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Newtek Business Services, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, Mr. Sloane. (Operator instructions) And we will take our first question from Steven Silk with C. Silk and Sons. Please go ahead.

Steven Silk – C. Silk and Sons

Good afternoon. Barry, I'm interested in your competitors and where you fit in as far as the electronic payment processing in the web hosting in the sense of are there, are there fragmented groups, small companies that might be having difficulty going on in this environment in their perhaps ways to pick up business, maybe out of bankruptcy or extremely discounted prices so that you could start adding to capacity?

Barry Sloane

I think, Steve, that this has been a market that a lot of participants have gotten into because it's – there's just been such a huge groundswell of growth that was just organic based upon more utilization of cards and merchants accepting cards more and more. And I think a lot of our competitors created a business and borrowed and grew the balance sheet through debt. Some of them are really having tremendous difficulties right now because the portfolios aren't growing with same-store sales, sales are shrinking. And, (A), they are having attrition through merchants, (B), the volumes are less. And we think there is going to be opportunities in working with lenders where we can pick up those portfolios, add them on to our existing infrastructure, take them over and being able to service them, so maybe able to do acquisitions that having the right check, but basically to service the debt based upon real good solid forecasts of reduced expectations and cash flow coming in. We think that could be the same in the hosting business as well. There are – as difficult as the market is today, there's still money. It's not like there is zero money, it's just rare and expensive. So if you can price assets at the right price, and the prices aren't very pretty, because this is – we are in a deflationary environment. So asset valuations, in all segments of the market are coming down. That's why we're seeing stock prices down 40% to 45%, real estate prices down, so we think that this is a good opportunity to take advantage of the asset deflation and add these types of portfolios on in the hosting space as well as in the electronic payment processing space on to our infrastructure that is very efficient, very cost effective and scalable.

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