

## ASX Announcement

### Qualitas Limited (ASX: QAL)

1 August 2022

## Qualitas secures A\$700 million mandate and grants options to ADIA

### Key points

- Qualitas secures commitments from a wholly owned subsidiary of the Abu Dhabi Investment Authority (ADIA) for a mandate to invest A\$700 million on behalf of a new fully discretionary investment vehicle
- ADIA subscribes for options to acquire new ordinary shares equating to 9.99% of Qualitas' current issued equity on a fully diluted basis, conditional on ADIA committing further incremental investment mandates totalling A\$1 billion

Qualitas Limited (ASX: QAL) (**Qualitas** or **Company**), a leading Australian alternative real estate investment manager, is pleased to announce that it has secured commitments from a wholly owned subsidiary of ADIA for a new fully discretionary mandate to invest A\$700 million in Australian commercial real estate (**CRE**) private credit opportunities on behalf of a new investment vehicle.

In addition, Qualitas has granted options to ADIA under which ADIA may acquire up to 32,630,374 new ordinary shares in Qualitas, representing up to 9.99%<sup>1</sup> of current issued equity on a fully diluted basis (**Maximum Equity Interest**). ADIA will be eligible for the Maximum Equity Interest if it commits further incremental investment mandates totalling A\$1 billion (bringing the total commitment to A\$1.7 billion) through additional Qualitas mandates.

### **Establishment of Qualitas Diversified Credit Investments**

Under the terms of the agreement, Qualitas has secured commitments of up to A\$700 million from an ADIA group entity for a new fully discretionary mandate. The mandate will be carried out through the newly created Qualitas Diversified Credit Investments (**QDCI**), which will have a wide investment scope with a focus on the growing Australian CRE private credit market and senior credit strategies.

The mandate is well-timed to coincide with the current dislocation in global markets, driving increased volatility and hesitancy by traditional funding sources to deploy capital. This has led to rising benchmark returns and risk premiums in Australia.

The mandate increases Qualitas' total committed funds under management (**FUM**) to circa A\$5 billion focused on CRE credit (totalling 74% of total FUM) and equity (totalling 26% of total FUM) opportunities. The mandate will increase the proportion of Qualitas' total FUM invested on behalf of local and international institutional investors to approximately 73%, with the balance retail and high net worth investors. Qualitas is co-investing 5% or A\$35 million in the QDCI which is consistent with the objectives of the capital raised in the Initial Public Offer (**IPO**).

QDCI will not be open to other investors.

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<sup>1</sup> On a fully diluted basis, excluding share rights under the Company's Employee Equity Plan.

## Issue of options to ADIA

In addition to its investment in QDCI, ADIA has agreed to subscribe for options in the Company, which would provide ADIA with the opportunity to subscribe for new ordinary shares in Qualitas up to the Maximum Equity Interest, subject to certain key terms as outlined below.

The options will be exercisable in tranches if ADIA increases its investment mandates with Qualitas within the next two years<sup>2</sup> and the exercise price will be based on the volume weighted average issue price (**VWAP**) of Qualitas shares (currently A\$2.50, which is consistent with Qualitas' IPO price). ADIA will be eligible for the Maximum Equity Interest if it commits a full A\$1 billion in incremental investment mandates to be invested by Qualitas on its behalf, taking its investment mandates with Qualitas to A\$1.7 billion.

The key terms and conditions of the option issue are as follows:

- **Size:** Issue of options representing up to 32,630,374 new ordinary shares in Qualitas, or 9.99%<sup>3</sup> of currently issued equity, fully diluted.
- **Strike Price:** The VWAP (per share) of shares issued since the IPO of Qualitas. This price is agreed to be A\$2.50 subject to future issuances of Qualitas shares.
- **Expiry Date:** Two years (1 August 2024), extendable 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 of the options.
- **Conditions:**

The options are exercisable in tranches upon the occurrence of the following conditions:

  1. **Option for the issue of 22,841,263 ordinary shares in Qualitas (Initial Tranche)** financial close has occurred in respect of Qualifying Mandates<sup>4</sup> of at least A\$700 million in incremental commitments (in addition to the A\$700 million commitment in QDCI the subject of this announcement);
  2. **Option for the issue of 3 additional tranches across 3,263,037 ordinary shares in Qualitas (Additional Tranches)** 3,263,037 of additional ordinary shares for every whole A\$100 million of additional commitments under Qualifying Mandates reaching financial close, up to an additional 9,789,111 ordinary shares in total (in addition to the A\$700 million commitment in QDCI and the A\$700 million of incremental commitments in (1) above).
- **Material exercise terms / other:** Options may not be assigned or transferred without the consent of the Company except to a related entity of ADIA.

Andrew Schwartz, Group Managing Director and Co-founder of Qualitas said: "I am proud that such a well-regarded leading global institutional investor has chosen Qualitas for this significant mandate and has backed its belief in our business with options to acquire a meaningful stake in Qualitas. We believe this decision is testament to the expertise and quality of Qualitas' in-house origination, credit assessment and asset management skills in the Australian CRE private credit market. Should the options be exercised, the additional capital raised will continue to strengthen our balance sheet providing additional capacity for Qualitas to warehouse opportunities and co-invest with our fund investors in line with growth in underlying FUM."

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<sup>2</sup> This may be extended by a further 6 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.

<sup>3</sup> On a fully diluted basis, excluding share rights under the Company's Employee Equity Plan.

<sup>4</sup> **Qualifying Mandate** means a separately managed account from ADIA or investment (including by way of a loan) in a fund or investment vehicle by ADIA which is managed by Qualitas or a company which Qualitas has an ownership interest in which has discretion to make private real estate credit or equity investments.

“The award of the mandate is timely given the growing opportunities for experienced investors in Australian CRE private credit as the banks continue their retreat from the CRE sector.”

“This mandate highlights the benefits of Qualitas’ scalable platform and solidifies our position as a trusted Australian alternative real estate investment manager benefitting from robust relationships with global institutional investors, strong balance sheet capacity, and a market leading, best-in-class investment and operational team. Together with Mark Fischer, Global Head of Real Estate and Co-founder of Qualitas, and the entire Qualitas investment team, we will work diligently to perform under the mandate to achieve the agreed target returns of this exciting new investment vehicle.”

The terms of the mandate align with Qualitas’ prospectus objectives, being:

- Use of Qualitas’ balance sheet to underwrite opportunities in anticipation of new mandates;
- Co-invest Qualitas’ capital to take advantage of the pipeline and show alignment; and
- Earn returns on Qualitas’ co-investment capital.

Qualitas’ financial advisor is Macquarie Capital, and its legal advisor is MinterEllison.

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

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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 debt 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.