reduction due to post September 30, 2017 settlement of government-guaranteed loans sold prior to September 30, 2017 (see slide 21 for detail)
- Total investment portfolio increased by 21.1% to \$418.2 million at September 30, 2017, from \$345.2 million at December 31, 2016

*See slide 22 for definition of ANII.

Expanding Newtek's Reach: New Alliance Partnerships

- UBS
 - Partnered with UBS to offer personal and commercial, property and casualty insurance solutions to their clients, through Newtek Insurance Agency, LLC
 - UBS has approximately 7,000 financial advisors across the U.S.
- Additional alliance partnerships in the pipeline
 - Two major software vendors and one major hardware vendor (Technology Solutions)
 - Major wealth management firm (Payroll, Health and Benefits-changed to iSolved software solutions)
 - Additional financing solution partners

Potential Upside for Newtek

- Growth in SBA 7(a) loan platform
- Growth in SBA 504 loan program
- Continuous addition of alliance partnerships
- Outbound marketing initiative (United Capital Source)
- Additional portfolio company investments to expand business services footprint
- Master central database
- Opportunities in:
 - Insurance Solutions
 - Payroll and Benefits Solutions
 - Technology Solutions

Gartner Worldwide IT Spending Forecast

- According to Gartner, Worldwide dollar-valued IT spending is projected to total \$3.5 trillion in 2017, a 3.3% percent increase from 2016
- The Gartner Worldwide IT Spending Forecast is the leading indicator of major technology trends across the devices, IT services, data center systems, enterprise software and telecom services markets, and across geographies

* Note: Information obtained from the Gartner corporate website at www.gartner.com

NTS, IPM & C9 Manage Your Technology Solutions

- NTS, IPM & C9's 5-Point Plan

1. Consulting

2. Strategy / Professional Services

3. Procurement – Hardware & Software

4. Implementation and Deployment

5. Managed Services – Cloud, Hybrid, On-Premise

- Comprehensive approach to tackling enterprise-technology demands; differentiates Newtek's portfolio companies in the marketplace
- Deep expertise and resources at each step of the technology life cycle allow NTS, IPM and C9 to address areas of specific need or deliver a holistic solution

New Portfolio Company Investment: United Capital Source



- October 25, 2017: completed investment in United Capital Source (“UCS”), a national lead generator for commercial financing companies; a new wholly owned portfolio company
- Anticipate increased outbound capabilities and cross-selling opportunities
- Newtek and its portfolio companies will work with UCS’ management team, and current base of 12 full-time equivalent telemarketers to grow the business’ capability and enhance its current and future cashflows as well as the sales and marketing competency of all Newtek portfolio companies
- Operations will be relocated to Newtek’s newly leased space on its Lake Success, NY campus
- UCS’ management team will work closely with Newtek and its controlled portfolio companies in lending, electronic payment processing, technology solutions, insurance agency, and payroll and benefits staff to offer Newtek’s financial and business services solutions to Newtek’s cumulative database of referrals, new referral business, alliance partner database and independent commercial enterprises
- Newtek Business Services Corp. paid total consideration of \$3,050,000, which consisted of \$500,000 in restricted shares of Newtek common stock and \$1,950,000 in cash, with the \$600,000 balance to be paid in cash and Newtek common stock, in two equal installments in 2018 and 2019 based on UCS attaining specific EBITDA targets for 2019 and 2020

Continued Expansion of Portfolio Company Senior Management Team



- **Tony Zara**, Executive Vice President, Credit and Risk Management, Newtek Business Credit (“NBC”)
 - 15+ years strategic planning, business development and SBA loan credit evaluation with expertise in SBA 504 loan products
 - Most recently Mr. Zara was Executive Vice President, National Sales and Director at Mercantile Capital Corporation, a wholly owned subsidiary of Iberiabank Corporation, where he helped develop a national lending business that specialized in providing fixed-asset acquisition and construction financing to small business owners through the SBA 504 loan program
 - Oversaw and was part of a national sales team that funded over \$2.2 billion in SBA 504 loans
 - Holds a Bachelor of Science in Economics with a concentration in Finance from the University of Pennsylvania’s Wharton School of Business Undergraduate Program
 - Believe he will help improve and augment policies and procedures, credit underwriting, transactional deal flow and funding in NBC’s SBA 504 program
 - Serves on the credit committee for NBC
 - Located in Newtek’s Orlando, FL office

Continued Expansion of Portfolio Company Senior Management Team



- **David Miers**, Director of Inbound/Outbound Communications, Newtek Technology Solutions
 - Over 25 years of experience in inbound and outbound customer service marketing
 - Most recently, Mr. Miers was Manager Sales Operations at JD Mellberg Financial
 - Holds a degree in Business Administration and Management from Rutgers State University of New Jersey
 - Located in Newtek's Phoenix, AZ office

- **Kyle Valencia**, Director Business Development, Newtek Technology Solutions
 - Over 10 years of experience in strategic development and sales management
 - Most recently, Mr. Valencia was Director of Lead Management at JD Mellberg Financial
 - Located in Newtek's Phoenix, AZ office

Potential Washington Effects on Newtek & BDCs

- BDC Leverage Bill
 - If passed, could allow BDCs to increase leverage from 1:1 to 1.5:1*
 - Met with some legislative opposition; has been slow to progress
- Acquired Funds, Fees and Expenses (“AFFE”)
 - Inclusion of AFFE for 1940’s Act companies has resulted in BDCs being excluded from Russell and S&P Indices
 - SEC could exclude 1940’s Act companies from AFFE with regulatory action
 - BDCs potentially could be re-indexed and could allow for greater investor interest in BDC’s

*Subject to the terms and conditions of the Company’s existing credit facilities.

Newtek: Not Your Average BDC

- Net investment income (“NII”)
- Leverage ratio at the end of each quarter
- Expense ratio
- Looking at Newtek’s earnings on a quarterly basis versus an annualized basis due to modest quarterly volatility
- Newtek’s assets are not assets with hidden leverage
- SBIC debt

Q&A

Appendices

Debt-to-Equity Ratio Explanation

Newtek Business Services Corp. and Subsidiaries Debt to equity ratio, actual as of September 30, 2017	
Actual Debt to Equity ratio at September 30, 2017:	
Total senior debt	\$ 229,005
Total equity	\$ 255,612
Debt to equity ratio - actual at September 30, 2017	<u>89.6%</u>

- Newtek funds both the unguaranteed and guaranteed portions of loans through its credit facility. The guaranteed portions of our 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 loans are sold and settled, our debt-to-equity ratio will fluctuate
- As of September 30, 2017, proforma debt-to-equity ratio was 81.7% as a result of balance sheet reduction due to post September 30, 2017 settlement of government-guaranteed loans sold prior to September 30, 2017

Newtek Business Services Corp. and Subsidiaries Debt to equity ratio - proforma at September 30, 2017	
<i>(in thousands):</i>	
Broker receivable, including premium income receivable	\$ 25,003
Less: premium income included in broker receivable	<u>(2,672)</u>
Broker receivable	22,331
90% advance rate on SBA guaranteed non-affiliate portions of loans sold, not settled	<u>\$ 20,098</u>

Proforma debt adjustments:	
Total Senior Debt as of September 30, 2017	\$ 229,005
Proforma adjustment for broker receivable as of September 30, 2017, as calculated above	<u>(20,098)</u>
Total proforma debt at September 30, 2017	<u>\$ 208,907</u>

Proforma Debt to Equity ratio at September 30, 2017:	
Total proforma debt	<u>\$ 208,907</u>
Total equity	<u>\$ 255,612</u>
Debt to equity ratio - proforma at September 30, 2017	<u>81.7%</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 beginning in 2016, 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) loan investments, plus or minus Loss on lease adjustment, plus the net realized gains on controlled investments (beginning in 2016 as it is anticipated this will be reoccurring income), plus or minus the change in fair value of contingent consideration liabilities, plus stock-based compensation expense (added back in third quarter of 2016 only and is not included prospectively as it is anticipated to be a reoccurring expense).

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

	Nine months ended September 30,		Nine months ended September 30,	
	2017	Per share	2016	Per share
<i>(in thousands, except per share amounts)</i>				
Net investment loss	\$ (4,965)	\$ (0.29)	\$ (7,586)	\$ (0.52)
Net realized gain on non-affiliate debt investments	27,537	1.61	22,536	1.55
Loss on lease	(249)	(0.01)	1,335	0.09
Stock-based compensation	-	-	226	0.02
Change in fair value of contingent consideration liabilities	(748)	(0.04)	-	-
Adjusted Net investment income	\$ 21,575	\$ 1.26	\$ 16,511	\$ 1.14

Note: Per share amounts may not foot due to rounding