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May 12, 2017

To My Fellow Newtek Shareholders:

With well over 2 years passing since our conversion to an internally managed business development company ("BDC"), I am proud to share with you that I could not be more pleased with our performance and growth throughout our tenure as a BDC. Throughout 2016, we further solidified our position in the market with what we believe to be a differentiated and superior BDC business finance and solutions model. We have continued to publicly highlight these distinctions that are inherent to our business model as compared to that of the typical BDC. As a result, we have continued to garner recognition from the investment community for our quality Newtek® brand and the intrinsic value of this model. Most importantly, we remain true to our focus as a BDC to finance U.S.-based businesses and to provide mentoring and solution-based services to commercial enterprises in the U.S.

In 2016, our common stock delivered a total one-year return, based on market value, of approximately 27.7%<sup>1</sup>, outperforming several indices including the S&P 500, Nasdaq Composite, Russell 2000, and the S&P Small Cap 600. For the first quarter ended March 31, 2017, the total return for Newtek common stock, based on market value, was 9.1%<sup>1</sup>. At December 31, 2016, our net asset value ("NAV") grew year over year by 2.6% to \$209.1 million or, \$14.30 per share, and grew further in the first quarter of 2017, to \$246.4 million, or \$14.31 per share, an increase of 17.8% over our NAV at December 31, 2016.

We were able to continue to provide our investors with dividend growth in 2016 and declared and paid \$22.2 million, or \$1.53 per share, in cash dividends during 2016, which represented approximately 94% of the Company's 2016 taxable income. It is important to note that approximately 47% of the dividends paid in 2016 qualified for preferential tax treatment signifying a maximum tax rate of approximately 20% versus that of the highest ordinary income tax rate of 39.6%. This is a direct function of our business model, where our controlled portfolio companies have provided a stream of income which is taxed at the portfolio company level before being distributed to the Company. We believe this stream of income is less sensitive to credit risk, interest rates and inflation and could even potentially benefit from such increases. On May 4, 2017, we declared our second quarter dividend of \$0.40 per share, payable on June 30, 2017 to shareholders of record on May 31, 2017. Thus far in 2017, the first and second quarter dividends declared totaled \$0.76 per share, representing an 8.6% increase over the total of the first and second quarter dividends in 2016. We are forecasting paying an annual cash dividend of \$1.57<sup>2</sup> per share in 2017, which represents a 2.6% increase over our 2016 annual dividend. We anticipate similar tax attributes for our 2017 annual dividend due to the above-mentioned mechanism of our distinct business model.

We pride ourselves on having been able to deliver strong returns without investing in riskier-levered asset classes such as collateralized debt obligations (CDOs) or derivative securities, for example, adding leverage to our business, or exposing ourselves to risky industries such as oil and gas, which is an extremely important distinction compared to the manner in which a typical BDC invests. We primarily invest in and originate senior-secured loans, as well as invest in portfolio companies, which are primarily wholly owned and operated by Newtek, most for over 10 years. We originate loans directly with retail clients and manage the whole life cycle of the loan with our own assembly, packaging, underwriting, closing and internal legal department. We will continue to publicly emphasize the point of risk for reward as we believe our BDC model carries significantly less risk than our BDC competitors that typically invest in riskier assets to achieve a similar dividend yield to that of our own.

We continued to pursue our strategy of acquiring new clients through the use of NewTracker®, our patented web-based customer referral, tracking and processing software, which is at the core

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of our differentiated business model and one of the most important components of our success. NewTracker® allows us to acquire clients cost effectively through leveraging our existing and new alliance partnerships, who refer their customers to one or more of Newtek's product solutions to enhance or expand their own core product menus. Our list of alliance relationships is ever-expanding, and throughout 2016 we and our portfolio companies added several new partners including Raymond James, Mutual of Omaha, Meineke Mufflers, NYS Academy of Trial Lawyers and True Value Hardware Stores. We constantly seek new alliance relationships and have several in the pipeline that we look forward to reporting in the near future.

### **SBA Lending Business**

We are particularly pleased with the performance of our lending business in 2016 and, once again, Newtek Small Business Finance, LLC ("NSBF"), our wholly owned subsidiary, maintained its position as the #1 ranked non-bank SBA 7(a) lender, and ended 2016 as the 7<sup>th</sup> largest SBA 7(a) lender including banks. NSBF achieved a record dollar volume of SBA 7(a) loan fundings in 2016, funding \$309.1 million of SBA 7(a) loans, which represented a 27.5% increase over 2015. In addition, our portfolio company Newtek Business Credit Solutions ("NBCS"), realized success with its SBA 504 loan program, closing a total of \$7.3 million of SBA 504 loans in 2016. The SBA 504 loan program is currently a growing business for NBCS, which we believe will continue to increase its contribution to our future SBA loan volume. In the first quarter of 2017, NSBF achieved a 40.3% year-over-year increase in SBA 7(a) loan fundings and NBCS funded \$3.5 million in SBA 504 loans. We anticipate both the SBA 7(a) and the SBA 504 business will continue to grow, and forecast funding approximately \$400 million of SBA 7(a) and SBA 504 loans in 2017, which would represent an approximate 26% increase in total SBA loan fundings over 2016. Throughout our 14-year history as an SBA lender, we have approved over 3,000 SBA 7(a) loans totaling over \$2.0 billion, which is testament to our depth and breadth of knowledge regarding small business credit and our success in navigating through multiple credit cycles. In addition, at March 31, 2017, NSBF's loan servicing portfolio reached approximately \$1.0 billion, a 25.3% increase over the three months ended March 31, 2016.

Through the use of NewTracker® and capitalizing on increased technological efficiencies in our lending business, we achieved a record \$8.6 billion in loan referrals in 2016, an approximate 67% increase over 2015, and close to a 40% increase in closed loan units over the same time period. This provides us with a tremendous opportunity, enabling us to selectively choose the higher credit quality loans to fund, and grow without sacrificing credit quality. Additionally, the increase in closed loan units clearly illustrates the increased efficiency in our lending operations, which we expect will continue to become more efficient going forward. We expect our loan referrals and closed loan units to grow even further in 2017, demonstrated by the \$2.8 billion of loan referrals received in the first quarter of 2017.

We continued to realize strong performance in our loan portfolio with minimal realized losses for the year ended December 31, 2016. With 14 years of lending experience in this market, we have accumulated a wealth of loan default frequency and severity statistics throughout multiple credit cycles, which have helped guide us with credit-based decisions and has led to the strong performance of our loans. At December 31, 2016, approximately 4% of our total outstanding loan portfolio was in non-performing status, and loan charge-offs, or realized losses, equaled 0.48% as a percentage of the total outstanding loan balance. We are extremely proud of these loan performance statistics.

### **Capital Markets & Liquidity**

The financing markets continued to recognize the value of our business, which has enabled us to continue to access liquidity through several channels to help support the growth and expansion of our business. We continued to utilize the securitization market to provide attractive financing for our nationwide loan business. In November 2016, we issued our 7<sup>th</sup> and largest S&P-rated small

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business loan securitization to date, continuing our outstanding track record. This was the first time we issued a securitization with two classes of S&P-rated Notes, and received the highest advance rate of all our securitizations to date of 76.25% of the face value of the underlying collateral. We look forward to announcing additional securitization transactions in 2017. In April 2016, we successfully accessed the debt market once again, and issued our second senior corporate debt issuance, closing \$40.250 million of 7.00% Notes due 2021. These Notes trade on the Nasdaq Global Market under the trading symbol "NEWTL." Our first senior corporate debt issue trades on the Nasdaq Global Market under "NEWTZ." We are pleased to report that both issuances currently trade at a premium to par. In January 2017, we closed an underwritten equity offering of 2,587,500 shares of common stock at a public offering price of \$15.25 per share, jointly underwritten by Keefe, Bruyette & Woods, A Stifel Company, Raymond James & Associates and UBS Investment Bank. This equity offering was met with strong demand and was oversubscribed. In addition, and as of the date of this letter, NSBF and certain of our portfolio companies have negotiated increases in the sizes of their credit facilities and reductions in borrowing rates.

### **Portfolio Companies & Investments**

Our electronic payment processing business, which includes our two wholly owned portfolio companies, Newtek Merchant Solutions and Premier Payments, LLC (Newtek Payment Solutions), had a strong year in 2016 with an approximate 8.0% year-over-year increase in revenue and a 17.6% year-over-year increase in Adjusted EBITDA<sup>3</sup>. They processed close to \$6.0 billion in electronic payment processing volume in 2016, and believe this processing volume can reach approximately \$8.0 billion in 2017 through additional investments. We believe that success in the payments space no longer hinges on the lowest-priced alternative, but rather on the ability to bring the best technological solution to the client. The combination of our comprehensive offerings, top-notch customer service and the ability to grow this business through additional investments, leaves us well positioned to effectively compete and capture additional market share.

Newtek Technology Solutions ("NTS"), another wholly owned portfolio company, is currently in a transformative stage. NTS is aggressively adopting hyper-convergent technology solutions to offer to Newtek customers, which we believe will give NTS the ability to run multiple business applications in the cloud which should provide material cost and efficiency benefits to both Newtek and its customers. There are tremendous changes occurring in the technology landscape, and we view this as a major opportunity on which we fully intend to capitalize. Illustrative of our desire to expand our position as a technology solutions provider, in April 2017 we made an investment in IPM ([www.ipm.com](http://www.ipm.com)), an information technology consulting company, as a new wholly owned controlled portfolio company. We anticipate IPM's talented staff of technology professionals and sales engineers will assist our portfolio companies in developing the cloud-computing strategy that will attract commercial enterprises. Our ultimate goal is to become universally known as *'the Company that manages your technology.'*

As we continue to grow our business, we aspire to continue to grow our NAV as well as achieve a higher price-to-NAV multiple, similar to those of some of our internally managed BDC peers. As such, we have avidly sought strategic investment targets we felt would complement and expand our existing business solutions footprint. Since we converted to an internally managed BDC in November 2014, we have invested in several portfolio companies. Our first portfolio company investment occurred in July 2015, when we invested in Premier Payments LLC, which has been accretive to our payment business' earnings as well as our total payment processing volume. In June 2016, we invested in banc-serv Partners, LLC, a provider of SBA 7(a) lending solutions. We are pleased with the progress of this investment and anticipate it will continue to support the growth of our SBA loan program in 2017. In May 2016, NTS acquired the assets of ITAS, LLC and Deer Valley Data, LLC. Finally, as mentioned above, our most recent investment was in IPM. As of the date of this letter, we are in discussions with several other potential business solutions investments and look forward to reporting them to you should they come to fruition.

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**Newtek®, Your Business Solutions Company®**

In April 2016, we opened our new headquarters in Lake Success, New York, in western Long Island, which now houses Newtek, NSBF and seven of our portfolio companies in one location. Having NSBF and these portfolio companies in one central location provides tremendous efficiencies as well as the opportunity to cross market our business solutions to both new and existing customers. We believe we are well poised to capture additional market opportunities through our cross-selling program.

Newtek and its portfolio companies' mission is to offer a comprehensive suite of business solutions that can be customized to meet the needs of any business. To more accurately convey this mission and better reflect the cornerstone and competitive advantage of our business model, we completed our brand repositioning initiative and introduced our new slogan 'Newtek®, Your Business Solutions Company®', as well as our new website domain, [www.newtekone.com](http://www.newtekone.com), signifying the access to all business solutions from ONE company - Newtek. Our newly redesigned website better presents the vast scope and capabilities of the business solutions offered by Newtek and its portfolio companies, and emphasizes Newtek's position as a financial and business solutions company. We encourage you to visit our website, and experience the depth and breadth of our business solutions offerings.

**2017 & Beyond**

As we move through 2017 and beyond, we will continue to focus on our goal to grow our NAV and dividend through the execution of our business strategy of continued loan origination growth, organic growth in our portfolio companies, and strategic investments within the business solutions footprint. We will aim to continue to expand our reach as a financial and business solutions provider, and emphasize our capability as a technology solutions provider.

Simply put, we are a different type of BDC, and we believe, through our business model, we can generate attractive returns without assuming the amount of risk inherent to the typical BDC model, and strongly believe this places us in a competitively advantageous position in the market. We thank our shareholders for their investment in Newtek, and look forward to yet another successful year in 2017 and beyond.

Sincerely,

/s

Barry Sloane  
Founder, Chairman, President and Chief Executive Officer

<sup>1</sup>As per Bloomberg. Total one-year return includes dividends reinvested in Newtek common stock.

<sup>2</sup>Amount and timing of dividends, if any, remain subject to the discretion of the Company's Board of Directors.

<sup>3</sup>Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization and managerial assistance fees.