

## Newtek Business Services Reports First Quarter 2010 Financial Results

NEW YORK, May 11, 2010 (GlobeNewswire via COMTEX News Network) -- Newtek Business Services, Inc. (Nasdaq:NEWT) ([www.newtekbusinessservices.com](http://www.newtekbusinessservices.com)), The Small Business Authority, a provider of business services and financial products to the small- and medium-sized business market, reported today its financial results for the quarter ended March 31, 2010.

### First Quarter 2010 Overview

- First quarter 2010 net loss of \$467,000 down by 52% from 2009 first quarter net loss of \$976,000.
- The Company reduced its pretax loss by \$1.2 million or 58%, to \$874 thousand, from \$2.1 million for first quarter 2009, due primarily to increased revenues.
- The Company re-affirms its previous 2010 guidance; midpoint indicates achieving breakeven pretax net income.
- The Company closed two five year term loans aggregating \$14,583,000 with Capital One, N.A. which refinanced our SBA lender's debt to GE as well as the existing term loan between Capital One and NTS.
- Total revenues increased by 7% period over period.
- Electronic payment processing segment revenue increased 19% and Web hosting segment revenue increased 2% over the same period in 2009.
- Small business finance segment originated \$12.3 million of new loans in the first quarter of 2010, resulting in a decrease in net loss of the segment by 81% from a year earlier, to \$110 thousand for the current period.

Barry Sloane, Chairman, President and Chief Executive Officer of Newtek Business Services, Inc. said, "Clearly the Company is experiencing the benefits of a disciplined approach to its markets and positive momentum quarter over quarter. We are pleased to announce our results today and that we will maintain the Company's previous 2010 earnings guidance. We continue to anticipate a breakeven year in earnings and positive EBITDA by segments, which is boosted by the addback for depreciation and amortization. Our losses in the first quarter 2010 were dramatically down from the losses that were incurred in the first quarter 2009 while at the same time we were able to grow our revenues by 7 percent. We feel that we are regaining the positive momentum in our electronic payments processing division and see the recent market deals in this space (CyberSource and FIS) as confirming our valuation of e-Commerce and electronic payments processing as key drivers in US economic growth. Furthermore the trend in lending is clearly positive and we anticipate pretax net income between \$1 million to \$3 million dollars in the calendar year in the small business finance segment.

"In addition, closing our Capital One, N.A. transaction is clearly a recent highlight as it removes any market concern about our inability to refinance our GE Commercial Corp. debt and further develops a new relationship with a top twenty US bank.

"We believe the rest of the year will be good to us in terms of lending results, EPP results and growth, as well as a trend toward positive earnings per share and generating cash flows from our core business operations with our current small amounts of leverage."

### First Quarter 2010 Financial Results

For the quarter ended March 31, 2010, the Company had a pretax loss of \$874 thousand, compared to a pretax loss of \$2.1 million for the same period in 2009, a reduction of 58%. The Company reported a net loss of \$467 thousand or (\$0.01) per share for the first quarter of 2010, compared to a net loss of \$976 thousand, or (\$0.03) per share for the first quarter of 2009.

For the quarter ended March 31, 2010, total revenue increased \$1.7 million, or 7%, to \$25.9 million compared to \$24.1 million one year ago. Total revenue from the three core business services segments (electronic payment processing, web hosting and small business finance) increased to \$24.9 million, or 12%, in the first quarter of 2010 compared with \$22.3 million for the first quarter of 2009. These three segments represented approximately 96% and 92% of total revenue in the first quarters of 2010 and 2009, respectively.

## Outlook for 2010

We are reaffirming that our 2010 consolidated revenues will be between \$110.2 million and \$115.8 million. In 2010, we expect pretax income (loss) of between (\$2.4) million and \$2.3 million. Annual guidance by segment for revenue, pretax income (loss) and EBITDA will be provided in the conference call presentation today Tuesday, May 11, 2010 at 4:15 p.m. ET and will be available in the 'Events & Presentation' section of the Investor Relations portion of Newtek's website at [www.newtekbusinessservices.com](http://www.newtekbusinessservices.com).

## Cautionary Statement

2010 Guidance information contained in this press release is based on management's current expectations. These statements are forward looking and actual results may differ materially. See "Note Regarding Forward Looking Statements" below.

## Use of Non-GAAP Financial Measures

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

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

## First Quarter 2010 Conference Call and Webcast

A conference call to discuss these results will be hosted by Barry Sloane, Chairman and Chief Executive Officer, and Seth Cohen, Chief Financial Officer, today, Tuesday, May 11, 2010 at 4:15 p.m. ET. The live conference call can be accessed by dialing (760) 666-3611 (domestic) or (877) 303-6993 (international).

A live audio webcast of the call and the corresponding presentation will be available in the 'Events & Presentation' section of the Investor Relations portion of Newtek's website at <http://www.newtekbusinessservices.com>. A replay of the webcast with the corresponding presentation will be available on Newtek's website shortly following the live presentation. The telephone replay can be accessed by dialing (706) 645-9291 (domestic) or (800) 642-1687 (international), and using the replay passcode 71250534. Both web-based and telephonic replays will be available through May 27, 2010.

## About Newtek Business Services, Inc.

Newtek Business Services, Inc., The Small Business Authority, is a direct distributor of a wide range of business services and financial products to the small- and medium-sized business market under the Newtek™ brand. Since 1999, Newtek has helped small- and medium-sized business owners realize their potential by providing them with the essential tools needed to manage and grow their businesses and to compete effectively in today's marketplace. Newtek provides one or more of its services to over 100,000 business accounts and has positioned the Newtek™ brand as a one-stop-shop provider of such business services. According to the U.S. Small Business Administration, there are over 29.6 million small businesses in the United States, which in total represent 99.7% of all employer firms.

## Newtek's business service lines include:

- Electronic Payment Processing: eCommerce, electronic solutions to accept non-cash payments, including credit and debit cards, check conversion, remote deposit capture, ACH processing, and electronic gift and loyalty card programs.
- Web Hosting: Full-service web host which offers eCommerce solutions, shared and dedicated web hosting and related services including domain registration and online shopping cart tools.
- eCommerce: a suite of services that enable small businesses to get up and running on-line quickly and cost effectively, with integrated web design, payment processing and shopping cart services.

- Business Lending: Broad array of lending products including SBA 7(a) and SBA 504 loans.
- Insurance Services: Commercial and personal lines of insurance, including health and employee benefits in all 50 states, working with over 40 insurance carriers.
- Web Services: Customized web design and development services.
- Data Backup, Storage and Retrieval: Fast, secure, off-site data backup, storage and retrieval designed to meet the specific regulatory and compliance needs of any business.
- Accounts Receivable Financing: Receivable purchasing and financing services.
- Payroll: Complete payroll management and processing services.

#### Note Regarding Forward Looking Statements

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

For more information, please visit [www.newtekbusinessservices.com](http://www.newtekbusinessservices.com).

NEWTEK BUSINESS SERVICES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009  
(In Thousands, except for Per Share Data)

	2010	2009
	-----	-----
Operating revenues	\$ 25,853	\$ 24,121
	-----	-----
Net change in fair market value of:		
Liability on SBA loans transferred, subject to premium recourse	979	--
Credits in lieu of cash and notes payable in credits in lieu of cash	161	537
	-----	-----
Total net change in fair market value	1,140	537
	-----	-----
Operating expenses:		
Electronic payment processing costs	15,875	12,944
Salaries and benefits	4,993	4,810
Interest	1,267	2,517
Depreciation and amortization	1,256	1,649
Provision for loan losses	453	424
	-----	-----
Other general and administrative costs	4,023	4,392
	-----	-----

Total operating expenses	27,867	26,736
	-----	-----
Loss before income taxes	(874)	(2,078)
Benefit for income taxes	297	1,014
	-----	-----
Net loss	(577)	(1,064)
Net loss attributable to noncontrolling interests	110	88
	-----	-----
Net loss attributable to Newtek Business Services, Inc.	(\$467)	(\$976)
	=====	=====
Weighted average common shares outstanding - basic and diluted	35,648	35,625
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Loss per share - basic and diluted	(\$0.01)	(\$0.03)
	=====	=====

NEWTEK BUSINESS SERVICES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 MARCH 31, 2010 AND DECEMBER 31, 2009  
 (In Thousands, except for Per Share Data)

	March 31, 2010	December 31, 2009
	-----	-----
	Unaudited	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 9,146	\$ 12,581
Restricted cash	7,821	6,739
Broker receivable	9,273	6,467
SBA loans held for investment (net of reserve for loan losses of \$4,177 and \$3,985, respectively)	23,700	23,257
Accounts receivable (net of allowance of \$316 and \$211, respectively)	6,794	5,012
SBA loans held for sale	--	200
Prepaid expenses and other assets (net of accumulated amortization of deferred financing costs of \$2,570 and \$2,491, respectively)	6,841	7,502
Servicing asset (net of accumulated amortization and allowances of \$4,707 and \$4,539, respectively)	2,268	2,436
Fixed assets (net of accumulated depreciation and amortization of \$12,947 and \$12,276, respectively)	3,360	3,631
Intangible assets (net of accumulated amortization of \$10,710 and \$10,299, respectively)	3,904	4,218
SBA loans transferred, subject to premium recourse	11,002	--
Credits in lieu of cash	46,834	51,947
Goodwill	12,092	12,092

Total assets	\$ 143,035	\$ 136,082
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,753	\$ 8,314
Notes payable	16,729	16,298
Deferred revenue	1,927	1,862
Liability on SBA loans transferred, subject to premium recourse	11,033	--
Notes payable in credits in lieu of cash	46,834	51,947
Deferred tax liability	3,273	3,634
Total liabilities	89,549	82,055
Commitments and contingencies		
Equity:		
Newtek Business Services, Inc. stockholders' equity:		
Preferred stock (par value \$0.02 per share; authorized 1,000 shares, no shares issued and outstanding)	--	--
Common stock (par value \$0.02 per share; authorized 54,000 shares, 36,674 issued; 35,648 outstanding not including 83 shares held in escrow)	733	733
Additional paid-in capital	57,338	57,302
Accumulated deficit	(5,441)	(4,974)
Treasury stock, at cost (1,026 shares)	(649)	(649)
Total Newtek Business Services, Inc. stockholders' equity	51,981	52,412
Noncontrolling interests	1,505	1,615
Total equity	53,486	54,027
Total liabilities and equity	\$ 143,035	\$ 136,082

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