

April 2, 2018

SACHEM / CAPITAL

Sachem Capital Reports Results for 2017 – Revenue Up 69% and Net Income Up 59%; Declares Dividend of \$0.105 Per Share

BRANFORD, Conn.--(BUSINESS WIRE)-- Sachem Capital Corp. (NYSE American: SACH) announced today its financial results for the year ended December 31, 2017. Results of operations include the operations of Sachem Capital Partners, LLC for all periods prior to February 9, 2017. The Company also announced that its Board of Directors has declared a quarterly dividend of \$0.105 per common share payable on April 19, 2018 to common shareholders of record at the close of business on April 12, 2018.

Total revenue for 2017 was approximately \$7.0 million compared to approximately \$4.1 million for 2016, an increase of approximately \$2.9 million, or 69.3%. The increase in revenue represents an increase in lending operations. For 2017, interest income from mortgage loans was approximately \$5.4 million compared to approximately \$3.6 million for 2016, an increase of approximately \$1.8 million, or approximately 50.0%. Origination fees quadrupled to approximately \$800,000 in 2017 from approximately \$200,000 in 2016. Other income also increased to approximately \$410,000 in 2017 from approximately \$47,000 in 2016. Components of other income include earnings from advances to borrowers, approximately \$136,000, lender fees from closings other than origination fees, approximately \$154,000, and legal fees from closings performed in-house, approximately \$61,000.

Total operating costs and expenses for 2017 were approximately \$2.1 million compared to approximately \$1.1 million in 2016, an increase of approximately \$1.0 million, or 97.3%. The increase in operating costs and expenses is due to the increase in lending operations as well as a change in status from a limited liability company to a publicly-held real estate investment trust (REIT) subject to the reporting requirements of the Securities and Exchange Act of 1934. Interest expense and amortization of deferred financing costs in 2017 were approximately \$664,000 compared to approximately \$505,000 in 2016, an increase of approximately 31.5%, reflecting the increase in the amount outstanding under the Bankwell credit facility. Similarly, as a result of the Company's various financing activities in 2017 and its status as a public company, the Company experienced significant increases in professional fees (approximately \$300,000 in 2017 compared to approximately \$87,000 in 2016), listing fees (approximately \$32,000 in 2017 compared to none in 2016), other expenses and taxes (approximately \$155,000 in 2017 compared to none in 2016) and general and administrative expenses (approximately \$222,000 in 2017 compared to approximately \$17,000 in 2016). In addition, compensation and related costs in 2017 was approximately \$700,000 compared to approximately \$35,000 in 2016. However, this was offset, in part, by a decrease in compensation to manager which was approximately \$36,000 in 2017 compared to approximately \$350,000 in 2016.

Net income for 2017 was approximately \$4.9 million compared to approximately \$3.1 million for 2016, an increase of approximately \$1.8 million, or 59.3%. Basic and diluted net income per weighted average common share outstanding for 2017 was \$0.38. There is no

comparable figure for 2016. Net income per weighted average number of shares is calculated based on net income and shares outstanding for the period beginning on February 9, 2017 (the effective date of the Company's IPO) through December 31, 2017. Net income for that period was approximately \$4.6 million. The Company distributed approximately 100% of its net income to shareholders in the form of dividends paid in 2017 and the first quarter of 2018.

At December 31, 2017, the Company's total assets were approximately \$67.5 million, compared to approximately \$38.4 million at December 31, 2016. The Company's loan portfolio at December 31, 2017 was approximately \$63.3 million compared to approximately \$33.7 million at December 31, 2016, an increase of approximately \$29.5 million, or 87.5%. In addition, at December 31, 2017 interest and fees receivable from borrowers increased to approximately \$645,000 from approximately \$479,000 a year earlier.

At December 31, 2017, the Company's total liabilities were approximately \$12.9 million, including approximately \$9.8 million outstanding under the Bankwell credit facility and approximately \$300,000 outstanding under the term mortgage loan from Bankwell secured by the property expected to become the Company's new corporate headquarters in late 2018. In comparison, at December 31, 2016, the Company's total liabilities were approximately \$9.9 million, including approximately \$8.1 million outstanding under the Bankwell credit facility and \$310,000 outstanding on the Bankwell mortgage loan. In addition, at December 31, 2017, the Company owed approximately \$723,000 to a third party from whom it had repurchased mortgage notes it had previously sold to that third party to raise cash.

Shareholders' equity at December 31, 2017 was approximately \$54.6 million compared to members' equity of approximately \$28.5 million at December 31, 2016.

John Villano CPA, co-chief executive officer of Sachem Capital Corp., stated: "2017 was an exciting year for Sachem and its equity holders as it transitioned from a limited liability company to a publicly-held real estate investment trust, subject to SEC reporting requirements. It was also a year of tremendous growth, fueled by \$30.25 million of new equity capital and an additional \$5.0 million of debt capital. We are confident that our lending platform will stand the test of time and continue to provide our shareholders with attractive risk-adjusted returns on their investment. We will continue to build our company as we look to expand our geographical presence throughout New England. We continue to look for new sources of capital – equity and debt – to grow our loan portfolio and diversify our asset base. In addition, we will continue to return approximately 100% of our net income to our shareholders in the form of dividends. The demand for our loan products and services, in Connecticut as well as other parts of New England, continues to be strong. We are aware of the long-term trend in real estate values, and while the cycle is still robust, we intend to continue our conservative lending practices and adjust our lending criteria and our financing strategies to address developing trends in the real estate and capital markets."

About Sachem Capital, Corp.

Sachem Capital Corp. (SCC), is the successor to Sachem Capital Partners, LLC (SCP) having acquired all of SCP's assets and assumed all of SCP's liabilities in February 2017. Immediately thereafter, SCC completed an underwritten initial public offering of its shares. (Except where otherwise stated to the contrary, SCC and SCP are, collectively, referred to as the "Company".) The Company specializes in originating, underwriting, funding, servicing

and managing a portfolio of first mortgage loans. It offers short term (*i.e.*, three years or less) secured, nonbanking loans (sometimes referred to as “hard money” loans) to real estate investors to fund their acquisition, renovation, development, rehabilitation or improvement of properties located primarily in Connecticut. The Company does not lend to owner occupants. The Company’s primary underwriting criteria is a conservative loan to value ratio. The properties securing the Company’s loans are generally classified as residential or commercial real estate and, typically, are held for resale or investment. Each loan is secured by a first mortgage lien on real estate and may also be secured with additional real estate collateral. Each loan is also personally guaranteed by the principal(s) of the borrower, which guaranty may be collaterally secured by a pledge of the guarantor’s interest in the borrower. The Company also makes opportunistic real estate purchases apart from its lending activities. SCC believes that it qualifies as a real estate investment trust (REIT) for federal income tax purposes and intends to make the election to be taxed as a REIT when it files its 2017 federal income tax return.

Forward Looking Statements

This press release may contain forward-looking statements. All statements other than statements of historical facts contained in this press release, including statements regarding our future results of operations and financial position, strategy and plans, and our expectations for future operations, are forward-looking statements. The words “anticipate,” “estimate,” “expect,” “project,” “plan,” “seek,” “intend,” “believe,” “may,” “might,” “will,” “should,” “could,” “likely,” “continue,” “design,” and the negative of such terms and other words and terms of similar expressions are intended to identify forward- looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to several risks, uncertainties and assumptions as described in our Annual Report on Form 10-K for 2017 recently filed with the U.S. Securities and Exchange Commission. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this press release may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. In addition, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We disclaim any duty to update any of these forward-looking statements.

All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in this press release. You should evaluate all forward-looking statements made by us in the context of these risks and uncertainties.

	December 31,	
	2017	2016
Assets		
Assets:		
Cash	\$954,223	\$1,561,863
Escrow deposits	111,189	-
Mortgages receivable	62,166,937	32,521,588
Mortgages receivable affiliate	1,104,022	1,229,022
Interest and fees receivable	645,493	478,928
Other receivables	234,570	182,842
Due from borrowers	451,795	81,911
Prepaid expenses	4,520	-
Property and equipment, net	501,819	397,448
Real estate owned	1,224,409	1,222,454
Pre-offering costs	-	625,890
Deferred financing costs	95,560	67,475
Total assets	<u>\$67,494,537</u>	<u>\$38,369,421</u>

Liabilities and Shareholders'/Members' Equity

Liabilities:		
Line of credit	\$9,841,613	\$8,113,943
Mortgage payable	301,101	310,000
Accounts payable and accrued expenses	390,758	196,086
Security deposit held	2,550	800
Advances from borrowers	519,764	291,875
Due to member	-	656,296
Due to note purchaser	723,478	-
Deferred revenue	1,108,400	290,456
Accrued interest	40,592	24,350
Total liabilities	<u>12,928,256</u>	<u>9,883,806</u>

Shareholders'/members' equity:

Preferred shares - \$.001 par value; 5,000,000 shares authorized; no shares issued	-	-
Common shares - \$.001 par value; 50,000,000 shares authorized; 15,415,737 issued and outstanding	15,416	-
Paid-in capital	53,315,772	-
Members' equity	-	28,485,615
Retained earnings	1,235,093	-
Total shareholders'/members' equity	<u>54,566,281</u>	<u>28,485,615</u>
Total liabilities and shareholders'/members' equity	<u>\$67,494,537</u>	<u>\$38,369,421</u>

**SACHEM CAPITAL CORP.
STATEMENTS OF OPERATIONS**

	Years Ended	
	December 31,	
	2017	2016
Revenue:		
Interest income from loans	\$5,434,502	\$ 3,648,427
Origination fees, net	802,264	197,378
Late and other fees	136,834	105,911
Processing fees	124,240	65,935
Rental income, net	88,364	68,417
Other income	410,494	47,427
Net gain on sale of real estate	179	-
Total revenue	<u>6,996,877</u>	<u>4,133,495</u>

Operating costs and expenses:

Interest and amortization of deferred financing costs	664,134	505,135
Compensation to manager	35,847	350,229
Professional fees	299,935	87,493
Compensation and related costs	698,227	34,662
Other expenses and taxes	155,343	-
Depreciation	28,358	-
General and administrative expenses	254,185	17,382
Loss on sale of real estate	-	87,967
Total operating costs and expenses	<u>2,136,029</u>	<u>1,082,868</u>
Net income	<u>\$4,860,848</u>	<u>\$ 3,050,627</u>

Basic and diluted net income per common share outstanding*:

Basic	<u>\$0.38</u>	<u>\$-</u>
Diluted	<u>\$0.38</u>	<u>\$-</u>

Weighted average number of common shares outstanding*:

Basic	<u>11,956,246</u>	<u>-</u>
Diluted	<u>11,956,246</u>	<u>-</u>

* Basic and diluted net income per common share outstanding and weighted average number of shares outstanding are calculated for the period beginning February 9, 2017 (the effective date of the Company's initial public offering) through December 31, 2017.

SACHEM CAPITAL CORP.
STATEMENT OF CHANGES IN SHAREHOLDERS'/MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
SACHEM CAPITAL CORP. (F/K/A HML CAPITAL
CORP.) **SACHEM CAPITAL**
PARTNERS, LLC

	<u>Common</u> <u>Shares</u>	<u>Amount</u>	<u>Additional</u> <u>Paid in</u> <u>Capital</u>	<u>Retained</u> <u>Earnings</u>	<u>Predecessor's Members'</u> <u>Equity</u>
Beginning balance, January 1, 2016					\$24,229,517
Issuance of common shares	2,220,000	\$ 2,220	\$ (2,220)		
Member contributions					5,084,730
Member distributions					(3,879,259)
Net income					3,050,627
Balance December 31, 2016	<u>2,220,000</u>	<u>2,220</u>	<u>(2,220)</u>	<u>-</u>	<u>28,485,615</u>
Member contributions					653,646
Member distributions					(2,460,125)
Net income for the period January 1, 2017 - February 8, 2017					286,100
Conversion of members' equity into common stock	6,283,237	6,283	26,958,953		(26,965,236)

Initial public offering	2,600,000	2,600	11,023,400	
Public offering	4,312,500	4,313	15,335,639	
Dividends paid				(3,339,655)
Net income for the period February 9, 2017 - December 31, 2017				4,574,748
Balance, December 31, 2017	<u>15,415,737</u>	<u>\$15,416</u>	<u>\$53,315,772</u>	<u>\$1,235,093</u>
				<u>\$ -</u>

**SACHEM CAPITAL CORP.
STATEMENTS OF CASH FLOW**

	Years Ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	<u>\$4,860,848</u>	<u>\$3,050,627</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs	59,118	47,676
Depreciation Expense	28,358	-
(Gain) loss on sale of real estate	(179)	87,967
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Escrow deposits	(111,189)	-
Interest and fees receivable	(166,565)	(213,438)
Other receivables	(51,728)	(72,374)
Prepaid Insurance	(4,520)	-
(Decrease) increase in:		
Due to member	(656,296)	421,592
Accrued interest	16,242	(13,479)
Accrued expenses	194,674	196,086
Deferred revenue	817,944	25,484
Advances from borrowers	(141,995)	167,044
Total adjustments	<u>(16,136)</u>	<u>646,558</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,844,712</u>	<u>3,697,185</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of real estate owned	530,181	1,059,629
Acquisitions of and improvements to real estate owned	(531,961)	(886,009)
Purchase of land and building	(39,923)	(397,448)
Purchase of property and equipment	(92,806)	-
Security deposit	1,750	800
Principal disbursements for mortgages receivable	(53,468,949)	(21,580,103)
Principal collections on mortgages receivable	23,948,601	14,861,360
Repurchase of notes sold	(2,000,000)	-
Proceeds from notes sold	2,723,478	-
NET CASH USED FOR INVESTING ACTIVITIES	<u>(28,929,629)</u>	<u>(6,941,771)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	44,177,225	7,475,000
Repayment of line of credit	(42,449,555)	(5,361,057)
(Principal payments on) proceeds from mortgage payable	(8,899)	310,000
Dividends	(3,339,655)	-

Proceeds from public offerings	30,250,000	-
Offering costs incurred	(3,258,158)	-
Pre-offering costs incurred	-	(580,890)
Financing costs incurred	(87,202)	(76,159)
Member contributions	653,646	5,084,732
Member distributions	(2,460,125)	(3,879,259)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>23,477,277</u>	<u>2,972,367</u>
NET DECREASE IN CASH	(607,640)	(272,219)
CASH - BEGINNING OF YEAR	<u>1,561,863</u>	<u>1,834,082</u>
CASH - END OF YEAR	<u>\$954,223</u>	<u>\$1,561,863</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Interest paid	<u>\$587,442</u>	<u>\$470,821</u>

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES

On February 8, 2017, Sachem Capital Partners, LLC transferred all its assets and liabilities to the Company in exchange for 6,283,237 of the Company's common shares.

Prior year's pre-offering costs in the amount of \$625,890 were charged to paid-in-capital during the year ended December 31, 2017.

During the year ended December 31, 2016, \$644,450 of mortgages receivable and \$39,000 of accrued interest receivable and late fees receivable were converted to real estate owned.

As of December 31, 2016, the Company is obligated for the repayment of certain expenses paid by the managing member on behalf of the Company for certain borrowers in the amounts of \$64,794.

During the year ended December 31, 2016, the Company reissued a mortgage receivable in the amount of \$107,498 in connection with the transfer of real estate owned to a relative of the former borrower.

During the year ended December 31, 2016, the Company purchased a mortgage from a third party at a discount in the amount of \$74,954.

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