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Company – Update | Greater China

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Link REIT (823 HK)

1QFY27 Operations On Track; Reiterates FY27 Guidance

Highlights

- The performance of Link REIT's Hong Kong retail portfolio was in line with that of the market in 1QFY27, with a mid-single-digit negative rental reversion. Other segments remained resilient. Its cost optimisation initiatives and unit buyback programme remain on track.
- Management reiterated its guidance for FY27 Hong Kong retail rental reversion and its target of DPU stabilisation in FY27.
- Maintain BUY with an unchanged target price of HK$44.30.

Analysis

- **Hong Kong retail portfolio is in line with market performance.** Link REIT's Hong Kong tenant sales fell 1.1% yoy in 1QFY27, vs a 0.4% yoy decline in non-discretionary spending in Hong Kong. Sales growth of Link REIT's F&B tenants further improved to 1.5% in 1QFY27, as compared with a 0.4% yoy growth in total restaurant receipts of Hong Kong. The growth of Link REIT's F&B was driven by active tenant remixing, eg replacing traditional Chinese restaurant with smaller shops of mainland F&B brands. With negative rental reversion, Link REIT's occupancy cost ratio edged down 0.1ppt to 12.6% in 1QFY27.
- **Management reiterates its rental reversion guidance for FY27.** The rental reversion of Link REIT's Hong Kong retail portfolio fell into negative mid-single digit in 1QFY27. Management reiterated its guidance that Hong Kong retail rental reversion for FY27 will be at similar level as FY26's -8.2%. Further stabilisation of spot rent is a key highlight of 1QFY27.

Tenant Sales Growth Of Hong Kong Retail Portfolio – By Tenant Category

	F&B	Supermarket & Foodstuff	General Retail	Overall
1QFY27	1.5%	-1.9%	-3.3%	-1.1%
FY26	1.2%	-0.5%	-3.6%	-1.0%
3QFY26	1.1%	-0.4%	-5.1%	-1.5%
1HFY26	-0.1%	0.5%	-6.0%	-2.1%
1QFY26	1.6%	0.4%	-3.8%	-0.8%
FY25	0.2%	-3.4%	-5.5%	-3.0%
1QFY25	-1.5%	-5.9%	-9.4%	-5.9%

Source: Link REIT, UOB Kay Hian

Key Financials

Year to 30 Jun (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

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BUY (Maintained)

Share Price	HK$38.72
Target Price	HK$44.30
Upside	13.4%

Stock Data

Sector	Real Estate
Bloomberg ticker	823 HK
Shares issued (m)	2,598.9
Market cap (HK$m)	100,629.0
Market cap (US$m)	12,851.7
3-mth avg daily t'over (US$m)	43.6

Price Performance (%)

52-week high/low: HK$42.54/HK$34.12

1mth	3mth	6mth	1yr	YTD
0.3	2.1	1.9	(7.1)	11.5

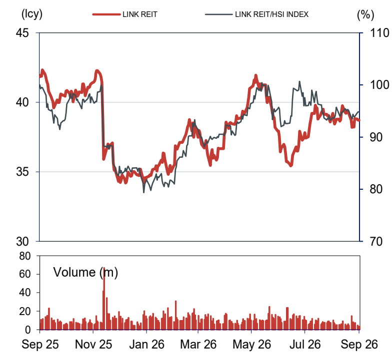
Major Shareholders (%)

Blackrock Inc	7.69

Balance Sheet Metrics

FY26 NAV/Share (HK$)	57.75
FY26 Net Debt/ Share (HK$)	20.25

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.

Occupancy Rate

	------- Hong Kong -----		----------- Mainland China ---------			Singapore	Australia	Overseas
	Retail	Office	Retail	Office	Logistic	Retail	Retail	Office
1QFY27	97.5%	99.6%	96.0%	94.8%	97.5%	98.1%	96.5%	86.7%
FY26	97.8%	99.6%	96.6%	95.7%	97.9%	98.2%	99.5%	87.7%
3QFY26	97.0%	99.6%	95.3%	96.1%	97.4%	98.8%	98.4%	87.5%
1HFY26	97.6%	99.6%	95.9%	96.0%	96.6%	99.8%	98.1%	87.0%
1QFY26	97.6%	99.2%	95.4%	92.4%	97.5%	99.8%	99.5%	85.5%
FY25	97.8%	99.2%	95.9%	95.4%	97.4%	99.6%	99.0%	85.5%
1QFY25	97.5%	99.2%	93.6%	90.5%	92.5%	98.4%	99.5%	89.4%

Source: Link REIT, UOB Kay Hian

Occupancy Cost Ratio

	F&B	Supermarket & Foodstuff	General Retail	Overall
1QFY27	12.6%	11.5%	14.1%	12.6%
FY26	12.7%	11.6%	13.9%	12.7%
3QFY26	12.8%	11.7%	14.1%	12.8%
1HFY26	13.0%	11.7%	14.5%	13.0%
FY25	13.0%	12.1%	14.2%	13.0%
1QFY25	13.3%	12.6%	14.4%	13.4%

Source: Link REIT, UOB Kay Hian

- **Resilient tenant sales across Mainland China, Singapore and Australia.** Mainland China malls reported a 2.7% yoy increase in unit rent, despite negative rental reversions, while tenant sales (excluding EVs) and shopper traffic grew. Singapore retail continued to deliver positive double-digit rental reversion, while the Australian portfolio recorded strong sales in 1QFY27, led by electronics, giftware and F&B, and supported robust rental reversions.
- **Management reiterates its target of DPU stabilisation in FY27, while higher interest rates remain a key risk.** Its Hong Kong portfolio – a major NPI contributor - remained resilient due to largely stable unit rent and carpark revenue, supported by tariff growth and contributions from new revenue streams. Its cost optimisation initiatives remain on track while risks from renminbi appreciation to finance cost have been well hedged. Nevertheless, the high interest rate in Hong Kong remains a key risk to earnings.
- **HK$1.1b of units bought back since Jul 26.** Since 9 July, LINK REIT has spent HK$1.1b to repurchase approximately 29m units for HK$1.1b at an average of HK$38.84 and within a HK$37.32-39.82 range. The repurchased shares are equivalent to 1.1% of units in issue, offsetting the impact of new units issued under the distribution reinvestment scheme. About two-thirds of the Swing By disposal proceeds have been used for buybacks, with the remainder earmarked for further repurchases. The sale of 100 Market Street is expected to be completed in 3QFY27, which should provide additional funding for share buybacks. As such, the pace of buybacks may moderate marginally in 2QFY27 ahead of the transaction's completion.

Earnings Revision/Risk

- **No change to FY27-29 DPU forecasts.**

Valuation/Recommendation

- **Maintain BUY and target price of HK$44.30.** Our target price is derived from the DDM valuation model. Unit rents in Hong Kong and Mainland China have shown largely stable to positive growth. while the cost optimisation programme and share buyback are on track. Overall, we believe Link REIT's performance is in line with our expectations.

Share Price Catalyst

- Stronger-than-expected non-discretionary consumption recovery in Hong Kong.
- Lower-than-expected HIBOR.
- Faster non-core disposals and larger unit buybacks.

Rental Reversion For Mainland China And Hong Kong Retail Portfolio

	------------------------- Retail -----------------------	
	Hong Kong	Mainland China
1QFY27	Negative mid single-digit	Under pressure
FY26	-8.2%	-14.3% (note1)
3QFY26	-7.5%	Positive reversion for Southern China malls; negative reversion for Northern China malls
1HFY26	-6.4%	-16.4% (note2)
1QFY26	Negative mid single-digit	Beijing saw pressure
FY25	-2.2%	-0.7%
3QFY25	negative low single digit	n/a
1HFY25	0.7%	-3.2%
1QFY25	positive low single digit	flat to positive
FY24	7.9%	2.9%
3QFY24	mid-to-high single digit	n/a
1HFY24	8.7%	-5.2%

Note 1: excluding Beijing Zhongguancun, the rental reversion for other malls is -3%.
Note 2: excluding Beijing Zhongguancun, the rental reversion for other malls is +2%
Source: Link REIT, UOB Kay Hian

LINK REIT Portfolio Overview

Pro-forma portfolio value as at 30 Jun 26	HK$216b
Breakdown	
HK Retail	51.0%
HK Car Parks and Related Business	19.9%
CML Retail	10.8%
AU & SG Retail	7.8%
AU Office	3.4%
HK Office	2.8%
CML Office	2.5%
CML & AU Logistics	1.1%
UK Office	0.7%
Total	100.0%

Source: Link REIT, UOB Kay Hian

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