



# Sachem Capital Corp.

Investor Presentation – August 2024

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NYSE - American: SACH

**SACHEM** CAPITAL

# Safe Harbor

This presentation includes forward-looking statements. All statements in this presentation, other than statements of historical facts, 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,” “expectation,” 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 a number of risks, uncertainties and assumptions, some of which cannot be quantified and some of which are beyond our control. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this presentation may not occur, and our actual operating and financial 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 after the date of this presentation to confirm these statements in relationship to actual results or revised expectations.

All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in this presentation. You should evaluate all forward-looking statements made by us in the context of these risks and uncertainties. You should also see other factors which may impact our operating results set forth in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 and other periodic reports filed with the Securities and Exchange Commission.

This presentation shall not constitute an offer to sell, or the solicitation of an offer to buy, nor will there be any sale of securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such state or jurisdiction. An offering will only be made by a prospectus supplement and accompanying prospectus.

# Sachem Capital Corp.

Sachem Capital Corp. is dedicated to transforming real estate investing through innovative financing solutions that empower investors to build vibrant communities. Our mission is to be a trusted partner, offering tailored financial products that adapt to the unique needs of each project combined with unwavering support to fuel the growth and success of real estate projects. Through integrity, expertise, and a commitment to excellence, we aim to drive positive change in the industry while delivering superior value to our stakeholders by fostering sustainable growth and maximizing returns on invested capital.



# Corporate Overview

- Sachem Capital Corp. (NYSE:SACH) is a Connecticut-based non-bank real estate finance company focused on originating, servicing and managing a portfolio of short-term loans secured by first mortgage liens on commercial real estate property
- Sachem's clients are real estate investors or developers seeking to fund acquisitions, renovations, and/or development of an array of different property types
- Revenue is generated from interest on Sachem's portfolio, fee income from both loan originations and extensions, and a construction management fee on certain loans
- As of June 30, 2024, Sachem had \$586mm of total assets, including 262 loans, totaling \$500mm
- Sachem's underwriting and in-house comprehensive asset management capabilities provide the company with a competitive advantage in its target eastern seaboard market
- Sachem was founded in 2010 and its shares were listed on NYSE American in February of 2017. Sachem qualifies for and operates as a Mortgage REIT under the federal tax code
- The Company is headquartered in Branford, CT and has 34 employees as of June 30, 2024

# Organizational Highlights

## Market Knowledge

- Intimate knowledge of the Eastern U.S. real estate market, enhancing our ability to identify attractive opportunities
- Established relationships with local developers and participants in local markets, such as Naples and Orlando, Florida, to provide us with visibility, lending opportunities and local expertise

## Long Standing Relationships

- Continuous relationships with many of our current borrowers
- Customers also serve as a referral source for new borrowers and provide an advantage in securing attractive new off-market and first look opportunities

## Disciplined Lending

- Maximize risk-adjusted returns while preserving and protecting capital through a disciplined credit-based approach
- As a small, non-bank real estate lender, we can move quickly and have significantly more flexibility than traditional lenders to structure loans that suit the needs of clients

## Vertically Integrated Platform

- Platform is built to originate and service loans with a team highly experienced in credit evaluation, underwriting and loan structuring
- Urbane acquisition further bolsters Sachem's portfolio management capabilities with in-house experts

## Conservative Capital Structure

- Capital structure built on a conservative approach to leverage with a target asset coverage ratio of 1.50x and a willingness to sell equity to balance debt raises
- Loan portfolio collateralized by significant coverage with a maximum loan-to-value of 70%

# Key Metrics<sup>1</sup>

Loans funded in  
15 states

\$1.9MM  
Average loan size

> 2,000+  
Transactions completed

\$1.1BN in  
Origination since  
inception

12.7%  
Average yield<sup>(2)</sup>

\$586MM  
Total assets

91% of Loans  
have term of less than  
one year

262  
Mortgage loans

\$73.1MM  
Net foreclosure unpaid  
balance<sup>(3)</sup>

\$10.4MM  
Dividends Paid on  
Common Shares in FY24

\$3.9MM  
Real estate owned

0.8%  
Inception to date realized  
losses (% of originations)

(1) All data as of June 30, 2024

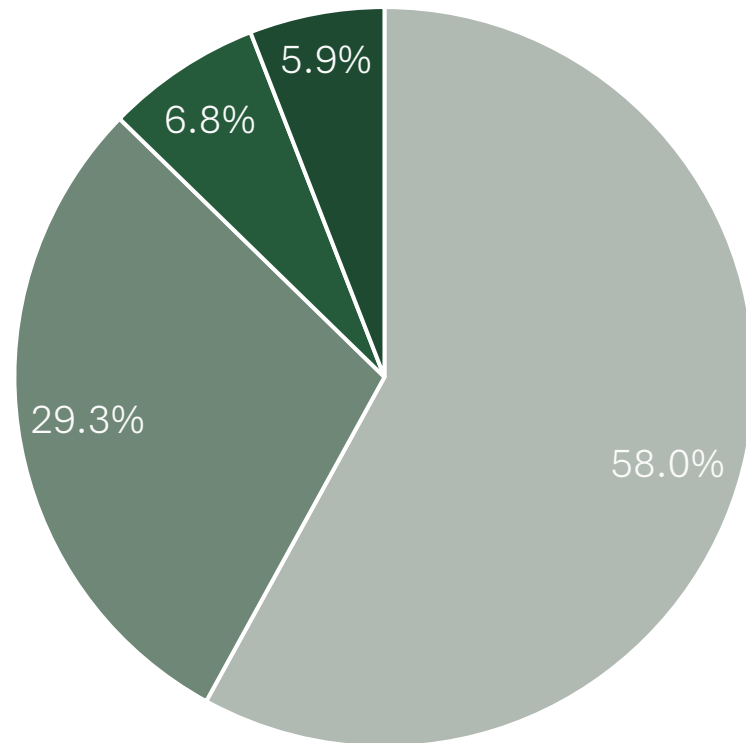
(2) Average Yield does not include origination fee income

(3) Inclusive of unpaid principal balance, interest, charges, and taxes

# Loan Portfolio Overview

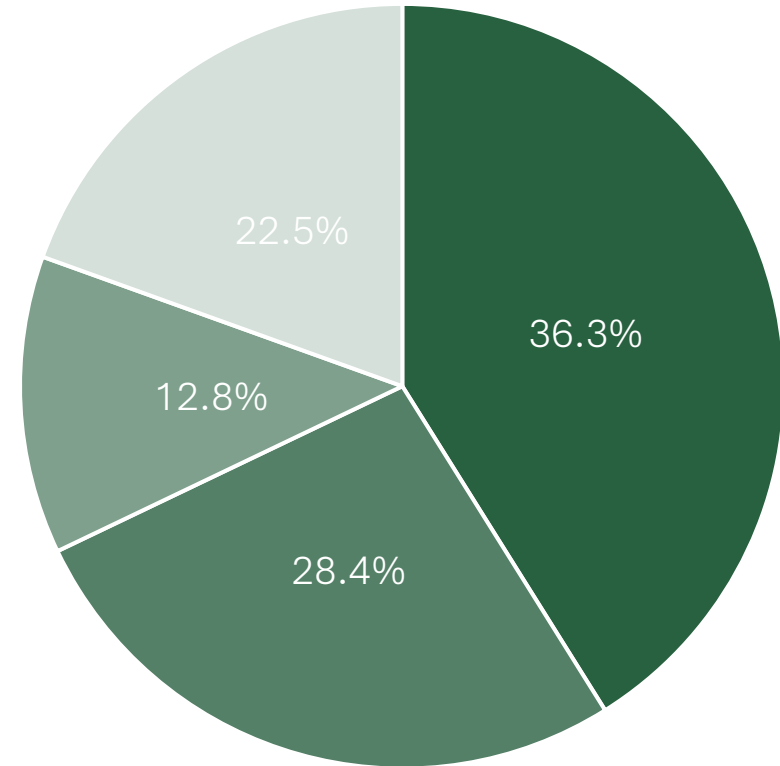
Distribution by Property Type

■ Residential ■ Commercial ■ Land ■ Mixed Use



Distribution by State

■ CT ■ FL ■ NY ■ Other







# Loan Products



Construction Loans



Acquisition/Bridge



Refinance



Specialty Finance

# Favorable Market Dynamics

Market Dynamic	Sachem's Positioning
Faltering regional banks triggered a tightening phase in lending standards and reluctance to lend	Equity investments in similar but smaller hard money lenders like Sachem suffering from capital constraints due to market conditions. "A" participations in notes with friendly competitors similar to Sachem
Increased cost of bank debt, driven by higher interest rates, has led to a significant surge in financing rates	With a narrowed spread borrowers are drawn to Sachem's speed and flexibility
Reluctance of current homeowners to relinquish record low mortgage rates has dampened enthusiasm for selling existing homes, exacerbating the national housing shortage	Sachem has the ability to capitalize on the renovation on single-family houses positioned for resale
Uncertainty surrounding the Federal Fund's rate range are adding further pressure on borrowers	Sachem's loan structure offers the flexibility needed to remain agile and responsive to market dynamics
Continuous demand for credit	Forthcoming CRE loan maturities are compelling borrowers to rely on new, more expensive, debt capital to facilitate CRE transactions

# Target Market and Opportunity

Developers, builders, and investors are facing tightening restrictions in the traditional loan markets

Greater flexibility in structuring loans to better meet needs of the borrower

Focus on larger sized loans with financially stable, experienced developers

- Demand for property has outstripped supply
- SBA can take 6+ months or longer to close on a large loan
- Competitors have tightened lending criteria
- Value add development being underserved by traditional lending sources
- Ability to close loans quicker than most financial institutions and non-banking real estate lenders
- Due diligence is more centered around the value of the collateral rather than the property cash flows or borrower's credit
- Combination of speed and flexibility enables us to adapt to new market conditions
- Offsets rate compression and helps us maintain a low foreclosure rate
- Collateral less susceptible to value swings in the residential market
- Term is generally limited to one year to mitigate interest rate risk

# Strategic Approach to Drive Sustained Growth

## Disciplined, Highly-Scalable Originations Platform

- Virtual lead-generation platform
- Significant repeat business
- Expanding into new states with favorable demographics and lending laws
- Acquisition of Urbane New Haven provides significant efficiency in construction management oversight and moves asset protection in-house

## Strict Underwriting Requirements

- Maximum LTV (loan-to-value) of 70%
- Maximum LTC (loan-to-cost) of 85%
- Personal level audits and guarantees required, and often cross collateralized
- Comprehensive reviews of all permits, plans, budgets, records and property information
- All loans approved by the loan committee
- Board-level review for loans greater than \$5 million
- Third-party corroborated appraisal required

## Process-Oriented

- Review and prepare loan documents
- In-house legal counsel review
- Internal compliance review
- Active asset management
- Periodic inspections
- In house construction management
- Internal loan servicing

Results in strong performance and minimal realized loan losses

# Loan Diversification and Expansion



## Select Case Studies

- \$11.6 million loan to an experienced developer to acquire and renovate a 466,000 square-foot (47 acre) multi-tenant complex in Milford, CT, comprised of five three-story buildings, including the corporate headquarters for a national apparel retailer. The loan was closed in a much shorter time frame than traditional lenders
- \$9.0 million loan to an experienced developer converting a hotel property in Fairfield County, CT, to luxury apartments. The loan provided flexibility to meet the unique needs of the borrower
- \$19.5 million loan for the purchase and conversion of a warehouse in Brighton, MA, into a 28-unit condominium complex within an up-and-coming residential community. The loan was cross-collateralized with other properties owned by the borrower

Strategic diversification into other commercial real estate segments provides portfolio balance and insulation from aggressively priced residential markets

# Vertical Integration of Urbane Capital, LLC

The acquisition of Urbane New Haven, LLC, a top construction and development company, has led enhanced asset management and recovery capabilities

## Select Case Studies



### #1: \$22 million Loan: Enhanced Loan Workout & Modification Capabilities

- Sachem negotiated and modified a \$17 million loan increasing the size to \$22 million, achieving full payoff of all principal and fees with assistance from Urbane who;
  - Lead on-site meetings with Sponsor and General Contractor
  - Conducted detailed project and market analyses
  - Strategically negotiated terms benefiting both Sponsor and Sachem Capital



### #2: \$17 million Phase 1 Project Optimization

- Sachem expanded a Phase 1 project from 16 to 24 units with assistance from Urbane;
  - Conducted comprehensive evaluation of business plan shift
  - Considered milestones and project viability
  - Aligned interests and ensured holistic benefits for the project and Sachem

# Financial Summary

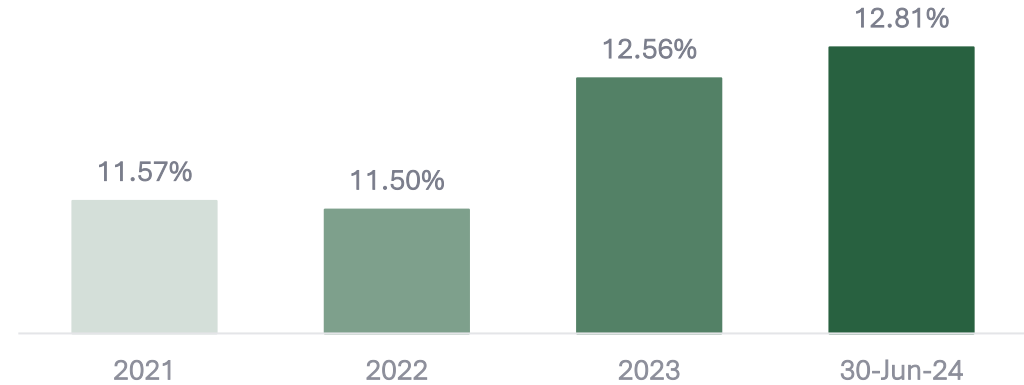
Financial Summary (US\$ Mn's)	12 Months Ended / As of:			3 Months Ended / As of:	
	12/31/21	12/31/22	12/31/23	6/30/23	6/30/24
<b>Operating Metrics</b>					
<b>Total Assets</b>	<b>\$ 418.0</b>	<b>\$ 565.7</b>	<b>\$ 625.5</b>	<b>\$ 624.0</b>	<b>\$ 586.3</b>
Real Estate Owned	6.6	5.2	3.5	5.0	3.9
<b>Total Liabilities</b>	<b>237.9</b>	<b>348.0</b>	<b>395.5</b>	<b>395.0</b>	<b>356.2</b>
Notes Payable (Net of Deferred Financing Costs)	160.5	280.0	282.4	287.4	259.9
<b>Total Shareholders' Equity</b>	<b>180.1</b>	<b>217.7</b>	<b>230.1</b>	<b>229.0</b>	<b>230.2</b>
<b>Total Loan Value, Net of Allowance for Credit Losses</b>	<b>292.3</b>	<b>460.6</b>	<b>491.7</b>	<b>506.7</b>	<b>485.7</b>
<b>Summary Income Statement</b>					
<b>Revenue:</b>					
Interest income from loans	\$ 22.3	\$ 42.6	\$ 49.3	\$ 11.9	\$ 11.8
Origination and modification fees, net	4.3	7.3	5.9	1.8	2.1
Other Income	3.8	2.3	10.4	2.8	1.5
<b>Total Revenue</b>	<b>\$ 30.4</b>	<b>\$ 52.3</b>	<b>\$ 65.6</b>	<b>\$ 16.5</b>	<b>\$ 15.4</b>
Total Operating Costs and Expenses	17.1	31.4	49.7	10.8	18.5
<b>Net Income</b>	<b>\$ 13.3</b>	<b>\$ 20.9</b>	<b>\$ 15.9</b>	<b>\$ 5.7</b>	<b>\$ (3.1)</b>
Preferred stock dividend	(1.9)	(3.7)	(3.8)	(0.9)	(1.1)
Net income attributable to common shareholders	11.5	17.2	12.1	4.8	(4.1)

# Portfolio Summary

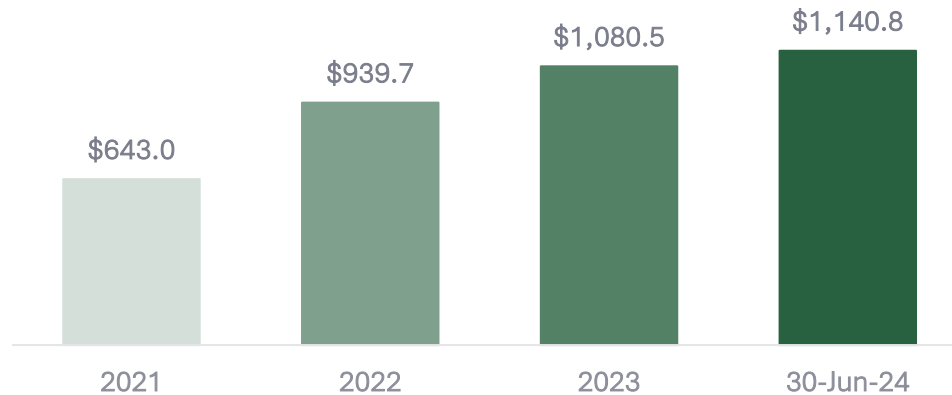
Total Mortgages Receivable, Net (\$ in millions)



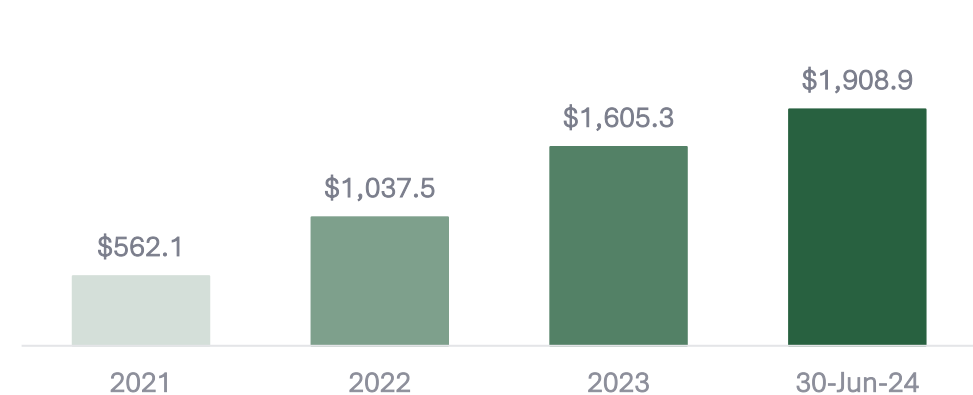
Average Yield<sup>1</sup> Percentage



Cumulative Loan Originations (\$ in millions)



Average Loan Size (\$ in thousands)



(1) Average yield does not include origination fee income

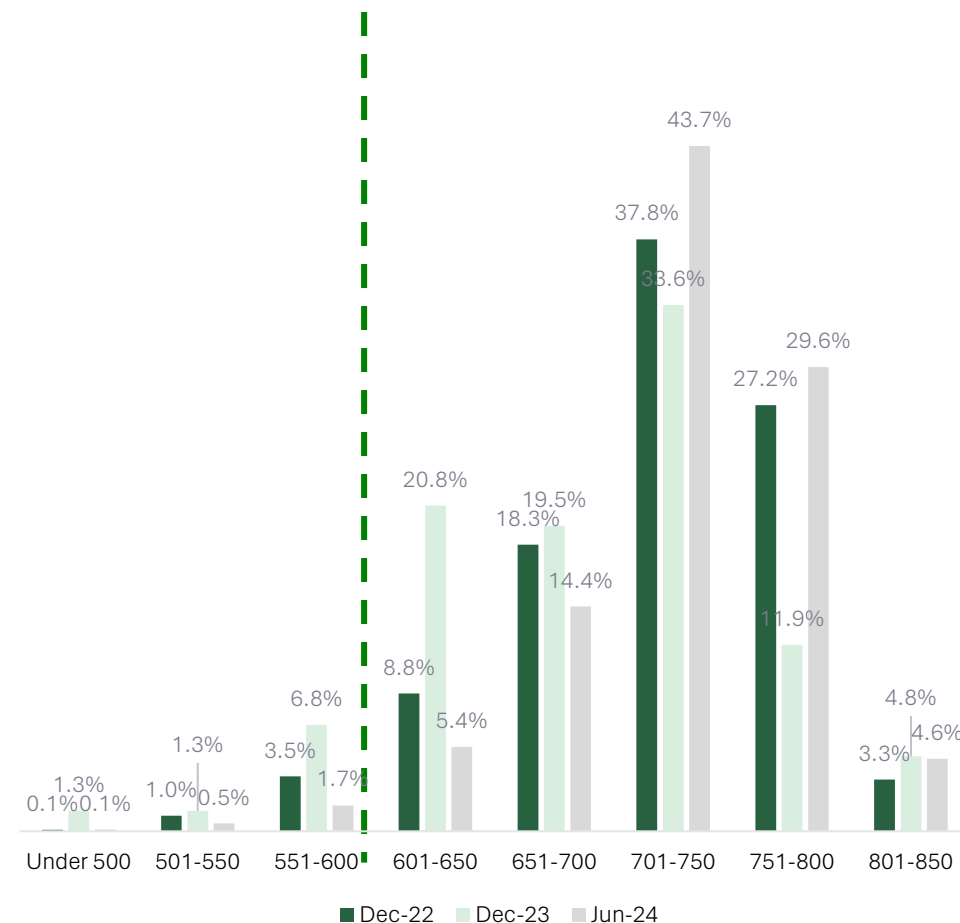
\*All data as of June 30, 2024



# Strong Credit Profile

Over 90% of underlying borrowers have a FICO score above 600 and the majority of loans have an LTV below 50%, demonstrating the strength of the underlying loan and borrower

	As of December 31,			June 30,
	2021	2022	2023	2024
<b>Capitalization and Balance Structure</b>				
Shareholders' Equity as a percentage of Total Assets	43.09%	38.49%	36.78%	39.26%
Return on Earning Assets	4.56%	4.54%	3.18%	--
Return on Equity	7.40%	9.60%	6.91%	--
Capital Structure (Debt to Equity)	56.90%	59.30%	60.40%	60.74%
<b>Credit Quality</b>				
Non-Performing Loan Ratio <sup>(1)</sup>	3.08%	9.01%	18.01%	19.08%
Average Remaining Loan Tenor	8 Months	6 Months	6 Months	8 Months
Weighted Average Yield <sup>(2)</sup>	11.57%	11.50%	12.56%	12.69%
Net Interest Margin (NIM)	4.07%	4.57%	4.02%	3.94%
Loans with FICO Score above 600 <sup>(3)</sup>	N.A.	95.40%	90.60%	90.76%



1. Non-Performing Loan Ratio is equal to the number of Loans under foreclosure divided by Total Loans

2. Weighted Average Yield is non-inclusive of fees

3. Data was not tracked before 2022

# Executive Management



## John L. Villano, CPA

Chairman, Chief Executive Officer, President & Treasurer

- Chairman and Chief Executive Officer since the company's inception in 2010
- Responsible for overseeing all aspects of business operations, including loan origination and servicing, investor relations, brand development, and business development
- Previously engaged in the private practice of accounting and auditing for almost 30 years
- Certified Public Accountant and holds a Bachelor's Degree in Accounting from the University of Rhode Island



## Nicholas M. Marcello

Chief Financial Officer

- Expertise in compliance, financial modeling, deal structuring and operations
- Prior to joining Sachem, was Assistant Controller at Waypoint Real Estate Investments where his role included monthly operational reporting, annual audits, transactions, and tax compliance
- Began career at PwC, a multinational professional services network of firms, in the Investment Management Group
- B.S. from Providence College and an M.B.A and M.S. in Accounting from Northeastern University



## Eric O'Brien

Senior Vice President – Asset Management at Sachem Capital Corp. and Managing Director at Urbane Capital, LLC

- Senior Vice President of Asset Management at Sachem Capital Corp. since 2022. An accomplished executive with over 30 years of experience in construction management, design and development
- Responsible for overseeing the company's lending evaluation, assessment, and approvals
- Prior to joining Sachem, Eric was the president and founder of Urbane NewHaven, LLC
- Bachelor of Arts in Political Science from the University of Rhode Island



## Ralph Sylvester

Vice President of Asset Management, Director at Urbane Capital, LLC

- Expertise in development planning, financial modeling, property acquisitions, construction management and formulation of major contracts
- Responsible for overseeing the company's lending evaluation, assessment of loan request packages, and approvals.
- Prior to joining Sachem in 2022, Ralph was the Director of Operations at Urbane NewHaven, LLC
- B.A. in Political Science from Villanova University