

**ASX Announcement****Qualitas Limited (ASX: QAL)****22 February 2023****QUALITAS REPORTS STRONG FUM GROWTH AND CAPITAL DEPLOYMENT; POSITIONED FOR FURTHER GROWTH IN FY23**

*Important Note: The information in this announcement and accompanying presentation is based on the General Purpose Statutory accounts for half year ended December 2022 and comparatives from Special Purpose Statutory accounts provided for the December 2021 and June 2022 financial reporting periods. For statutory reporting, please refer to the Appendix 4D and Interim Financial Report for the half-year ended 31 December 2022.*

Qualitas Limited (**Qualitas, the Company**), an Australian alternative real estate investment manager, is pleased to present its financial results for the six months to 31 December 2022 (**1H23**) and provide the following financial and operational update.

**1H23 Qualitas Group Highlights:**

- Net Profit After Tax (**NPAT**) of \$10.7 million, up 117% on 1H22<sup>1</sup>
- Pro forma Net Profit Before Tax (**NPBT**) of \$14.6 million, down 11% on 1H22<sup>2</sup>
- Group EBITDA<sup>2</sup> of \$16.0 million, down 10% on 1H22
- Excluding performance fees, Proforma NPBT<sup>2</sup> and Group EBITDA<sup>2</sup> up 77% and 66% respectively on 1H22
- Funds management fees of \$20.7 million, up 21% on 1H22
- Earnings Per Share of 3.6 cents, up 1.9 cents on 1H22
- Net cash position of \$122 million at 31 December 2022

**1H23 Qualitas Funds Management Highlights:**

- Committed funds under management (**FUM**) of \$5.8 billion, up 36% on 1H22
- \$1.76 billion of capital deployed, up 68% on 1H22
- Average gross investment size<sup>3</sup> of \$71 million, up 54% on 1H22

**Group Managing Director and Co-founder Andrew Schwartz said:**

“During 1H23, we grew FUM by \$1.5 billion from both existing and new investors which includes three large new mandates. We have experienced strong deployment primarily attributed to traditional financiers retreat from the commercial real estate (**CRE**) sector, which allows us to be cautious and selective in our investment decisions. We have sought to maximise invested capital via new warehouse facilities, utilising the strength of the Qualitas balance sheet to optimise the invested capital for our funds and to benefit from the deployment opportunities currently presenting.

Scalability of our platform is evidenced by the significant increase in the average gross investment size. Qualitas’ ability to transact at these investment sizes has enabled us to attract and finance

<sup>1</sup> NPAT 1H22 included non-recurring costs relating to the IPO of Qualitas Limited.

<sup>2</sup> Adjusted for abnormal / non-recurring items including QRI capital raise costs, Qualitas IPO costs in FY22 and mark to market (MTM) adjustment from Qualitas’ co-investment in QRI.

<sup>3</sup> Excluding “AURA by Aqualand” due to its non-typical, significant size, single transaction nature.

premium opportunities not accessible to other market participants, providing us with a very strong competitive advantage in both debt and equity financing.”

### **1H23 Financial and operational performance**

A combination of significant growth in FUM to \$5.8 billion and record deployment of capital drove a 21% increase on 1H22 in funds management revenue to \$20.7 million.

Contributing to this result was a significant increase in Other Income of \$7.5 million, up from \$1.2 million on 1H22, due to increasing returns from underwriting.

The timing of performance fee revenue impacted both operating funds management EBITDA, which was \$13.4 million (compared to \$15.5 million in 1H22) and total normalised Group EBITDA<sup>2</sup> (including the contribution from direct lending segment Arch Finance and Peer Estate), which was \$16.0 million (compared to \$17.8 million in 1H22).

Net performance fees declined from \$9.0 million in 1H22 to \$1.5 million in 1H23, mainly driven by timing of the relevant fund’s maturity.

The pool of theoretical embedded future performance fees for the period of 7 years from December 2022 has increased to c.\$80 million<sup>4,5</sup>, from c.\$75 million in August 2022. This estimate is based on deployed capital only.

Earnings Per Share increased to 3.6 cents from 1.7 cents in 1H22.

The Company retained significant net cash holdings of \$122 million. In addition to this, there is \$107m deployed in warehousing as at 31 December 2022, providing flexibility to re-deploy in co-investment opportunities driving further FUM growth and/or bridging investment opportunities for new or existing funds.

### **Funds platform and deployment momentum**

Total FUM rose from \$4.3 billion in FY22 to \$5.8 billion in 1H23, representing a 35% increase on FY22 and a compound annual growth rate (CAGR) of 38% since Qualitas’ inception in 2008<sup>6</sup>. Strong growth momentum of FUM once again proves the platform’s scalability, translating into the expansion of Group EBITDA margin, on a pre performance fee basis, by 6% on 1H22 to 44%.

As 40% of capital deployed in 1H23 was achieved in the month of December 2022, the flow on benefits to funds management fee revenue and Group EBITDA margin is anticipated in 2H23.

Qualitas achieved a record six month capital deployment of \$1.76 billion, up 68% on 1H22.

---

<sup>4</sup> Excludes staff incentives.

<sup>5</sup> Theoretical estimate based on Qualitas’ assessment of the relevant fund’s performance based on current valuations and market conditions as at February 2023. Due to inherent uncertainties, these performance fees do not fit Qualitas’ revenue recognition criteria and may not eventuate. The timing of when these performance fees may be recognised is not expected to be linear.

<sup>6</sup> This was prior to Qualitas Limited which listed on the ASX on 16<sup>th</sup> December 2021 on a conditional and deferred basis and its shares commenced trading on 22 December 2021.

Qualitas now manages 16 active funds across CRE private credit and equity strategies, including the ASX-listed Qualitas Real Estate Income Fund (QRI).

### **Environmental, Social and Governance (ESG)**

Qualitas is pleased to have established the Qualitas ESG Advisory Group. This group will help shape ESG best practice within the Company, identify and report progress against objectives, and advise how Qualitas leverages its strengths to influence positive ESG outcomes with borrowers and partners.

The Company has been conditionally endorsed by Reconciliation Australia for its Reflect Reconciliation Action Plan, in addition to renewal by Climate Active as a carbon neutral organisation for 2021-2022.

### **Outlook**

The market expects interest rates to continue to rise in the first half of 2023. The lagged impact on CRE is likely to be seen in the second half of the calendar year, and could lead to further withdrawals of liquidity in the market and asset value recalibration. The observed easing of construction cost increases should assist developers with restarting projects that may have been put on hold.

Such an environment is expected to favour Qualitas as an experienced investor throughout the cycle, with a strong track record of disciplined investment selection and due diligence, and an ability to critically evaluate risks and develop plans to mitigate any changes in risk profile. We continue to be cautious in our investment selection with heightened focus on asset management.

Other elements of the macroeconomic environment will likely provide strong tailwinds for continued growth, including the ongoing housing supply shortage in Australia and a return to pre-COVID levels of overseas migration.

### **Mr Schwartz said:**

“CRE private credit is gaining momentum particularly with offshore institutional capital providers, given the benefits of a rising interest rate environment. The sector also provides shelter from the impact of inflation. Our funds and balance sheet capital returns can both benefit from rising interest rates.

Qualitas’ range of private credit, build to rent, inflationary hedge and opportunistic investment thematics illustrates the flexibility and resilience of our business model through market cycles”, said Mr Schwartz.

“The current market conditions that have seen the moderating of competition, coupled with the increased hesitancy of traditional funding sources to deploy capital in the CRE sector, will continue to be favourable to Qualitas as it encourages ongoing demand for our funds at attractive risk adjusted pricing. As an innovative, experienced, and well-capitalised CRE investment manager, we believe we are strongly positioned to select the very best investment opportunities.

Institutional investors are seeking to increase allocations to private credit, and we believe wholesale and retail will follow suit. We expect continued strong FUM growth, building on the increasing

interest of both domestic and offshore investors seeking to reallocate their portfolios towards alternative investments and specifically to CRE.”

Qualitas reaffirms no change to FY23 guidance:

- FY23 net profit before tax<sup>2</sup> is estimated between \$30 million and \$33 million
- FY23 earnings per security (EPS) is expected to be between 7.1 cps and 7.8<sup>2,7</sup> cps

## Market briefing

Qualitas will hold a market briefing at 10:00am (AEDT) today, 22 February 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-hy23results-220223/>

## TELECONFERENCE DETAILS

Conference ID: 10027989

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/10027989-fh84u5.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:

### Investor Enquiries

Kathleen Yeung  
Global Head of Corporate Development  
Qualitas Limited  
T: +61 3 9612 3939  
E: [kathleen.yeung@qualitas.com.au](mailto:kathleen.yeung@qualitas.com.au)

### Media Enquiries

Kate Stokes  
Head of Marketing and Communications  
Qualitas Limited  
M: +61 481 251 552  
E: [kate.stokes@qualitas.com.au](mailto:kate.stokes@qualitas.com.au)

Investor Website:

<https://investors.qualitas.com.au/>

---

<sup>7</sup> Based on the current total number of ordinary shares on issue, that is subject to change. The high end of EPS guidance has been amended to 7.8 cps from 7.9 cps (rounded) as a result of a higher number of QAL ordinary shares on issue compared to the previous market update. In accordance with shareholder approval at the Company's 2022 AGM, 2,016,053 ordinary shares (as defined in the Company's 2022 AGM Notice of Meeting as Loan Shares) were issued to Andrew Schwartz, Group Managing Director, on 6 December 2022. The total number of ordinary shares currently on issue is 296,016,053 and therefore the EPS calculation rounds down to 7.8 cps against the unchanged NPBT guidance range, notwithstanding that the Loan Shares are subject to a 3-year vesting condition and may be forfeited in whole or part at that time.

## About Qualitas

Qualitas Limited (**Qualitas**) is an ASX-listed Australian alternative real estate investment manager, with committed funds under management of circa A\$5.8 billion<sup>8</sup> 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<sup>9</sup>. 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 approximately 80 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.

## Disclaimer

This announcement contains general information only and does not take into account your investment objectives, financial situation or needs. Qualitas is not licensed to provide financial product advice in relation to Qualitas shares or any other financial products. This announcement does not constitute financial, tax or legal advice, nor is it an offer, invitation or recommendation to apply for or acquire a share in Qualitas or any other financial product. Before making an investment decision, readers should consider whether Qualitas is appropriate given your objectives, financial situation and needs. If you require advice that takes into account your personal circumstances, you should consult a licensed or authorised financial adviser. Past performance is not a reliable indicator of future performance.

---

<sup>8</sup> As at 31 December 2022.

<sup>9</sup> As at 30 June 2022