

ASX Announcement

Qualitas Limited (ASX: QAL)

18 August 2022

QUALITAS EXCEEDS PROSPECTUS AND CONSISTENT WITH FY22 GUIDANCE, SIGNALS FURTHER GROWTH IN FY23

Important Note: The information in this announcement and accompanying presentation is based on the aggregated special purpose financial statements of Qualitas Limited, Qualitas Property Partners Pty Ltd and Qualitas Investments Unit Trust for the 12 months to 30 June 2022. For statutory reporting, please refer to the Appendix 4E and Annual Financial Report. ¹

Qualitas Limited (**Qualitas, the Company**), an Australian alternative real estate investment manager is pleased to present its financial results for the 12 months to 30 June 2022 (**FY22**) and provide the following financial and operational update.

FY22 Highlights¹

- Successful \$335 million initial public offering (**IPO**) and ASX listing
- Total revenue of \$74.5 million, up 33% on FY21 and 3% ahead of prospectus
- Group EBITDA² of \$36.6 million, up 83% on FY21 and 20% ahead of prospectus
- Pro forma net profit before tax as per prospectus definition of \$26.3 million, up 15% on prospectus and consistent with updated May 22 guidance
- Statutory net profit before tax of \$23.5 million, up 85% on FY21, 17% ahead of prospectus and consistent with updated May 22 guidance
- Statutory net profit after tax of \$18.9 million, up 56% on FY21 and 34% ahead of prospectus
- Funds management fees of \$35.3 million³, up 29% on FY21 and 5% ahead of prospectus
- Funds management EBITDA margin of 48.8%, up from 35.1% on FY21
- 2H FY22 dividend of 4 cents per share, representing 3% annualised yield at the IPO issue price of \$2.50
- Committed funds under management (**FUM**) of \$4.26 billion at 30 June 2022
- \$1.93 billion of capital deployed, up 57% on FY21 and 31% ahead of prospectus
- Significant cash holdings of \$309 million at 30 June 2022 providing flexibility to pursue growth, leverage co-investments and seed asset for current or newly launched funds
- Post-balance date highlights:
 - Secured fully discretionary mandate to invest up to \$700 million on behalf of Abu Dhabi Investment Authority (**ADIA**), driving Committed FUM to \$4.92 billion as at 1 August 2022.

¹ The Appendix 4E and statutory Annual Financial Report are in respect of Qualitas Limited for the period from 4 November 2021 (date of incorporation of Qualitas Limited) to 30 June 2022. Qualitas has also prepared aggregated special purpose annual financial statements for the purposes of lodgement with the ASX (please refer to the Aggregated Special Purpose Annual Financial Statements released by Qualitas today). These special purposes financial statements aggregate the results of Qualitas Limited, Qualitas Property Partners Pty Ltd and Qualitas Investments Unit Trust as though the Group was a combined group for the full 12-months ended 30 June 2022 and the prior corresponding period.

² Normalised EBITDA adjusted for abnormal items, QRI capital raising costs, Qualitas Real Estate Income Fund (**QRI**) mark to market adjustment and QAL IPO costs.

³ Excludes Arch Finance.

- ADIA also subscribed for options to acquire up to 9.99% of ordinary shares in Qualitas, conditional on further investment mandates from ADIA of up to \$1 billion in the next 2 years (so that, if this occurs, ADIA's mandated commitments to Qualitas would equal or exceed \$1.7 billion in total)^{4,5}

Group Managing Director and Co-founder Andrew Schwartz said:

“Qualitas is delighted to have exceeded FY22 prospectus forecasts from our successful IPO and performed in line with updated earnings guidance issued in May. Our performance over the past year demonstrates the transformative nature of the IPO, which provided us the capital to accelerate our growth at a time when opportunities are continually presenting for innovative, experienced and well-resourced commercial real estate (**CRE**) investment managers like Qualitas.

“The FY22 results show that Qualitas is delivering against its objectives outlined at the time of the IPO – using our strengthened balance sheet to grow our FUM by meeting the co-investment requirements of global and domestic institutions and by leveraging capital to underwrite and warehouse attractive seed assets for current or newly created credit and equity funds. Qualitas’ commitment to co-invest \$35 million in the Qualitas Diversified Credit Investments (**QDCI**) was an important factor in securing the mandate with ADIA.

“Qualitas achieved strong capital deployment of \$1.93 billion in FY22, which was ~\$500 million ahead of our prospectus forecast. Taking into account the recently secured fully discretionary \$700 million mandate from sovereign wealth investor ADIA, we now have nearly \$5 billion of Committed FUM.”

Financial and operational performance

Qualitas achieved total revenue of \$74.5 million in FY22, up 33% on FY21 and 3% of our prospectus forecast.

The strong increase in deployment of funds, particularly in the final quarter of FY22, contributed to a 29% increase in funds management fees to \$35.3 million, 5% ahead of prospectus forecasts. Continued strong deployment into FY23 on the back of new mandates and favourable market conditions for Qualitas is expected to be fully reflected in FUM growth in future reporting periods.

Net performance fees revenue rose 93% in FY22 to \$19.4 million (adjusted for staff incentives), reflecting a greater ability and more fund performance certainty enabling Qualitas to recognise performance fees.

Funds management EBITDA approximately doubled to \$32.7 million resulting in an operating EBITDA margin of 48.8%, compared to 35.1% in FY21, demonstrating the increasing scale and operating leverage of the Qualitas platform as FUM continues to grow.

Total Group EBITDA, including the contribution from direct lending segment (Arch Finance and Peer Estate), rose 83% to \$36.6 million².

Statutory net profit after tax was \$18.9 million, up 56% on FY21 and above the prospectus guidance of \$14.1 million.

Qualitas has declared a FY22 dividend of 4 cents per share, in line with prospectus forecasts. This represents an annualised dividend yield of 3% based on the IPO issue price \$2.50.

⁴ On a fully diluted basis, excluding share rights under the Company's Employee Equity Plan.

⁵ This may be extended by a further 6 months where the allocation of ADIA's capital under the mandate does not exceed A\$560 million by the date that is 18 months after the issue date.

Funds platform and deployment momentum

Committed FUM rose from \$2.98 billion at 30 June 2021 to \$4.26 billion at 30 June 2022, representing 43% growth in FY22 and a compound annual growth rate (**CAGR**) of 36% since Qualitas' inception in 2008. Securing the ADIA mandate post-balance date lifts Committed FUM to \$4.92 billion as at 1 August 2022 for a CAGR since inception of 38%.

Qualitas now manages 15 funds across 10 strategies, including the ASX-listed Qualitas Real Estate Income Fund (**QRI**), with three new credit and equity funds launched during FY22. The ADIA mandate resulted in the launch of the Company's 15th fund – QDCI, which will have a wide investment scope with a focus on the CRE private credit market.

Qualitas achieved strong capital deployment of \$1.93 billion in FY22, compared to \$1.23 billion in FY21, resulting in a CAGR since inception of 48%. Deployment in FY22 is up 31% on prospectus forecasts.

The Company retained cash holdings of \$309 million as at 30 June 2022.

FY23 outlook

The Company remains focused on delivering earnings growth based on sustainable FUM growth and leveraging the benefits of scale.

In an environment of rising interest rates and inflation, the Company is observing withdrawals of liquidity in the market and asset value recalibration. These conditions favour well capitalised alternative financiers, like Qualitas, with a track record of disciplined capital deployment. The investment returns on Qualitas' credit funds are anticipated to increase with the benefit of real asset security, while Qualitas' equity funds have the benefit of sourcing investments with recalibrated asset values, with premiums being paid for liquidity.

Mr Schwartz said: "Qualitas continues to ride the long-term structural tailwinds in the CRE sector and is well placed to benefit from the current economic cycle, with volatility increasing the hesitancy of traditional funding sources to deploy capital. As benchmark returns and risks rise, banks continue their retreat from the CRE sector."

"Despite the strong fundamentals, we are entering a more cautious market environment and while alternative investment firms, like Qualitas, perform better due to reduced market liquidity, we remain disciplined in our investment selection and due diligence. In our experience, institutional investors and other wholesale investors can become slower to commit capital at this point in the cycle. Ultimately, however, reduced liquidity encourages higher investment returns and through careful capital deployment, our funds and Qualitas' balance sheet capital returns can both benefit from current market dynamics."

"Qualitas has a diverse range of committed capital mandates across the risk spectrum, illustrating the flexibility and resilience of our business model through market cycles. We have a unique capability and competitive advantage to analyse real estate opportunities through both a credit and equity perspective."

"The Company expects to continue to scale its platform to grow FUM, building on the increasing diversity of its institutional investors, both domestic and offshore, as sophisticated global investors continue to reallocate their portfolios towards alternative investments and recognise the opportunities in CRE credit and equity in the current environment."

Qualitas provides the following FY23 guidance:

- FY23 net profit before tax⁶ is estimated between \$30 million and \$33 million
- FY23 earnings per security (EPS) is expected to be between 7.1 cps and 7.9 cps⁶

Market briefing

Qualitas will hold a market briefing at 10.00am (AEST) today, 18 August 2022. The market briefing will be presented by Andrew Schwartz (Group Managing Director and Co-Founder), Philip Dowman (Chief Financial Officer) and Kathleen Yeung (Global Head of Corporate Development).

WEBCAST DETAILS

Please use the following link to access the webcast presentation:

<https://webcast.openbriefing.com/8766/>

TELECONFERENCE DETAILS

Conference ID: 10022404

For participants who prefer to dial-in to the presentation, please use the following link to preregister for the call and access dial-in details: <https://s1.conf.com/diamondpass/10022404-5jam2l3.html>

A replay of the webcast will be available on the Qualitas website following the conclusion of the briefing.

Authorised for release by the Board of Directors of the Company.

⁶ Excludes mark to market adjustment for Qualitas' co-investment in QRI and QRI capital raising costs (if any)

For more information, please contact:

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About Qualitas

Qualitas Limited (**Qualitas**) is an ASX-listed Australian alternative real estate investment manager, with committed funds under management of circa A\$5 billion across credit and equity fund mandates, specialising in real estate private credit and real estate private equity sectors.

Founded in 2008, the firm has since inception invested in or financed assets valued at over A\$15 billion. The firm invests in real estate private credit, opportunistic real estate private equity, income producing commercial real estate and build-to-rent residential. Qualitas manages discretionary funds on behalf of institutional, wholesale and retail clients in Australia, Asia, and Europe.

Qualitas' objective is to provide Shareholders with attractive risk-adjusted returns through a combination of regular and growing dividend income and capital growth. Qualitas has more than 70 investment and fiduciary professionals, with a strong focus on risk mitigation and management through its robust risk management and governance frameworks, and its operating structure and procedures.