# LINK REIT (823 HK)

1HFY27: DPU Slightly Ahead; Solid Strategy Execution To Sharpen Focus On Retail In Asia Pacific

## Highlights

- 1HFY27 DPU rose 0.3% yoy to 127.25 HK cents, accounting for 51% of our FY27 forecast and slightly ahead of our expectations.
- Hong Kong tenant sales was broadly stable (-0.2% yoy), while retail rental reversion was -7.5%. Management reiterated guidance for FY27 Hong Kong rental reversion and is planning HK$1b-2b of buybacks in 2HFY27.
- We raise FY27-29 earnings by 0.5% on lower G&A. Maintain BUY with a higher target price of HK$45.70 (DDM, terminal growth 3.2%).

## 1HFY27 Results

| Year to 31 Mar (HK$m) | 1HFY27 | 2HFY26 | 1HFY26 | yoy | hoh |
|---|---|---|---|---|---|
| **Total Revenue** | **6,909** | **6,915** | **7,023** | **-1.6%** | **-0.1%** |
| -Hong Kong retail and office properties | 3,735 | 3,742 | 3,849 | -3.0% | -0.2% |
| Total retail revenue of Hong Kong | 3,599 | 3,606 | 3,711 | -3.0% | -0.2% |
| Total office revenue of Hong Kong | 136 | 136 | 138 | -1.4% | +0.0% |
| -Hong Kong car parks & related | 1,231 | 1,262 | 1,257 | -2.1% | -2.5% |
| -Mainland China retail, office & logistics | 1,017 | 973 | 988 | +2.9% | +4.5% |
| -Overseas retail, office & logistics | 926 | 938 | 929 | -0.3% | -1.3% |
| **Net Property Income (NPI)** | **5,135** | **5,052** | **5,178** | **-0.8%** | **+1.6%** |
| *NPI margin* | 74.3% | 73.1% | 73.7% | +0.6ppt | +1.3ppt |
| **G&A expenses** | **365** | **368** | **461** | **-20.8%** | **-0.8%** |
| **Distributable Amount** | 3,295 | 3,294 | 3,283 | +0.4% | +0.0% |
| **DPU (HK cent)** | **127.25** | **126.73** | 126.88 | **+0.3%** | **+0.4%** |
| | **Sep-26** | **Mar-26** | **Sep-25** | **yoy** | **hoh** |
| NAV per unit (HK$) | 56.99 | 57.75 | 61.19 | -6.9% | -1.3% |
| Property valuation (HK$m) | 213,298 | 216,489 | 222,856 | -4.3% | -1.5% |
| Net gearing ratio (%) | 23.3 | 23.9 | 22.5 | +0.8ppt | -0.6ppt |
| Cost of debt (%) | 3.29 | 3.44 | 3.22 | +0.07ppt | -0.15ppt |
| Fixed debt ratio (%) | 61.0 | 60.0 | 65.8 | -4.8ppt | +1.0ppt |

*Source: LINK REIT, UOB Kay Hian*

## Analysis

- **1HFY27 results slightly ahead of our expectations.** DPU rose 0.3% yoy to HK$1.2725, 51% of our full-year estimate. Revenue fell 1.6% yoy and NPI fell 0.8% yoy due to negative Hong Kong retail rental reversion (-7.5% vs -8.2% in FY26). Cost control partly offset this - NPI margin rose 0.6ppt to 74.3% and G&A fell 21%. Valuation fell 1.5% hoh to HK$213.3b. This was mainly due to the disposals of Swing By @ Thomson Plaza and a 50% stake in 100 Market Street, in addition to lower Hong Kong market rents. Hong Kong cap rates were unchanged. Net gearing fell 0.6ppt hoh to 23.3% on lower net debt. Average all-in borrowing cost rose 7bps yoy to 3.29%.

## Key Financials

| Year to 31 Mar (HK$m) | 2025 | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|---|
| Net turnover | 14,223 | 13,938 | 13,613 | 13,589 | 13,670 |
| EBITDA | 9,790 | 9,491 | 9,407 | 9,391 | 9,447 |
| Operating profit | 9,704 | 9,401 | 9,325 | 9,309 | 9,364 |
| Net profit (rep./act.) | (8,863) | (7,397) | 7,052 | 6,740 | 6,820 |
| Net profit (adj.) | 7,025 | 6,577 | 6,537 | 6,540 | 6,620 |
| EPS (HK$) | 272.0 | 274.7 | 258.2 | 256.7 | 258.1 |
| PE (x) | 15.3 | 15.1 | 16.1 | 16.2 | 16.1 |
| P/B (x) | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| EV/EBITDA (x) | 16.2 | 16.7 | 16.9 | 16.9 | 16.8 |
| Dividend yield (%) | 6.6 | 6.1 | 6.0 | 6.0 | 6.0 |
| Net margin (%) | (62.3) | (53.1) | 51.8 | 49.6 | 49.9 |
| Net debt/(cash) to equity (%) | 30.3 | 35.1 | 34.3 | 34.4 | 34.3 |
| Interest cover (x) | 5.2 | 5.0 | 5.1 | 5.1 | 5.1 |
| ROE (%) | (5.2) | (4.7) | 4.7 | 4.5 | 4.5 |
| Consensus net profit (HK$m) | - | - | 6,506.1 | 6,526.2 | 6,682.6 |
| UOBKH/Consensus (x) | - | - | 1.00 | 1.00 | 0.99 |

*Source: Link REIT, Bloomberg, UOB Kay Hian*

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**BUY (Maintained)**

| | |
|---|---|
| Share Price | HK$41.50 |
| Target Price | HK$45.70 |
| Upside | +10.1% |
| Previous TP | HK$44.30 |

## Stock Data

| | |
|---|---|
| GICS sector | Real Estate |
| Bloomberg ticker: | 823 HK |
| Shares issued (m): | 2,582.4 |
| Market Cap (HK$m): | 107,169.45 |
| Market cap (US$m): | 13,661.4 |
| 3-mth avg t'over (US$m): | 38.6 |

## Price Performance (%)

| 52-week high/low | | | | HK$42.18/HK$34.12 |
|---|---|---|---|---|
| 1mth | 3mth | 6mth | 1yr | YTD |
| 9.9 | 7.5 | 0.2 | (1.3) | 19.5 |

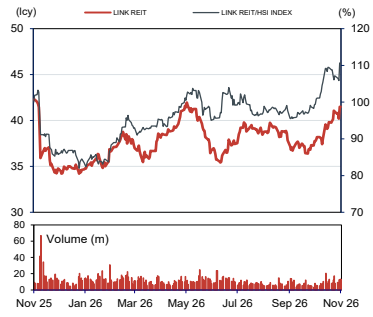
## Major Shareholders (%)

| | |
|---|---|
| Blackrock | 8.99 |

## Balance Sheet Metrics

| | |
|---|---|
| FY27 NAV/Share (HK$) | 57.87 |
| FY27 Net Debt/ Share (HK$) | 19.85 |

## 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, the Chinese Mainland, Singapore, Australia and the United Kingdom, its portfolio comprises mainly retail properties and car parks, together with office and logistics assets.

- **Hong Kong tenant sales stabilised, but still lagged the Hong Kong retail market.** Link REIT's Hong Kong tenant sales fell 0.2% yoy in 1HFY27 (1HFY26: -2.1%), driven by a 2.5% yoy growth in F&B tenant sales, and still lagged the Hong Kong retail market (+5.3%). Rental reversion was -7.5%, narrower than -8.2% in FY26, and in line with management guidance. Occupancy dropped 0.8ppt hoh to 97.0%. The non-discretionary spending environment remained challenging, although active tenant remixing helped mitigate some of the pressure.
- **Improvement in Mainland retail portfolio; overseas retail remained positive.** Chinese Mainland retail rental reversion narrowed to -8.7% from -14.3% in FY26 and occupancy rose by 0.9ppt hoh to 97.5%. Footfall and tenant sales of the Mainland retail portfolio both grew yoy, despite subdued consumer sentiment in Beijing. Singapore (+8.0%) and Australia (+17.8%) retail rental reversions stayed positive.
- **Stable carpark business.** Hong Kong carparks and related business revenue fell 2.1% yoy to HK$1.23b, but was flat (+0.2%) excluding free parking, which does not contribute to NPI, as hourly income rose 4.2% yoy and monthly income fell 1.6% yoy. Despite a softening in demand for carparks due to a decline in car ownership, the carpark business remained resilient.
- **Active capital recycling.** Link REIT has completed/agreed on four disposals in 2026, recycling a total of estimated HK$6.3b (see table below). Its agreement on 10 Nov 26 to buy a 50.1% stake in Eastpoint Mall in Singapore for S$239m (about HK$1.47b) is its first acquisition since 2024. We think the company has consistently executed the strategy set out in early-26, and has been actively disposing of non-core assets. We expect Eastpoint's mid-4% entry yield to exceed our estimated <4% exit yield for Swing By @ Thomson Plaza, offering potential for accretive capital recycling.
- **Reiterates FY27 guidance; unit buybacks to continue.** Management reiterated its FY27 guidance for Hong Kong rental reversion to remain broadly in line with FY26's -8.2%, alongside its target of stable earnings through cost control. Link REIT repurchased over 38m units for around HK$1.5b in 1HFY27 and intends to buy back a further HK$1b–2b in 2HFY27, subject to valuation.

### Occupancy rates

| | ------- Hong Kong ----- | | ---------- Mainland China ------- | | | Singapore | Australia | International |
|---|---|---|---|---|---|---|---|---|
| | Retail | Office | Retail | Office | Logistic | Retail | Retail | Office |
| **1HFY27** | **97.0%** | **99.6%** | **97.5%** | **95.9%** | **97.5%** | **99.2%** | **99.8%** | **88.1%** |
| 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% |

Source: LINK REIT, UOB Kay Hian

## Valuation/Recommendation

- **Maintain BUY, raise target price by 3.2% to HK$45.70.** We are positive on Link REIT's effective strategy execution towards a simpler and sharpened portfolio. W With a slightly higher DPU forecast, higher risk-free rate of 3.5% and higher terminal growth of 3.2% (from 2.5% previously), we raise our target price by 3.2% to HK$45.70, derived from a DDM model. This implies a 5.5% FY27 DPU yield.

## Earnings Revision/Risk

- **Raise FY7/28/29 earnings by 0.5%/0.5%/0.5 respectively to factor in lower G&A expenses.**

## Share Price Catalyst

- Stronger-than-expected recovery in Hong Kong retail sales.

### Tenant sales performance

| | F&B | Supermarket & Food | General Retail | Overall |
|---|---|---|---|---|
| **1HFY27** | **2.5%** | **-2.2%** | **-1.4%** | **-0.2%** |
| 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% |
| 3QFY25 | 0.0% | -3.9% | -5.5% | -3.3% |

*Source: LINK REIT, UOB Kay Hian*

### Rental reversion

| | Hong Kong Retail | Mainland China Retail |
|---|---|---|
| **1HFY27** | **-7.5%** | **-8.7%** |
| 1QFY27 | Negative mid single-digit * | Under pressure * |
| FY26 | -8.2% | -14.3% |
| 3QFY26 | -7.5% | South positive; North negative |
| 1HFY26 | -6.4% | -16.4% |
| 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% |

*Source: LINK REIT, UOB Kay Hian*

### Disposals in 2026

| Asset | Consideration | vs latest book / appraised value | vs original cost | Completion |
|---|---|---|---|---|
| Swing By @ Thomson Plaza (Singapore) | S$250m | +17.3% vs Mar-26 book (S$213m) | +45% vs S$172.5m (2023) | Completed 2 Jun 26 |
| 50% of 100 Market Street (Sydney) | A$225.9m | At May-26 appraised value (A$451.8m for 100%) | -34% vs A$683m (2020, 100%) | Completed 30 Sep 26 |
| 700 Nathan Road (Hong Kong) | HK$2.3b | -8.6% vs Sep-26 appraised value | -61% vs HK$5.91b (2016) | Scheduled 29 Jan 27 |
| Mainland logistics portfolio (5 assets) | Rmb1.1b* | -3.4% vs Sep-26 valuation* | -35% vs ~Rmb1.70b* (2021-22) | Expected 4QFY27 |
| **Total** | **~HK$6.3b** | | | |

*Source: LINK REIT, UOB Kay Hian. *Attributable to Link REIT; original cost of the logistics assets from 2021-22 press reports (Rmb947m for the three Yangtze River Delta warehouses, Rmb754m for 75% of the two Greater Bay Area assets).*

## 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 | 9,406.9 | 9,390.7 | 9,446.7 |
| Deprec. & amort. | 90.0 | 82.3 | 82.2 | 82.7 |
| EBIT | 9,401.0 | 9,324.6 | 9,308.6 | 9,364.1 |
| 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)** | **7,906.8** | **7,561.1** | **7,653.7** |
| Tax | (947.0) | (1,055.1) | (1,020.8) | (1,033.2) |
| Minorities | 394.0 | 200.0 | 200.0 | 200.0 |
| Net profit | (7,397.0) | 6,536.7 | 6,540.4 | 6,620.5 |
| **Net profit (adj.)** | **6,577.0** | **6,536.7** | **6,540.4** | **6,620.5** |

## 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 | 4,500.0 | 4,140.7 | 3,846.5 |
| Other current assets | 2,812.0 | 1,442.5 | 1,440.6 | 1,447.0 |
| **Total assets** | **219,781.0** | **220,454.8** | **221,177.4** | **222,023.2** |
| 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 | 150,978.9 | 151,809.4 | 152,678.1 |
| Minority interest | (386.0) | (386.0) | (386.0) | (386.0) |
| **Total liabilities & equity** | **219,781.0** | **220,555.1** | **221,377.8** | **222,273.6** |

## Cash Flow

| Year to 31 Mar (HK$m) | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|
| **Operating** | **8,461.0** | **8,368.5** | **8,464.0** | **8,584.2** |
| Profit fo the year | (6,844.0) | 7,906.8 | 7,561.1 | 7,653.7 |
| Tax | (947.0) | (1,055.1) | (1,020.8) | (1,033.2) |
| 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)** | **(8,138.9)** | **(7,880.1)** | **(7,921.9)** |
| Dividend payments | (6,220.0) | (5,928.2) | (5,909.9) | (5,951.7) |
| 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 | 836.0 | (359.3) | (294.2) |
| Beginning cash & cash equivalent | 3,343.0 | 3,664.0 | 4,500.0 | 4,140.7 |
| Changes due to forex impact | 60.0 | 0.0 | 0.0 | 0.0 |
| **Ending cash & cash equivalent** | **3,664.0** | **4,500.0** | **4,140.7** | **3,846.5** |

## Key Metric

| Year to 31 Mar (%) | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|
| **Profitability** | | | | |
| EBITDA margin | 68.1 | 69.1 | 69.1 | 69.1 |
| Pre-tax margin | (49.1) | 58.1 | 55.6 | 56.0 |
| Net margin | (53.1) | 51.8 | 49.6 | 49.9 |
| ROA | (3.3) | 3.2 | 3.1 | 3.1 |
| ROE | (4.7) | 4.7 | 4.5 | 4.5 |
| | | | | |
| **Growth** | | | | |
| Turnover | (2.0) | (2.3) | (0.2) | 0.6 |
| EBITDA | (3.1) | (0.9) | (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.) | 1.6 | (5.6) | 0.1 | 1.2 |
| EPS | 1.0 | (6.0) | (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 | 34.3 |
| Interest cover (x) | 5.0 | 5.1 | 5.1 | 5.1 |

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