

Edgar Filing: NEWTEK BUSINESS SERVICES INC - Form 8-K

NEWTEK BUSINESS SERVICES INC
Form 8-K
March 03, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Date of Report (earliest event reported): March 2, 2005

NEWTEK BUSINESS SERVICES, INC.

(Exact name of issuer as specified in its charter)

----- New York ----- (State or other jurisdiction of incorporation or organization)	----- 001-16123 ----- (Commission file number)	----- 11-504638 ----- (I.R.S. Employer Identification No.)
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----- 100 Quentin Roosevelt Blvd., Garden City, NY ----- (Address of principal executive offices)	----- 11530 ----- (Zip Code)
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Issuer's telephone number, including area code: (516) 390-2260

Newtek Capital, Inc.

(Former Name)

FORWARD-LOOKING STATEMENTS

This current Form 8-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. The words "believe," "will be able," "anticipate," "estimate," "project," "should," "will," "expect," "continue," "intend" or similar words are intended to identify forward-looking statements. Such statements involve risks and uncertainties that exist in the operations and business environment of Newtek Business Services, Inc., that could render actual outcomes and results materially different than expected or predicted. Our forward-looking statements are based on assumptions about many factors, including, but not limited to: changes in interest rates or the general economy of the markets in which we operate; economic, technological or regulatory changes affecting the businesses conducted and to be conducted by us; our ability to employ and retain qualified employees; changes in government regulations that are applicable to our regulated small business lending; our ability to identify and complete acquisitions and successfully integrate the businesses we acquire; changes in the demand for our services; the degree and nature of competition; and general volatility of the capital markets and the market price of our common stock. While we believe that our assumptions are

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reasonable at the time forward-looking statements were made, we caution that it is impossible to predict the actual outcome of numerous factors and, therefore, readers should not place undue reliance on such statements. Forward-looking statements speak only as of the date they are made and we undertake no obligation to update such statements in light of new information or otherwise.

ITEM 12 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On March 2, 2005 Newtek Business Services, Inc. issued a press release concerning the results of its operations for the year ended December 31, 2004. For the year, it reported gross revenue of \$70.1 million and net earnings of \$0.35 per diluted share. Pursuant to the requirements of Item 12 of Form 8-K, Newtek has furnished this press release by attaching a copy as Exhibit 99.1, hereto.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEWTEK BUSINESS SERVICES, INC.

Date: March 2, 2005

/s/ Barry Sloane

Barry Sloane
Chairman of the Board, Chief
Executive Officer and

[NEWTEK BUSINESS SERVICES LOGO]

FOR IMMEDIATE RELEASE

NEWTEK BUSINESS SERVICES REPORTS RECORD REVENUE & NET INCOME FOR 2004
Beats Street EPS Consensus by \$.03/Share

NEW YORK, N.Y. - MARCH 2, 2005 - Newtek Business Services, Inc. (NASDAQ: NKBS) (www.newtekbusinessservices.com), a provider of business services and financial products to the small to medium-sized business market, today announced earnings of \$0.35 per diluted share for the year ended December 31, 2004, compared to \$0.37 per diluted share in 2003. After tax net income increased from \$9.6 million in 2003 to \$10.6 million in 2004. Excluding extraordinary gains, the company earned \$0.35 per diluted share for the year ended December 31, 2004, compared to \$0.36 per diluted share in 2003. Revenue for the year increased 15.9% to \$70.1 million from \$60.5 million in the prior year. The decline in EPS was caused by the sale of 6.45 million shares through a registered stock offering.

Barry Sloane, chairman and CEO, stated, "Revenues increased by 15.9% from 2003 to 2004 with revenues in our underlying business segments also growing strongly. Merchant services and small business lending revenues both grew by 204%, and 40%. Web hosting, small business finance and merchant services earned pre tax net income of \$2.1 million, \$2.6 million and \$1.2 million respectively, up from a loss of \$169,000 the year prior. Newtek's reported EPS of \$.35 per share exceeding Wall Street consensus EPS estimate of \$.32 per share by 9%.

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Putting aside the financial success, we are most satisfied with the progress of our underlying businesses. We are at the beginning of our business model and do not believe we are close to displaying our potential. This growth has created a smooth transition into our business model as a direct distributor of business services and financial products into the small to medium-sized business market. Using SBA estimates and demographics, we believe this market is 23 million clients and growing. We look forward to developing our brand beyond its existing 45,000 small to medium-sized business clients."

The company will discuss its results in more detail, including guidance for 2005, during its shareholder conference call this afternoon at 4:10 EST, which is accessible by dialing 1-800-659-2037 and providing the pass code 61536308. Listeners are encouraged to ask any questions that they may have during the call. The conference call will also be broadcasted over the Internet through Newtek's website at www.newtekbusinessservices.com. To listen to the webcast live, please go to Newtek's website approximately 15 minutes prior to the call to download any audio software which may be necessary. For those who miss the live broadcast, a replay will be available on the website approximately one hour after the call.

ABOUT NEWTEK BUSINESS SERVICES, INC.

Newtek Business Services, Inc. is a premier provider of business services and financial products to the small to medium-sized business market. Newtek's core brands are:

- o NEWTEK SMALL BUSINESS FINANCE: U.S. government-guaranteed small business lending services;
- o NEWTEK MERCHANT SOLUTIONS: electronic merchant payment processing solutions;
- o NEWTEK INSURANCE AGENCY: customized insurance products provided through Keyosk;
- o NEWTEK IT SERVICES: complete information technology solutions;
- o CRYSTALTECH WEB HOSTING: comprehensive web site services;
- o NEWTEK FINANCIAL INFORMATION SYSTEMS: outsourced digital bookkeeping; and
- o NEWTEK TAX SERVICES: tax filing, preparation and advisory services.

THE STATEMENTS IN THIS RELEASE MAY CONTAIN FORWARD LOOKING STATEMENTS RELATING TO SUCH MATTERS AS ANTICIPATED FUTURE BUSINESS STRATEGIES AND FINANCIAL PERFORMANCE, ANTICIPATED FUTURE NUMBER OF CUSTOMERS, BUSINESS PROSPECTS, LEGISLATIVE DEVELOPMENTS AND SIMILAR MATTERS. THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 PROVIDES A SAFE HARBOR FOR FORWARD LOOKING STATEMENTS. IN ORDER TO COMPLY WITH THE TERMS OF THE SAFE HARBOR, NEWTEK BUSINESS SERVICES, INC. NOTES THAT A VARIETY OF FACTORS COULD CAUSE ITS ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE ANTICIPATED RESULTS EXPRESSED IN THE COMPANY'S FORWARD LOOKING STATEMENTS SUCH AS INTENSIFIED COMPETITION AND/OR OPERATING PROBLEMS AND THEIR IMPACT ON REVENUES AND PROFIT MARGINS OR ADDITIONAL FACTORS AS DESCRIBED IN NEWTEK BUSINESS SERVICES' 2003 ANNUAL REPORT ON FORM 10-K AND SUBSEQUENTLY FILED REGISTRATION STATEMENTS.

CONTACTS:

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NEWTEK BUSINESS SERVICES, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2004 AND 2003

	DECEMBER 31, 2004	

ASSETS		

Cash and cash equivalents	\$ 50,921,982	\$
Restricted cash	2,181,675	
Credits in lieu of cash	88,883,335	
SBA loans receivable, net of reserve for loan losses	34,186,047	
Accounts receivable (net of allowances of \$72,062 and \$96,480, respectively)	1,561,252	
Receivable from bank	1,799,537	
SBA loans held for sale	2,262,035	
Accrued interest receivable	375,411	
Investments in qualified businesses - equity method investments	300,000	
Investments in qualified businesses - held to maturity investments	2,909,097	
Structured insurance product	3,216,112	
Prepaid insurance	15,505,326	
Prepaid expenses and other assets (net of accumulated amortization of deferred financing costs and other intangibles of \$404,105 and \$0, respectively)	4,708,865	
Capitalized servicing assets (net of accumulated amortization of \$486,799 and \$24,545, respectively)	2,084,763	
Furniture, fixtures and equipment (net of accumulated depreciation of \$1,025,672 and \$390,011, respectively)	1,958,927	
Customer merchant accounts (net of accumulated amortization of \$1,226,741 and \$269,380, respectively)	3,850,776	
Goodwill	11,692,776	

Total assets	\$ 228,397,916	\$

LIABILITIES AND SHAREHOLDERS' EQUITY		

Liabilities:		
Accounts payable and accrued expenses	\$ 9,788,804	\$
Notes payable - certified investors	3,823,434	
Notes payable - insurance	7,877,195	
Notes payable - other	520,000	
Bank notes payable	27,987,696	
Deferred revenue	1,160,286	
Notes payable in credits in lieu of cash	76,360,830	
Mandatorily redeemable preferred stock	1,500,000	
Deferred tax liability	16,626,577	

Total liabilities	145,644,822	

Minority interest	5,720,950	

Commitments and contingencies		

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Shareholders' equity:

Preferred stock (par value \$0.02 per share; authorized 1,000,000 shares, no shares issued and outstanding)	--
Common stock (par value \$0.02 per share; authorized 39,000,000 shares, issued and outstanding 33,873,333 and 26,209,211, not including 582,980 shares held in escrow)	677,467
Additional paid-in capital	52,858,400
Unearned compensation	(2,297,459)
Retained earnings	25,793,736

Total shareholders' equity	77,032,144

Total liabilities and shareholders' equity	\$ 228,397,916
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NEWTEK BUSINESS SERVICES, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

	2004	2003	2002
	-----	-----	-----
Revenue:			
Income from tax credits	\$ 33,564,626	\$ 44,933,405	\$ 30,603,046
Electronic payment processing	19,141,434	6,297,246	1,584,476
Servicing fee and premium income	5,981,576	2,701,842	--
Web hosting	4,428,141	--	--
Insurance commissions	559,450	--	--
Interest and dividend income	3,834,194	4,059,321	900,127
Other income	2,582,400	2,500,986	1,581,978
	-----	-----	-----
Total revenue	70,091,821	60,492,800	34,669,627
	-----	-----	-----
Expenses:			
Interest	14,039,315	13,878,956	11,485,367
Payroll and consulting fees	10,842,688	8,407,347	4,564,954
Electronic payment processing costs	12,036,282	3,684,962	632,024
Professional fees	5,988,223	5,327,789	3,145,246
Insurance	2,818,307	2,468,835	1,951,248
Other than temporary decline in value of investments	--	1,996,040	1,602,365
Equity in net losses of affiliates	--	--	729,109
Provision for loan losses	205,022	473,418	--
Goodwill impairment	--	1,435,232	--
Depreciation and amortization	2,459,381	504,175	147,681
Other	5,511,274	4,246,309	2,893,657
	-----	-----	-----
Total expenses	53,900,492	42,423,063	27,151,651
	-----	-----	-----
Income before minority interest, provision for income taxes and extraordinary items	16,191,329	18,069,737	7,517,976
Minority interest	890,352	(1,598,040)	(335,324)
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Income before provision for income taxes and extraordinary items	17,081,681	16,471,697	7,182,652
Provision for income taxes	(6,529,371)	(7,089,639)	(2,657,410)
	-----	-----	-----
Income before extraordinary items	10,552,310	9,382,058	4,525,242
Extraordinary gain on acquisition of minority interests	--	--	907,766
Extraordinary gain on acquisition of a business	--	186,729	2,735,243
	-----	-----	-----
Net income	\$ 10,552,310	\$ 9,568,787	\$ 8,168,251
	-----	-----	-----
Weighted average common shares outstanding			
Basic	30,067,737	25,777,147	24,183,501
Diluted	30,378,697	26,177,274	24,293,540
Income per share after extraordinary gain			
Basic	\$.35	\$.37	\$.34
Diluted	\$.35	\$.37	\$.34
Income per share before extraordinary gain			
Basic	\$.35	\$.36	\$.19
Diluted	\$.35	\$.36	\$.19

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NEWTEK BUSINESS SERVICES, INC., AND SUBSIDIARIES
SEGMENT FOOTNOTE

	FOR THE YEAR ENDED DECEMBER 31, 2004	FOR THE YEAR ENDED DECEMBER 31, 2003	FOR THE YEAR ENDED DECEMBER 31, 2002
	-----	-----	-----
Revenue			
SBA Lending	\$ 10,337,820	\$ 7,390,079	\$ --
Electronic payment processing	19,141,434	6,297,246	1,584,476
Web hosting	4,428,141	--	--
Capco & other	36,184,426	46,805,475	33,115,151
	-----	-----	-----
Total	\$ 70,091,821	\$ 60,492,800	\$ 34,669,627
Income (loss) before provision for income taxes and extraordinary items			
SBA Lending	\$ 2,615,650	\$ 751,287	\$ --
Electronic payment processing	1,238,578	(920,469)	(1,258,665)
Web hosting	2,077,394	--	--
Capco & other	11,150,059	16,640,879	8,441,317
	-----	-----	-----
Total	\$ 17,081,681	\$ 16,471,697	\$ 7,182,652
Depreciation and Amortization			

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SBA Lending	\$ 836,682	\$ 50,740	\$ --
Electronic payment processing	705,036	312,836	58,299
Web hosting	587,006	--	--
Capco & other	330,657	140,599	89,382
	-----	-----	-----
Total	\$ 2,459,381	\$ 504,175	\$ 147,681
INTERCOMPANY Revenue eliminated above			
SBA Lending	\$ --	\$ --	\$ --
Electronic payment processing	805,591	485,633	86,092
Web hosting	--	--	--
Capco & other	2,223,626	1,551,503	1,157,655
	-----	-----	-----
Total	\$ 3,029,217	\$ 2,037,136	\$ 1,243,747
INTERCOMPANY Expenses eliminated above			
SBA Lending	\$ 889,674	\$ 256,320	\$ --
Electronic payment processing	1,349,069	950,874	495,159
Web hosting	--	--	--
Capco & other	790,474	709,459	748,588
	-----	-----	-----
Total	\$ 3,029,217	\$ 1,916,653	\$ 1,243,747
	AT DECEMBER 31, 2004	AT DECEMBER 31, 2003	AT DECEMBER 31, 2002
	-----	-----	-----
Identifiable Assets			
SBA Lending	\$ 48,839,937	\$ 64,738,750	\$ --
Electronic payment processing	3,507,162	7,308,940	5,119,864
Web hosting	12,367,893	--	--
Capco & other	163,682,924	120,136,319	163,934,874
	-----	-----	-----
TOTAL	\$ 228,397,916	\$ 192,184,009	\$ 169,054,738
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