

March 30, 2020

SACHEM / CAPITAL

Sachem Capital Achieves Record Revenue of \$12.7 Million and Generates \$6.2 Million of Net Income for 2019

Solid balance sheet with cash and short-term marketable securities of approximately \$34.8 million and stockholders' equity of \$82.6 million as of December 31, 2019

Company will defer decision on further 2020 dividends until July

Conference Call and Webcast to be Held at 11:00 AM EST on Tuesday, March 31st

BRANFORD, Conn.--(BUSINESS WIRE)-- Sachem Capital Corp. (NYSE American:SACH) announces its financial results for the year ended December 31, 2019. In addition, the company will host a conference call on Tuesday, March 31st at 11:00 a.m. Eastern Standard Time to discuss in greater detail its financial condition and operating results for the year ended December 31, 2019 and its outlook for 2020, including dividend payments.

Results of operations

Total revenue for 2019 was \$12.7 million compared to approximately \$11.7 million for 2018, an increase of approximately \$1.0 million, or 8.3%. Interest income increased approximately 8.8% and origination fee income increased approximately 7.7%.

Total operating costs and expenses for 2019 were approximately \$6.5 million compared to approximately \$3.9 million for 2018, an increase of approximately \$2.6 million, or 64.5%. Interest and amortization of deferred financing costs increased by approximately 76.4%, reflecting higher levels of indebtedness, which, in turn contributed to increased income and the growth in our mortgage loan portfolio. Total operating costs and expenses included approximately \$439,000 of deferred financing costs, non-cash expenses, as well as an additional \$340,000 of expenses relating to the termination of the Webster credit facility in May 2019. In addition, 2019 operating expenses also included a \$417,000 impairment loss attributable to real estate owned.

Net income for 2019 was approximately \$6.2 million compared to approximately \$7.8 million for 2018 due primarily to the increase in operating costs and expenses. As a result of the reduction in net income and the increase in the weighted number of common shares outstanding, net income per share for 2019 was \$0.32 compared to \$0.50 for 2018.

Financial Condition

At December 31, 2019, total assets were \$141.2 million compared to \$82.0 million at December 31, 2018. Most of this increase was attributable to increases in cash, cash equivalents and marketable securities (\$34.6 million), mortgage loans receivable (\$16.3 million) and real estate owned (\$5.3 million).

Total liabilities at December 31, 2019 were \$58.7 million compared to \$33.2 million reflecting a higher level of indebtedness.

Shareholders' equity at December 31, 2019 was \$82.6 million compared to \$52.8 million at December 31, 2018. The increase reflects the net proceeds of \$30.9 million realized from sales of common shares in 2019.

Dividends

In 2019, the Company paid a total of \$9.7 million of dividends, of which \$6.7 million represented 2019 taxable income. In addition, in January 2020 the Company paid a dividend of \$0.12 per share, or \$2.65 million in the aggregate, which will be applied to 2020 taxable income. In light of the uncertain outlook for 2020 due to COVID-19, out of an abundance of caution and a desire to preserve liquidity, the company has decided to defer any decision regarding further 2020 dividends until after the end of the second quarter of 2020. The Company currently operates and qualifies as a Real Estate Investment Trust (REIT) for federal income taxes and intends to continue to qualify and operate as a REIT. Under federal income tax rules, a REIT is required to distribute a minimum of 90% of taxable income each year to its shareholders and the company intends to comply with this requirement for the current year.

John Villano, CPA, the company's chief executive and chief financial officer stated: "As previously discussed, 2019 was a transformative year for the Company – we raised over \$90 million of fresh capital, which was used to pay off the entire outstanding balance on our \$35 million credit facility and to expand our mortgage portfolio. Although the expenses relating to these transactions had a material adverse impact on our 2019 operating results, we believe the long-term benefits will enhance our operating performance. Given recent developments, our strategy has put us in a much better position to deal with the impact of COVID-19. We started 2020 with tremendous enthusiasm and great expectations given the \$34.8 million of liquid assets available to us. However, like many others, we were not prepared for the pervasive impact of the COVID-19 that is not only a health crisis, but which has also created an economic crisis. We have reoriented our focus from growth to preservation of capital until we can accurately assess the impact COVID-19 will have on our business. Thus, we intend to tighten our lending criteria and to, temporarily, table our expansion strategy to reduce our risk. We think in the short-term there will be plenty of opportunities for us in the geographic markets in which we traditionally operated. We have experienced tremendous growth over the last three years and our shareholders have benefitted accordingly. However, our primary concern, aside from the health and safety of our employees, is to maintain and preserve everything we have achieved to date so that we will be well-positioned to take advantage of new market opportunities once the pandemic subsides. We believe this is the best course of action for Sachem and its shareholders."

Investor Conference Call

The company will host a conference call on March 31, 2020 at 11:00 a.m., Eastern Standard Time, to discuss in greater detail its financial results for the year ending December 31, 2019 as well as its outlook for 2020 and strategy for dealing with the impact of the COVID-19 pandemic. Interested parties can access the conference call by calling 844-602-0380 for U.S. callers, or +862-298-0970 for international callers. The call will be available on the company's website via webcast at <https://www.sachemcapitalcorp.com>. John Villano, the

company's Chief Executive and Chief Financial Officer will lead the conference call.

The webcast will also be archived on the company's website and a telephone replay of the call will be available approximately one hour following the call, through 11:00 a.m. on April 14, 2020, and can be accessed by calling: 877-481-4010 for U.S. callers or +919-882-2331 for international callers and entering conference ID: 33917.

About Sachem Capital Corp.

Sachem Capital Corp. 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. 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. The company believes that it qualifies as a real estate investment trust (REIT) for federal income tax purposes and has elected to be taxed as a REIT beginning with its 2017 tax year.

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 2019 filed with the U.S. Securities and Exchange Commission on March 30, 2020. Because 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.

**SACHEM CAPITAL CORP.
BALANCE SHEETS**

| | December 31, | |
|--|----------------------|---------------------|
| | 2019 | 2018 |
| Assets | | |
| Assets: | | |
| Cash and cash equivalents | \$ 18,841,937 | \$ 99,310 |
| Cash - restricted | - | 59,549 |
| Short-term marketable securities | 15,949,802 | |
| Escrow deposits | - | 12,817 |
| Mortgages receivable | 94,348,689 | 78,011,653 |
| Mortgages receivable, affiliate | - | 879,457 |
| Interest and fees receivable | 1,370,998 | 1,397,038 |
| Other receivables | 141,397 | 155,000 |
| Due from borrowers | 840,930 | 695,218 |
| Prepaid expenses | 24,734 | 14,866 |
| Property and equipment, net | 1,346,396 | 1,180,107 |
| Deposits on property and equipment | 71,680 | 12,000 |
| Real estate owned | 8,258,082 | 2,943,438 |
| Deferred financing costs | 16,600 | 553,597 |
| | \$141,211,245 | \$86,014,050 |
| Liabilities and Shareholders' Equity | | |
| Liabilities: | | |
| Notes payable (net of deferred financing costs of \$2,687,190) | \$ 55,475,810 | \$ - |
| Line of credit | - | 27,219,123 |
| Mortgage payable | 784,081 | 290,984 |
| Accounts payable and accrued expenses | 249,879 | 316,413 |
| Security deposits held | 7,800 | 7,800 |
| Advances from borrowers | 848,268 | 317,324 |
| Due to shareholder | - | 1,200,000 |
| Deferred revenue | 1,205,740 | 1,058,406 |
| Notes payable | 75,433 | - |
| Dividend payable | - | 2,624,566 |
| Accrued interest | 3,416 | 176,619 |
| | | |

| | | |
|--|----------------------|---------------------|
| Total liabilities | <u>58,650,427</u> | <u>33,211,235</u> |
| Commitments and Contingencies | | |
| Shareholders' equity: | | |
| Preferred shares - \$.001 par value; 5,000,000 shares authorized; no shares issued | - | - |
| Common stock - \$.001 par value; 100,000,000 shares authorized; 22,117,301 and 15,438,621 issued and outstanding | 22,117 | 15,439 |
| Paid-in capital | 83,856,308 | 53,192,859 |
| Accumulated other comprehensive loss | (50,878) | - |
| Accumulated deficit | <u>(1,266,729)</u> | <u>(405,483)</u> |
| Total shareholders' equity | <u>82,560,818</u> | <u>52,802,815</u> |
| Total liabilities and shareholders' equity | <u>\$141,211,245</u> | <u>\$86,014,050</u> |

**SACHEM CAPITAL CORP.
STATEMENTS OF COMPREHENSIVE INCOME**

| | Years Ended | |
|---|---------------------|-------------------|
| | December 31, | |
| | 2019 | 2018 |
| Revenue: | | |
| Interest income from loans | \$ 9,751,733 | \$ 8,960,883 |
| Investment income | 81,111 | - |
| Origination fees | 1,519,294 | 1,411,100 |
| Late and other fees | 265,310 | 189,078 |
| Processing fees | 167,070 | 138,317 |
| Rental income, net | 69,300 | 101,789 |
| Other income | 826,688 | 837,339 |
| Net gain on sale of real estate | - | 74,864 |
| | <u>12,680,506</u> | <u>11,713,370</u> |
| Operating costs and expenses: | | |
| Interest and amortization of deferred financing costs | 2,938,237 | 1,665,891 |
| Professional fees | 542,920 | 417,312 |
| Compensation, fees and taxes | 1,534,447 | 1,248,107 |
| Exchange fees | 44,192 | 33,535 |
| Other expenses and taxes | 90,412 | 20,707 |
| Excise tax | - | 19,000 |
| Depreciation | 63,566 | 32,529 |
| Expense in connection with termination of credit facility | 340,195 | - |
| General and administrative expenses | 478,513 | 437,011 |
| Net loss on sale of real estate | 34,919 | - |

| | | |
|--|---------------------|---------------------|
| Impairment loss | <u>417,094</u> | <u>67,493</u> |
| Total operating costs and expenses | <u>6,484,495</u> | <u>3,941,585</u> |
| Net income | 6,196,011 | 7,771,785 |
| Other comprehensive loss: | | |
| Unrealized loss on investment securities | <u>(50,878)</u> | <u>-</u> |
| Comprehensive income | <u>\$ 6,145,133</u> | <u>\$ 7,771,785</u> |
| Basic and diluted net income per common share outstanding: | | |
| Basic | <u>\$ 0.32</u> | <u>\$ 0.50</u> |
| Diluted | <u>\$ 0.32</u> | <u>\$ 0.50</u> |
| Weighted average number of common shares outstanding: | | |
| Basic | <u>19,415,237</u> | <u>15,425,772</u> |
| Diluted | <u>19,415,237</u> | <u>15,425,772</u> |

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

| | Years Ended December 31, | |
|---|-----------------------------|---------------------|
| | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | <u>\$ 6,196,011</u> | <u>\$ 7,771,785</u> |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Write-off and amortization of deferred financing costs | 722,580 | 137,241 |
| Depreciation expense | 63,566 | 32,529 |
| Stock based compensation | 43,147 | 37,589 |
| Impairment loss | 417,094 | 67,493 |
| Loss on sale of real estate | 34,919 | (74,864) |
| Abandonment of office furniture | 12,000 | - |
| Unrealized (gain) loss on investments | | - |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Escrow deposits | 12,817 | 98,372 |
| Interest and fees receivable | (154,196) | (994,900) |
| Other receivables | 13,603 | 234,570 |
| Due from borrowers | 385,424 | (243,423) |

| | | |
|---|-----------|-------------|
| Prepaid expenses | (9,868) | (10,346) |
| Deposits | (59,680) | (12,000) |
| (Decrease) increase in: | | |
| Due to note purchaser | - | (723,478) |
| Accrued interest | (173,203) | 136,027 |
| Accounts payable and accrued expenses | (66,535) | (74,345) |
| Deferred revenue | 147,334 | (49,994) |
| Advances from borrowers | 530,944 | (116,207) |
| Total adjustments | 1,919,946 | (1,555,736) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 8,115,957 | 6,216,049 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|--|--------------|--------------|
| Purchase of investments and marketable securities | (16,000,680) | - |
| Proceeds from sale of real estate owned | 1,087,004 | 1,848,558 |
| Acquisitions of and improvements to real estate owned, net | (1,266,949) | (541,525) |
| Purchase of property and equipment | (241,855) | (710,815) |
| Security deposits | - | 5,250 |
| Principal disbursements for mortgages receivable | (64,742,552) | (42,078,191) |
| Principal collections on mortgages receivable | 43,347,362 | 24,641,469 |
| NET CASH USED FOR INVESTING ACTIVITIES | (37,817,670) | (16,835,254) |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|---|--------------|--------------|
| Proceeds from line of credit | 42,720,829 | 77,564,529 |
| Repayment of line of credit | (69,939,952) | (60,187,019) |
| Proceeds from notes sold to shareholder | 1,017,000 | - |
| Repayment of notes sold to shareholder | (2,217,000) | - |
| Principal payments on mortgage payable | - | (10,117) |
| Dividends | (9,681,823) | (6,787,795) |
| Costs in connection with ATM | - | (160,479) |
| Financing costs incurred | (2,872,774) | (595,278) |
| Proceeds from mortgage payable | 795,000 | - |
| Prepayment of mortgage payable | (301,903) | - |
| Proceeds from notes payable, net | 75,434 | - |
| Proceeds from issuance of common stock | 30,544,945 | - |
| Proceeds from exercise of warrants | 82,035 | - |
| Proceeds from issuance of notes | 58,163,000 | - |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 48,384,791 | 9,823,841 |

| | | |
|--|------------|-----------|
| NET INCREASE(DECREASE) IN CASH AND RESTRICTED CASH | 18,683,078 | (795,364) |
|--|------------|-----------|

| | | |
|---|----------------------|-------------------|
| CASH AND RESTRICTED CASH- BEGINNING OF YEAR | 158,859 | 954,223 |
| CASH AND RESTRICTED CASH - END OF YEAR | <u>\$ 18,841,937</u> | <u>\$ 158,859</u> |

SACHEM CAPITAL CORP.
STATEMENTS OF CASH FLOW (Continued)

| | Years Ended December 31, | |
|--|-----------------------------|--------------------|
| | <u>2019</u> | <u>2018</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION | | |
| Taxes paid | \$ - | \$ 53,191 |
| Interest paid | <u>\$2,237,240</u> | <u>\$1,370,714</u> |
| SUPPLEMENTAL INFORMATION-NON-CASH | | |
| Dividends declared and payable | <u>\$ -</u> | <u>\$2,624,566</u> |

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES

During the year ended December 31, 2018, the Company issued notes payable in the amount of \$169,338 for the acquisition of mortgages receivable.

During the year ended December 31, 2018, the Company purchased a mortgage receivable from a third party at a discount in the amount of \$21,433.

Real estate acquired in connection with the foreclosure of certain mortgages, inclusive of interest and other fees receivable, during the year ended December 31, 2018 amounted to \$3,173,963.

Assignment of mortgage receivable to shareholder in the amount of \$1,200,000, during the year ended December 31, 2018.

The reversal of previously accrued capitalized costs during the year ended December 31, 2018, amounted to \$6,212.

Real estate acquired in connection with the foreclosure of certain mortgages, inclusive of interest and other fees receivable, during the year ended December 31, 2019 amounted to \$5,406,477.

During the year ended December 31, 2019, mortgages receivable, affiliate in the amount of \$879,457 were reduced to \$0 as the underlying loans were transferred to the Company and are included in mortgages receivable.

View source version on businesswire.com:

<https://www.businesswire.com/news/home/20200330005353/en/>

Investors & Media:

Crescendo Communications, LLC

Email: sach@crescendo-ir.com

Tel: (212) 671-1021

Source: Sachem Capital Corp.