Link REIT (823HK)

Disposal Of 50% Stake In 100 Market Street Enhances Flexibility For Buyback And Reinvestment

BUY (Maintained)	
Share Price	HK$39.66
Target Price	HK$44.30
Upside	11.7%

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Highlights

- Link REIT announced the disposal of its 50% stake of 100 Market Street, expecting to generate A$222m net proceeds with minimal impact on BS metrics.
- Link REIT will continue unit buyback with proceeds from Thompson Plaza disposal, and is expected to decide on allocation for capital recycled from this latest deal in 1-2 months. Commitment to stable DPU in FY27 reiterated.
- Maintain BUY with an unchanged target price of HK$44.30. The transaction enhances Link REIT's flexibility for unit buybacks and asset reinvestment, which we view as positive.

Analysis

- **Disposing 50% stake of 100 Market Street at appraised valuation, implying 6.5% exit yield.** Details of the deal are summarised below. Management hosted an analyst briefing on 22 July.

Deal Snapshot

Asset	50% interest in 100 Market Street — a 10-storey A-grade office stratum, Sydney CBD; NLA ~28,339 sqm; acquired by Link REIT in Dec 19
Purchaser	Aware Super, a leading Australian industry superannuation fund
Post-deal structure	50/50 joint venture; Link retains 50% economic interest and Link AU Manager continues to manage; Asset reclassifies to a "Minority-owned Property" of Link REIT
Appraised value (100%)	A$451,750,000 (HKD2,478,887,775) as at 31 May 26
Consideration (50%)	A$225,875,000 = 50% of appraised value
Net proceeds	≈A$222.73m (after ≈AUD3.15m expenses)
Gain / loss	Sold at appraised value, so broadly NAV-neutral. The price marks a 33% markdown from the A$683 million Link paid Blackstone for the tower in Dec 19.
Use of proceeds	Unit buy-backs and reinvestment into the core Asia-Pacific retail portfolio / general capital management

Source: Link REIT, HKEX

- **Minimal impact on balance sheet (BS) metrics.** After the disposal, the portfolio value will be lowered by 0.92%. As the exit valuation is in line with the property's latest appraised valuation, the net gearing ratio is expected to remain unchanged after the disposal.

Key Financials

Year to 31 Mar (HK$m)	2025	2026	2027F	2028F	2029F
Net turnover	14,223	13,938	13,613	13,589	13,670
EBITDA	9,790	9,491	9,366	9,350	9,406
Operating profit	9,704	9,401	9,284	9,268	9,323
Net profit (rep./act.)	(8,863)	(7,397)	7,017	6,705	6,785
Net profit (adj.)	7,025	6,577	6,502	6,505	6,585
EPS (HK$)	272.0	253.1	249.2	247.8	249.2
PE (x)	14.6	15.7	15.9	16.0	15.9
P/B (x)	0.6	0.7	0.7	0.7	0.7
EV/EBITDA (x)	15.7	16.2	16.4	16.5	16.4
Dividend yield (%)	6.9	6.4	6.3	6.2	6.3
Net margin (%)	(62.3)	(53.1)	51.5	49.3	49.6
Net debt/(cash) to equity (%)	30.3	35.1	34.3	34.4	34.4
Interest cover (x)	5.2	5.0	5.1	5.1	5.1
ROE (%)	(5.2)	(4.7)	4.7	4.4	4.5
Consensus net profit (HK$m)	-	-	6,486.5	6,558.3	6,744.9
UOBKH/Consensus (x)	-	-	1.00	0.99	0.98

Source: Link REIT. Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	823 HK
Shares issued (m):	2,582.4
Market Cap (HK$m):	102,417.8
Market cap (US$m):	13,063.2
3-mth avg t'over (US$m):	56.2

Price Performance (%)

52-week high/low: HK$45.05/HK$34.12

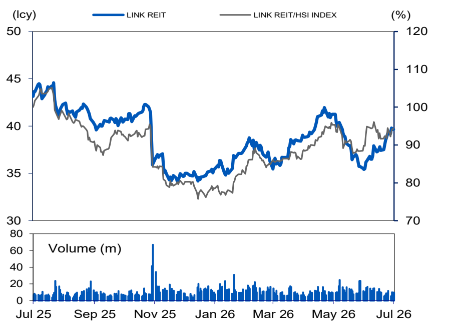
1mth	3mth	6mth	1yr	YTD
11.6	1.6	11.9	(8.5)	14.2

Major Shareholders	**%**
Blackrock Inc	7.69

Balance Sheet Metrics

FY27 NAV/Share (HK$)	57.86
FY27 Net Debt/ Share (HK$)	19.86

Price Chart



Source: Bloomberg

Company Description

Link REIT is the first REIT in Hong Kong and currently the largest in Asia in terms of market capitalisation. Spanning Hong Kong, Beijing, Shanghai, Shenzhen, Guangzhou, Sydney and London, its portfolio comprises mostly retail and office properties.

- **The impact on PL will be mitigated by unit buyback.** The annualised net passing income of 100 Market Street equals to approximately 1.7% of FY26 net property income for Link REIT. Considering the 50% stake disposal, we expect negative impact on distributable income will be less than 1%. This impact on DPU is expected to be partially or fully mitigated by unit buyback, depending on Link REIT's allocation plan of net proceeds.
- **Expect continued unit buyback, while allocation plan of proceeds from the latest disposal might be updated in 1-2 months.** For the Thomson Plaza disposal, the net proceeds will be fully deployed for unit buyback. So far, approximately HK$150m or about 10% of the net proceeds has been used for buying back 4.14m units, which represents about 0.16% of total units. For the latest 100 Market Street disposal, the allocation of proceeds is expected to be further clarified in 1-2 months, after management compares the return of buyback and reinvestment. Finally, management reiterates its commitment to DPU stabilisation in FY27. We expect continued unit buyback going forward.

Earnings Revision/Risk

- We keep our earnings forecast unchanged.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of HK$44.30.** Our target price is derived from DDM valuation model. This transaction further provides Link REIT with flexibility and liquidity to repurchase units to support DPU stability and to reinvest in core Hong Kong retail assets. Overall, we view the impact as positive.

Share Price Catalyst

- Stronger-than-expected non-discretionary consumption recovery in Hong Kong.
- Lower-than-expected HIBOR.

Profit & Loss

Year to 31 Mar (HK$m)	2026	2027F	2028F	2029F
Net turnover	13,938.0	13,612.5	13,589.1	13,670.2
EBITDA	9,491.0	9,366.0	9,350.0	9,405.7
Deprec. & amort.	90.0	82.3	82.2	82.7
EBIT	9,401.0	9,283.7	9,267.8	9,323.1
Total other non-operating income	(14,535.0)	315.0	0.0	0.0
Associate contributions	187.0	100.0	100.0	150.0
Net interest income/(expense)	(1,897.0)	(1,832.8)	(1,847.4)	(1,860.4)
Pre-tax profit	(6,844.0)	7,866.0	7,520.4	7,612.7
Tax	(947.0)	(1,049.2)	(1,015.3)	(1,027.7)
Minorities	394.0	200.0	200.0	200.0
Net profit	(7,397.0)	7,016.7	6,705.1	6,785.0
Net profit (adj.)	6,577.0	6,501.7	6,505.1	6,585.0

Balance Sheet

Year to 31 Mar (HK$m)	2026	2027F	2028F	2029F
Fixed assets	1,261.0	1,151.3	1,135.1	1,118.8
Other LT assets	212,044.0	213,361.0	214,461.0	215,611.0
Cash/ST investment	3,664.0	4,482.5	4,123.0	3,828.7
Other current assets	2,812.0	1,442.5	1,440.6	1,447.0
Total assets	219,781.0	220,437.3	221,159.8	222,005.5
ST debt	11,756.0	11,756.0	11,756.0	11,756.0
Other current liabilities	5,168.0	5,059.2	5,051.4	5,078.5
LT debt	44,535.0	44,535.0	44,535.0	44,535.0
Other LT liabilities	8,425.0	8,425.0	8,425.0	8,425.0
Shareholders' equity	150,096.0	150,961.4	151,791.7	152,660.3
Minority interest	(386.0)	(386.0)	(386.0)	(386.0)
Total liabilities & equity	219,781.0	220,537.7	221,360.2	222,255.9

Cash Flow

Year to 31 Mar (HK$m)	2026	2027F	2028F	2029F
Operating	8,461.0	8,333.6	8,428.7	8,548.8
Profit fo the year	(6,844.0)	7,866.0	7,520.4	7,612.7
Tax	(947.0)	(1,049.2)	(1,015.3)	(1,027.7)
Deprec. & amort.	90.0	82.3	82.2	82.7
Associates	(187.0)	(100.0)	(100.0)	(150.0)
Working capital changes	(148.0)	(83.2)	(6.0)	20.7
Non-cash items	14,535.0	0.0	0.0	0.0
Other operating cashflows	1,962.0	1,617.8	1,947.4	2,010.4
Investing	(1,740.0)	606.4	(943.2)	(956.5)
Capex (growth)	(39.0)	(66.0)	(65.9)	(66.3)
Investment	209,556.0	209,336.0	210,336.0	211,336.0
Others	(211,257.0)	(210,198.6)	(211,213.2)	(212,226.2)
Financing	(6,460.0)	(8,121.5)	(7,845.0)	(7,886.6)
Dividend payments	(6,220.0)	(5,910.8)	(5,874.8)	(5,916.4)
Proceeds from borrowings	26,792.0	0.0	0.0	0.0
Loan repayment	(25,049.0)	0.0	0.0	0.0
Others/interest paid	(1,983.0)	(2,210.7)	(1,970.2)	(1,970.2)
Net cash inflow (outflow)	261.0	818.5	(359.4)	(294.3)
Beginning cash & cash equivalent	3,343.0	3,664.0	4,482.5	4,123.0
Changes due to forex impact	60.0	0.0	0.0	0.0
Ending cash & cash equivalent	3,664.0	4,482.5	4,123.0	3,828.7

Key Metrics

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	68.1	68.8	68.8	68.8
Pre-tax margin	(49.1)	57.8	55.3	55.7
Net margin	(53.1)	51.5	49.3	49.6
ROA	(3.3)	3.2	3.0	3.1
ROE	(4.7)	4.7	4.4	4.5
Growth				
Turnover	(2.0)	(2.3)	(0.2)	0.6
EBITDA	(3.1)	(1.3)	(0.2)	0.6
Pre-tax profit	n.a.	n.a.	(4.4)	1.2
Net profit	n.a.	n.a.	(4.4)	1.2
Net profit (adj.)	(6.4)	(1.1)	0.1	1.2
EPS	(7.0)	(1.5)	(0.6)	0.6
Leverage				
Debt to total capital	27.3	27.2	27.1	27.0
Debt to equity	37.5	37.3	37.1	36.9
Net debt/(cash) to equity	35.1	34.3	34.4	34.4
Interest cover (x)	5.0	5.1	5.1	5.1

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