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FOR IMMEDIATE RELEASE

Seven Hills Realty Trust Announces Fourth Quarter 2022 Results

Net Income Per Share of \$0.46, a 31% Sequential Quarter Increase

Adjusted Distributable Earnings Per Share of \$0.37, a 37% Sequential Quarter Increase

Aggregate Loan Commitments of \$728 Million

Newton, MA (February 13, 2023): [Seven Hills Realty Trust \(Nasdaq: SEVN\)](#) today announced financial results for the quarter and year ended December 31, 2022.

[Tom Lorenzini](#), President of SEVN, made the following statement:

"We ended the year with substantial earnings growth driven by the favorable impact of rising interest rates on our floating rate loan portfolio. Based on our strong earnings momentum and the credit quality of our loan portfolio, in January we announced a 40% increase in SEVN's quarterly distribution to \$0.35 per common share. Given our balance sheet capacity and our expectation that interest rates may continue to rise, we believe that we are well positioned to further grow distributable earnings and continue to deliver attractive returns for our shareholders while at the same time taking a disciplined approach to identifying new investments."

Quarterly Results

	Three Months Ended		
	December 31, 2022	September 30, 2022	December 31, 2021
<i>(dollars in thousands, except per share data)</i>			
Income from investments, net	\$9,288	\$7,799	\$24,568
Net income	\$6,760	\$5,176	\$20,656
Net income per common share	\$0.46	\$0.35	\$1.42
Adjusted Distributable Earnings	\$5,367	\$3,943	\$3,041
Adjusted Distributable Earnings per common share	\$0.37	\$0.27	\$0.21
Book value per common share ⁽¹⁾	\$18.46	\$18.24	\$17.65
Adjusted Book Value per common share ⁽¹⁾	\$18.92	\$18.80	\$18.85

- (1) Book value per common share is calculated by dividing end of period total shareholders' equity by end of period common shares outstanding. Adjusted Book Value per common share is a non-GAAP financial measure that excludes the impact of the unaccreted purchase discount resulting from the excess of the fair value of the loans Tremont Mortgage Trust, or TRMT, then held for investment and which SEVN acquired as a result of its merger with TRMT on September 30, 2021, or the Merger, over the consideration SEVN paid in the Merger. The purchase discount of \$36.4 million was allocated to each acquired loan and is being accreted into income over the remaining term of the respective loan. As of December 31, 2022, September 30, 2022 and December 31, 2021, Adjusted Book Value per common share excludes \$6.7 million, or \$0.46 per common share, \$8.2 million, or \$0.56 per common share and \$17.4 million, or \$1.20 per common share, respectively, of unaccreted purchase discount.

Portfolio Summary

<i>(dollars in thousands)</i>	As of		
	December 31, 2022	September 30, 2022	December 31, 2021
Number of loans	27	28	26
Total loan commitments	\$727,562	\$763,076	\$648,266
Weighted average maximum maturity (years)	3.3	3.5	3.8
Weighted average coupon rate	8.07%	6.59%	4.54%
Weighted average all in yield	8.57%	7.10%	5.08%
Weighted average floor	0.62%	0.55%	0.68%
Weighted average risk rating	2.9	2.9	2.9
Weighted average loan to value	68%	68%	68%

Recent Investment Activities

SEVN originated the following first mortgage loan during the three months ended December 31, 2022:

Location	Property Type	Origination Date	Committed Principal	Principal as of December 31, 2022	Coupon Rate	All in Yield	Maximum Maturity (date)	Loan to Value
<i>(dollars in thousands)</i>								
Fontana, CA	Industrial	11/18/2022	\$24,355	\$22,000	S + 3.75%	S + 4.28%	11/18/2026	72%

- During the quarter ended December 31, 2022, SEVN received \$53.7 million of loan repayment proceeds, which included early repayments of \$22.1 million on a loan secured by a retail property in Los Angeles, CA and \$31.0 million on a loan secured by an office/industrial property in Colorado Springs, CO, in addition to \$0.6 million of principal payments received on certain other loans.
- In January 2023, SEVN received \$16.4 million of early repayment proceeds on a loan secured by an office/industrial property in Aurora, IL.

Recent Financing Activities

- The aggregate outstanding principal balance under SEVN's secured financing facilities was \$473.6 million and \$462.3 million as of December 31, 2022 and February 9, 2023, respectively.
- As of December 31, 2022, SEVN was in compliance with all covenants and other terms under its secured financing facilities.

Distributions

- On November 17, 2022, SEVN paid a quarterly distribution of \$0.25 per common share, or approximately \$3.7 million, to shareholders of record as of October 24, 2022.
- On January 12, 2023, SEVN declared a quarterly distribution of \$0.35 per common share, or approximately \$5.1 million, to shareholders of record on January 23, 2023. SEVN expects to pay this distribution on February 16, 2023.

Conference Call

At 11:00 a.m. Eastern Time on Tuesday, February 14, 2023, President, Tom Lorenzini, and Chief Financial Officer and Treasurer, [Tiffany Sy](#), will host a conference call to discuss SEVN's fourth quarter 2022 financial results. The conference call telephone number is (866) 739-7850. Participants calling from outside the United States and Canada should dial (412) 317-6592. No pass code is necessary to access the call from either number. Participants should dial in about 15 minutes prior to the scheduled start of the call. A replay of the conference call will be available through 11:59 p.m. Eastern Time on Tuesday, February 21, 2023. To access the replay, dial (412) 317-0088. The replay pass code is 5461657.

A live audio webcast of the conference call will also be available in a listen-only mode on SEVN's website, which is located at www.sevnreit.com. Participants wanting to access the webcast should visit SEVN's website about five minutes before the call. The archived webcast will be available for replay on SEVN's website after the call. **The transcription, recording and retransmission in any way of SEVN's fourth quarter conference call are strictly prohibited without the prior written consent of SEVN.**

Supplemental Data

A copy of SEVN's Fourth Quarter 2022 Supplemental Operating and Financial Data is available for download at SEVN's website, www.sevnreit.com. SEVN's website is not incorporated as part of this press release.

About Seven Hills Realty Trust

Seven Hills Realty Trust (Nasdaq: SEVN) is a real estate investment trust, or REIT, that originates and invests in first mortgage loans secured by middle market and transitional commercial real estate. SEVN is managed by Tremont Realty Capital, an affiliate of [The RMR Group \(Nasdaq: RMR\)](#), a leading U.S. alternative asset management company with over \$37 billion in assets under management and more than 35 years of institutional experience in buying, selling, financing and operating commercial real estate. For more information about SEVN, please visit www.sevnreit.com.

Non-GAAP Financial Measures

SEVN presents Distributable Earnings, Distributable Earnings per common share, Adjusted Distributable Earnings, Adjusted Distributable Earnings per common share and Adjusted Book Value per common share, which are considered "non-GAAP financial measures" within the meaning of the applicable rules of the Securities and Exchange Commission, or SEC.

These non-GAAP financial measures do not represent net income, net income per common share or cash generated from operating activities and should not be considered as alternatives to net income or net income per common share determined in accordance with GAAP or as an indication of SEVN's cash flows from operations determined in accordance with GAAP, a measure of SEVN's liquidity or operating performance or an indication of funds available for SEVN's cash needs. In addition, SEVN's methodologies for calculating these non-GAAP financial measures may differ from the methodologies employed by other companies to calculate the same or similar supplemental performance measures; therefore, SEVN's reported Distributable Earnings, Distributable Earnings per common share, Adjusted Distributable Earnings and Adjusted Distributable Earnings per common share may not be comparable to distributable earnings, distributable earnings per common share, adjusted distributable earnings and adjusted distributable earnings per common share, as reported by other companies.

SEVN calculates Distributable Earnings and Distributable Earnings per common share as net income and net income per common share, respectively, computed in accordance with GAAP, including realized losses not otherwise included in net income determined in accordance with GAAP, and excluding: (a) the management incentive fees earned by SEVN's manager, if any; (b) depreciation and amortization, if any; (c) non-cash equity compensation expense; (d) unrealized gains, losses and other similar non-cash items that are included in net income for the period of the calculation (regardless of whether such items are included in or deducted from net income or in other comprehensive income under GAAP), if any; and (e) one-time events pursuant to changes in GAAP and certain non-cash items, if any. Distributable Earnings are reduced for realized losses on loan investments when amounts are deemed uncollectable.

SEVN defines Adjusted Distributable Earnings and Adjusted Distributable Earnings per common share as Distributable Earnings and Distributable Earnings per common share, respectively, excluding the effects of certain non-recurring transactions.

Management believes that Adjusted Book Value per common share is a meaningful measure of SEVN's capital adequacy because it excludes the unaccreted purchase discount resulting from the excess of the fair value of the loans TRMT then held for investment and that SEVN acquired as a result of the Merger over the consideration SEVN paid in the Merger. Adjusted Book Value per common share does not represent book value per common share or alternative measures determined in accordance with GAAP. SEVN's methodology for calculating Adjusted Book Value per common share may differ from the methodologies employed by other companies to calculate the same or similar supplemental capital adequacy measures; therefore, SEVN's Adjusted Book Value per common share may not be comparable to the adjusted book value per common share reported by other companies.

In order to maintain its qualification for taxation as a REIT, SEVN is generally required to distribute substantially all of its taxable income, subject to certain adjustments, to its shareholders. SEVN believes that one of the factors that investors consider important in deciding whether to buy or sell securities of a REIT is its distribution rate. Over time, Distributable Earnings, Distributable Earnings per common share, Adjusted Distributable Earnings and Adjusted Distributable Earnings per common share may be useful indicators of distributions to SEVN's shareholders and are measures that are considered by SEVN's Board of Trustees when determining the amount of distributions. SEVN believes that Distributable Earnings, Distributable Earnings per common share, Adjusted Distributable Earnings and Adjusted Distributable Earnings per common share provide meaningful information to consider in addition to net income, net income per common share and cash flows from operating activities determined in accordance with GAAP. These measures help SEVN evaluate its performance excluding the effects of certain transactions, the variability of any management incentive fees that may be paid or payable and GAAP adjustments that SEVN believes are not necessarily indicative of SEVN's current loan portfolio and operations. In addition, Distributable Earnings is used in determining the amount of base management and management incentive fees payable by SEVN to its manager under SEVN's management agreement.

Please see the pages attached hereto for a more detailed statement of SEVN's operating results and financial condition and for a reconciliation of net income and net income per common share determined in accordance with GAAP to SEVN's calculation of Distributable Earnings, Distributable Earnings per common share, Adjusted Distributable Earnings and Adjusted Distributable Earnings per common share.

SEVEN HILLS REALTY TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except per share data)
(unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
INCOME FROM INVESTMENTS:				
Interest income from investments	\$ 15,205	\$ 7,209	\$ 45,303	\$ 16,775
Purchase discount accretion	1,522	18,932	10,689	18,932
Less: interest and related expenses	(7,439)	(1,573)	(17,630)	(2,253)
Income from investments, net	9,288	24,568	38,362	33,454
OTHER EXPENSES:				
Base management fees	1,070	1,054	4,260	3,221
General and administrative expenses	740	1,352	4,080	3,091
Reimbursement of shared services expenses	712	615	2,232	1,565
Other transaction related costs	—	589	37	589
Total other expenses	2,522	3,610	10,609	8,466
Income before income taxes	6,766	20,958	27,753	24,988
Income tax expense	(6)	(302)	(113)	(338)
Net income	\$ 6,760	\$ 20,656	\$ 27,640	\$ 24,650
Weighted average common shares outstanding - basic	14,579	14,506	14,540	11,304
Weighted average common shares outstanding - diluted	14,579	14,507	14,540	11,304
Net income per common share - basic and diluted	\$ 0.46	\$ 1.42	\$ 1.89	\$ 2.18

SEVEN HILLS REALTY TRUST
RECONCILIATION OF NET INCOME TO DISTRIBUTABLE EARNINGS AND
ADJUSTED DISTRIBUTABLE EARNINGS
(amounts in thousands, except per share data)
(unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Reconciliation of net income to Distributable Earnings and Adjusted Distributable Earnings:				
Net income	\$ 6,760	\$ 20,656	\$ 27,640	\$ 24,650
Non-cash equity compensation expense	129	446	1,018	627
Non-cash accretion of purchase discount	(1,522)	(18,932)	(10,689)	(18,932)
Exit fees collected on loans acquired in Merger ⁽¹⁾	—	—	104	—
Distributable Earnings	5,367	2,170	18,073	6,345
Other transaction related costs ⁽²⁾	—	589	37	589
Income tax expense ⁽³⁾	—	282	—	282
Adjusted Distributable Earnings	\$ 5,367	\$ 3,041	\$ 18,110	\$ 7,216
Weighted average common shares outstanding - basic	14,579	14,506	14,540	11,304
Weighted average common shares outstanding - diluted	14,579	14,507	14,540	11,304
Distributable Earnings per common share - basic and diluted	\$ 0.37	\$ 0.15	\$ 1.24	\$ 0.56
Adjusted Distributable Earnings per common share - basic and diluted	\$ 0.37	\$ 0.21	\$ 1.25	\$ 0.64

- (1) Exit fees collected for loans acquired in the Merger represent fees collected upon repayment of loans for which no income relating to those exit fees has previously been recognized in Distributable Earnings. In accordance with GAAP, exit fees payable with respect to loans acquired in the Merger were accreted as a component of the purchase discount and were excluded from Distributable Earnings as a non-cash item. Accordingly, these exit fees have been recognized in Distributable Earnings upon collection.
- (2) Other transaction related costs include expenses related to the Merger.
- (3) Income tax expense for the three months and year ended December 31, 2021 represents the portion of income tax expense incurred on realized gains on the disposition of SEVN's securities portfolio in connection with SEVN's conversion from a registered investment company to a mortgage REIT in January 2021.

SEVEN HILLS REALTY TRUST
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 71,057	\$ 26,197
Restricted cash	10	98
Loans held for investment, net	669,929	570,780
Prepaid expenses and other assets	5,851	2,918
Total assets	<u>\$ 746,847</u>	<u>\$ 599,993</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable, accrued liabilities and deposits	\$ 1,903	\$ 1,561
Secured financing facilities, net	471,521	339,627
Due to related persons	1,844	1,111
Total liabilities	<u>475,268</u>	<u>342,299</u>
Commitments and contingencies		
Shareholders' equity:		
Common shares of beneficial interest, \$0.001 par value, 25,000,000 shares authorized; 14,709,165 and 14,597,079 shares issued and outstanding, respectively	15	15
Additional paid in capital	238,505	237,624
Cumulative net income	52,290	24,650
Cumulative distributions	(19,231)	(4,595)
Total shareholders' equity	<u>271,579</u>	<u>257,694</u>
Total liabilities and shareholders' equity	<u>\$ 746,847</u>	<u>\$ 599,993</u>

Warning Concerning Forward-Looking Statements

This press release contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. Also, whenever SEVN uses words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate”, “will”, “may” and negatives or derivatives of these or similar expressions, SEVN is making forward-looking statements. These forward-looking statements are based upon SEVN's present intent, beliefs or expectations, but forward-looking statements are not guaranteed to occur and may not occur. Actual results may differ materially from those contained in or implied by SEVN's forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond SEVN's control. For example:

- Mr. Lorenzini states that SEVN ended the year with substantial earnings growth driven by the favorable impact of rising interest rates on SEVN's floating rate loan portfolio and that, given SEVN's balance sheet capacity and its expectation that interest rates may continue to rise, SEVN believes it is well positioned to further grow distributable earnings and continue to deliver attractive returns for its shareholders. These statements may imply that SEVN will experience continued growth in future periods, including in its loan originations and investment income, and generate attractive returns for its shareholders. However, SEVN operates in a highly competitive industry and its business is subject to various risks, many of which are outside its control, including the potential negative impact on the CRE industry and lending market as a result of inflation, high interest rates, geopolitical risks and economic recession or downturn. Further, these adverse conditions may negatively impact SEVN's borrowers and their ability to fund their obligations to SEVN. In addition, interest rates may not continue to rise. These risks and other factors may prevent SEVN from successfully closing additional loans, executing its business plans and realizing its investment objectives, increasing or maintaining its current earnings and delivering shareholder returns.
- Mr. Lorenzini states that based on strong earnings momentum and the credit quality of SEVN's loan portfolio, in January 2023 SEVN announced a 40% increase in its quarterly distribution to \$0.35 per common share. This statement may imply that SEVN will experience continued growth in future periods, that the credit quality of SEVN's loan portfolio will remain strong and that SEVN will maintain its increased distribution rate, or make additional increases to its distribution rate in the future. However, as discussed above, SEVN operates in a highly competitive industry and its business is subject to various risks, which may prevent SEVN from successfully closing additional loans, executing its business plans and realizing its investment objectives, increasing or maintaining its current earnings and delivering shareholder returns. In addition, SEVN's borrowers and their tenants are subject to similar risks, including risks related to current economic conditions, including inflation, high interest rates, geopolitical risks and economic recession or downturn. As a result of these or other factors, SEVN's loans may not remain current and the credit quality of its loan portfolio could decline. Additionally, the timing, amount and form of any future distributions will be determined at the discretion of SEVN's Board of Trustees and will depend on various factors that its Board of Trustees deems relevant, including SEVN's historical and projected income, its Distributable Earnings, Distributable Earnings per common share, Adjusted Distributable Earnings and Adjusted Distributable Earnings per common share, the then current and expected needs and availability of cash to pay its obligations and fund its investments, distributions which may be required to be paid to maintain SEVN's qualification for taxation as a REIT, limitations on distributions contained in SEVN's financing arrangements and other factors deemed relevant by SEVN's Board of Trustees. Accordingly, any future distributions may be increased, decreased,

suspended or discontinued, and there is no assurance as to the rate at which future dividends, if any, will be paid.

- Mr. Lorenzini states SEVN's intention to continue to take a disciplined approach to identifying new investments. This may result in SEVN pursuing and completing fewer loan originations. Further, SEVN may not identify loan investments and any loans it may complete may not perform up to SEVN's expectations. Additionally, once SEVN invests or commits its remaining capital, its ability to continue to grow and fund loans will be subject to its ability to obtain additional cost-effective capital or to redeploy proceeds from repayments of its loan investments.

The information contained in SEVN's filings with the SEC, including under "Risk Factors" in SEVN's periodic reports, or incorporated therein, identifies other important factors that could cause SEVN's actual results to differ materially from those stated in or implied by SEVN's forward-looking statements. SEVN's filings with the SEC are available on the SEC's website at www.sec.gov.

You should not place undue reliance upon forward-looking statements.

Except as required by law, SEVN does not intend to update or change any forward-looking statements as a result of new information, future events or otherwise.

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