

ASX Announcement**Qualitas Limited (ASX: QAL)****23 August 2023****QUALITAS DELIVERS INCREASING QUALITY OF EARNINGS AND OPERATIONAL EFFICIENCY UNDERPINNED BY SUBSTANTIAL FUM AND DEPLOYMENT GROWTH**

Important Note: The information in this announcement and accompanying presentation is based on the General Purpose Statutory accounts for financial year ended June 2023 and comparatives from Special Purpose Statutory accounts provided for the June 2022 financial reporting periods. For statutory reporting, please refer to the relevant Appendix 4E and Annual Financial Report.

Qualitas Limited (ASX:QAL) (**Qualitas**, or **Company**), a leading Australian alternative real estate investment manager, is pleased to present its financial results for the twelve months to 30 June 2023 (**FY23**) and provide the following financial and operational update.

FY23 Qualitas Group Financial Highlights:

- Statutory net profit after tax (**NPAT**) of \$22.5 million, up 19% on FY22
- Excluding performance fees, normalised net profit before tax (**NPBT**)¹ and EBITDA¹ up 88% and 78% respectively on FY22
- Funds management revenue of \$44.1 million, up 25% on FY22
- Funds management EBITDA excluding performance fees of \$26.8 million, up 101% on FY22 with funds management EBITDA margin excluding performance fees up to 45% for FY23 compared to 34% in FY22
- Normalised EBITDA¹ of \$33.9 million, down 7% on FY22 with normalised EBITDA¹ margin excluding performance fees up to 45% in FY23 compared to 35% in FY22
- Normalised NPBT¹ of \$31.1 million, down 9% on FY22
- Normalised earnings per share (**EPS**)¹ of 7.5 cents, down 1.5 cents on FY22
- Final 2H23 dividend of 5.5 cents per share with interim 1H23 dividend of 2.0 cents per share brings total FY23 dividend of 7.5 cents per share, representing a 3% yield at the IPO issue price of \$2.50
- \$192 million cash on balance sheet as at 30 June 2023

FY23 Qualitas Funds Management Highlights:

- Committed funds under management (**FUM**)² as at 30 June 2023 of A\$6.1 billion, up 43% on FY22
- Committed FUM as at 23 August 2023 of A\$7.5 billion³, up 80% since IPO⁴
- \$3.0 billion of capital deployed, up 55% on FY22
- Average gross investment size⁵ of \$73 million, up 44% on FY22

¹ FY22 normalised earnings adjusted for abnormal items including QRI capital raise costs, QAL IPO costs and unrealised mark to market (MTM) losses from Qualitas' co-investment in QRI. FY23 normalised earnings adjusted for unrealised MTM gains from Qualitas' co-investment in QRI.

² FUM represents committed capital from investors with signed investor agreements.

³ FUM metrics as at 30 June 2023 and adjusted for increased A\$750 million commitment in QCDF II and additional A\$700 million from Abu Dhabi Investment Authority.

⁴ Based on FUM of A\$4.2 billion at 31 October 2021 as per the Prospectus for the Qualitas IPO.

⁵ Excluding 'AURA by Aqualand' due to its non-typical, significant size, single transaction nature.

FY24 Guidance:

- FY24 NPBT⁶ is estimated between \$37 million and \$41 million
- FY24 EPS⁶ is estimated between 8.75 cps and 9.70 cps⁷

Group Managing Director and Co-Founder Andrew Schwartz said:

“Our business continues to perform strongly evidenced by the significant growth seen across financial and funds management metrics. Our FUM and deployment grew 43% and 55% respectively, outpacing our historical average rates and underpinned the increase in Qualitas’ quality of earnings for FY23. This growth is primarily attributable to strong investor interest in the Australian Commercial Real Estate (CRE) private credit and Build-To-Rent (BTR) sectors where liquidity withdrawal from traditional financiers together with chronic shortages in multi-dwelling residential assets, have created a significant opportunity for Qualitas. We remain uncompromising in our disciplined approach to asset selection and deployment as our pipeline expands and this approach has been rewarded by significant fresh capital from existing and new investors.

A key highlight of our FY23 results was the successful execution of our key strategic initiative to increase operational efficiency through larger mandate and investment sizes. This factor combined with higher utilisation of balance sheet capital led to a 9% increase in the normalised EBITDA¹ margin excluding performance fees. We retained a cash balance of \$192 million as at 30 June 2023 demonstrating our ability to underwrite and recycle investments on behalf of our funds whilst increasing our co-investment commitments.

The announcement of an additional commitment of A\$700 million from the Abu Dhabi Investment Authority (ADIA)⁸ closely followed our announcement of an additional A\$750 million private credit commitment by an institutional investor for the Qualitas Construction Debt Fund II (QCDF II)⁹, demonstrating their conviction in the long-term market opportunity for CRE private credit in Australia. These sizeable new commitments highlight the trust placed in Qualitas by our key institutional partners. It also reiterates the depth of our relationships and our ability to attract substantial new FUM amidst a challenging capital raising environment globally. We believe these factors are a clear differentiator in the market amongst alternative financiers.

Following the additional ADIA commitment, Qualitas currently has A\$2.3 billion in dry powder. This underpins our earnings stability and growth potential with deployment timing being the key variable. Our platform has been set up to manage long duration capital with in-built platform protections to minimise capital redemption risk. Our objective is to match the fund structure and term with the duration of the fund’s underlying assets.”

FY23 Financial and Operational Performance

Funds management revenue increased by 25% on FY22 to \$44.1 million. A reduction in net performance fee revenue from \$19.4 million to \$3.2 million demonstrates the higher quality of earnings achieved in FY23.

⁶ Excludes any MTM movements for Qualitas’ co-investment in QRI, MTM movement in co-investment in funds or investments held on balance sheet where assets have completed construction, and QRI capital raising costs.

⁷ Based on the current total number of ordinary shares on issue, that is subject to any future changes.

⁸ Qualitas ASX announcement, *Qualitas secures additional A\$700 million commitment from ADIA; conditions met to exercise options to acquire Qualitas shares*, 22 August 2023.

⁹ Qualitas ASX announcement, *Qualitas secures additional A\$750 million private credit commitment*, 16 August 2023

Highlights from the year:

- i) Principal income increased by 273% to \$15.9 million, driven by returns generated from underwriting balance sheet capital;
- ii) Meaningful FUM growth predominantly from long-term capital sources accelerating top line growth and scalability; and
- iii) Record deployment of \$3 billion in the period including a record single investment of \$600 million.

Excluding performance fees, funds management EBITDA increased by 101%, with margins expanding 11%, which demonstrates the growth in Qualitas' earnings on an underlying basis as FUM is deployed with efficiency benefits coming through from larger mandates and investment sizes.

Outlook

The observed ongoing retreat in the supply of credit into CRE, particularly in the residential sector, by traditional financiers underpins the widening funding gap experienced by sponsors¹⁰ hence providing prime conditions for experienced and well capitalised alternative financiers like Qualitas.

Market conditions are ripe for the next phase of price growth in the multi-dwelling residential sector. These conditions include the significant long term residential supply shortage, increasing migration and the observed easing of construction cost increases. Residential price growth for new apartments is observed in areas of deep supply shortage and this trend is expected to accelerate over the next twelve months. For well capitalised sponsors, these are the conditions for them to start pursuing new projects.

Mr Schwartz continued:

“Given the momentum in our FUM growth we have the opportunity, over the next year, to realise the benefits of scale through earnings growth and platform efficiency. We anticipate our recurring base management fees to increase and contribute to a larger proportion of funds management earnings. Our product and investor mix is skewed to strategic long-term capital which accelerates growth in funds management revenue.

The depth of experience and skillset in the team enables us to invest across CRE sub-sectors and across equity and debt. We anticipate residential private credit to remain resilient. Together with the macroeconomic tailwinds, there is growing recognition of the attractive opportunities to allocate capital to 'best in breed' CRE sponsors. Our sponsors value flexible funding solutions which require sophisticated capital. Our investors recognise that access to these opportunities is best done through the disciplined approach in investment selection and asset management that Qualitas has demonstrated through its 15-year track record.”

FY24 guidance:

- FY24 NPBT⁶ is estimated between \$37 million and \$41 million (representing an increase of c.19% and c.32% respectively on FY23)
- FY24 EPS⁶ is estimated between 8.75 cps and 9.70 cps⁷

¹⁰ Borrowers at Qualitas, typically referring to developers and financial investors.

Market briefing

Qualitas will hold a market briefing at 10:00am (AEST) today, 23 August 2023. 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/qal-fyr-2023/>

TELECONFERENCE DETAILS

Conference ID: 10031136

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.c-conf.com/diamondpass/10031136-5wjlgq.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.

For more information, please contact:

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About Qualitas

Qualitas Limited ACN 655 057 588 (**Qualitas**) is an ASX-listed Australian alternative real estate investment manager with approximately A\$7.5 billion³ of committed funds under management. Qualitas matches global capital with access to attractive risk adjusted investments in real estate private credit and real estate private equity through a range of investment solutions for institutional, wholesale and retail clients. Qualitas offers flexible capital solutions for its partners, creating long-term value for shareholders, and the communities in which it operates.

For 15 years Qualitas has been investing through market cycles to finance assets with a combined value of over A\$19 billion¹¹ across all real estate sectors. Qualitas focuses on real estate private

¹¹ As at 31 December 2022

credit, opportunistic real estate private equity, income producing commercial real estate and build-to-rent residential. The broad platform, complementary debt and equity investing skillset, deep industry knowledge, long-term partnerships, and diverse and inclusive team of more than 80 professionals provides a unique offering in the market to accelerate business growth and drive performance for shareholders.

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