

COMPANY UPDATE

Link REIT (823 HK)

Takeaways From 9MFY25 Update Call

While tenant sales growth of Hong Kong retail improved to -3.3% in 3QFY25 from -4.3% in 1HFY25, rental reversion softened to negative low single digits in 3QFY25, in line with management guidance in Nov 24. Other businesses continued the trend seen in 1HFY25. Management expects an improvement in tenant sales but cautiously anticipates very moderate negative rental reversion for FY25/26. Trim FY25-26 DPU estimates by 1.5-2.2%. Lower target price by 1.5% to HK\$41.49. Maintain BUY.

WHAT'S NEW

- LINK REIT hosted its 9MFY25 operational update call on 25 Mar 25.

STOCK IMPACT

OCCUPANCY RATIO OF LINK REIT

	----- Hong Kong -----		----- Mainland China -----			Singapore	Australia	International
	Retail	Office	Retail	Office	Logistic	Retail	Retail	Offices
3QFY25	97.1%	99.2%	94.1%	90.3%	96.6%	100.0%	99.5%	90.8%
1HFY25	97.8%	99.2%	96.4%	94.0%	98.2%	99.8%	99.1%	90.2%
1QFY25	97.5%	99.2%	93.6%	90.5%	92.5%	98.4%	99.5%	89.4%
FY24	98.0%	98.2%	96.6%	92.3%	96.2%	97.8%	99.7%	AU: 88.2% UK: 93.1%

Source: LINK REIT, UOB Kay Hian

- Improvement of tenant sales but slowdown of mall rental reversion in Hong Kong in 3QFY25.** Tenant sales declined by 3.3% yoy in 3QFY25 (Oct-Dec 24), improving from the 4.3% yoy decline during 1HFY25 (Apr-Sep 24), driven by improvement in all major categories. Occupancy rate dipped by 0.7ppt to 97.1% as of Dec 24. Reversion weakened to negative low single digits in 3QFY25 from +0.7% in 1HFY25. The slowdown of rental reversion is in line with the management's guidance in Nov 24.

MAJOR OPERATIONAL FIGURES OF LINK REIT'S HONG KONG RETAIL PORTFOLIO

	----- YoY growth in tenant sales -----				Rental reversion
	F&B	Supermarket & Foodstuff	General Retail	Overall	
3QFY25	0.0%	-3.9%	-5.5%	-3.3%	negative low single digit
1HFY25	-0.7%	-5.2%	-6.6%	-4.3%	+0.7%
1QFY25	-1.5%	-5.9%	-9.4%	-5.9%	positive low single digit
FY24	4.6%	-5.1%	1.3%	0.4%	+7.9%

Source: LINK REIT, UOB Kay Hian

KEY FINANCIALS

Year to 31 Mar (HK\$m)	2023	2024	2025F	2026F	2027F
Net turnover	12,234	13,578	13,576	13,676	13,918
EBITDA	8,634	9,402	9,398	9,467	9,534
Operating profit	8,545	9,304	9,299	9,368	9,534
Net profit (rep./act.)	15,451	(1,983)	6,733	6,835	7,002
Net profit (adj.)	6,311	6,718	6,733	6,835	7,002
EPS (HK cent)	240.2	228.7	261.3	263.0	267.0
PE (x)	15.7	16.5	14.4	14.3	14.1
P/B (x)	0.5	0.5	0.5	0.5	0.5
EV/EBITDA (x)	17.3	15.9	15.9	15.8	15.7
Dividend yield (%)	7.3	7.0	6.9	7.0	7.1
Net margin (%)	126.3	(14.6)	49.6	50.0	50.3
Net debt/(cash) to equity (%)	27.0	29.1	29.3	29.1	28.9
Interest cover (x)	5.2	5.3	5.4	5.6	5.8
ROE (%)	8.8	(1.1)	3.8	3.8	3.9
Consensus DPU (HK cent)	-	-	6,811.1	7,019.4	7,064.8
UOBKH/Consensus (x)	-	-	0.99	0.97	0.99

Source: LINK REIT, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$37.65
Target Price	HK\$41.49
Upside	+10.2%
(Previous TP)	HK\$42.13)

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.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	823 HK
Shares issued (m):	2,582.4
Market cap (HK\$m):	97,227.2
Market cap (US\$m):	12,504.6
3-mth avg daily t'over (US\$m):	43.0

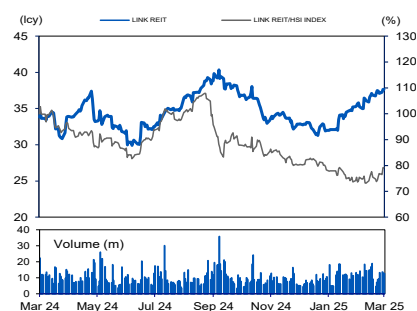
Price Performance (%)

52-week high/low					HK\$52.05/HK\$33.85
1mth	3mth	6mth	1yr	YTD	
7.0	14.6	(3.5)	9.4	14.6	

Major Shareholders

	%
-	-
FY25 NAV/Share (HK\$)	69.66
FY25 Net Deb/ Share (HK\$)	20.41

PRICE CHART



Source: Bloomberg

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- **Mainland business continued the trend seen in 1HFY25.** Despite challenges in China, Link REIT's (LINK) management remains strong. Malls in Shanghai, Shenzhen, and Guangzhou are steadily performing and are expected to achieve positive rental reversions in 3QFY25. The Zhongguancun mall in Beijing continued to see negative rental reversions due to tenant remodeling. The overall portfolio occupancy rate has declined in 3QFY25 but is expected to rebound by end-FY25.
- **Modest revenue growth of Hong Kong's carparks and resilient performance of overseas portfolio.** Hong Kong's carparks registered modest revenue growth, despite a minor decline in parking tickets, thanks to a rise in parking tariffs. The Australian and Singaporean retail assets both reported almost full occupancy levels. Although facing challenges, the Hong Kong and overseas office portfolio reported stable occupancy rates of 99.2% and 90.8% respectively.
- **Cautious outlook on Hong Kong's mall rental reversion for FY26.** For the Hong Kong retail portfolio, despite continuous improvement in tenant sales growth, management expects very moderate negative rental reversion in FY25 and FY26 as the company will prioritise retaining tenants. For the mainland retail portfolio, management expects flat reversion. For the overseas portfolio, positive reversion can be expected.
- **Reiterating M&A strategy and LINK 3.0.** LINK will continue to explore M&A opportunities in Australia, Japan and Singapore. LINK has officially launched LINK Real Estate Partners, a private fund management line, as a bold step towards the LINK 3.0 strategy.

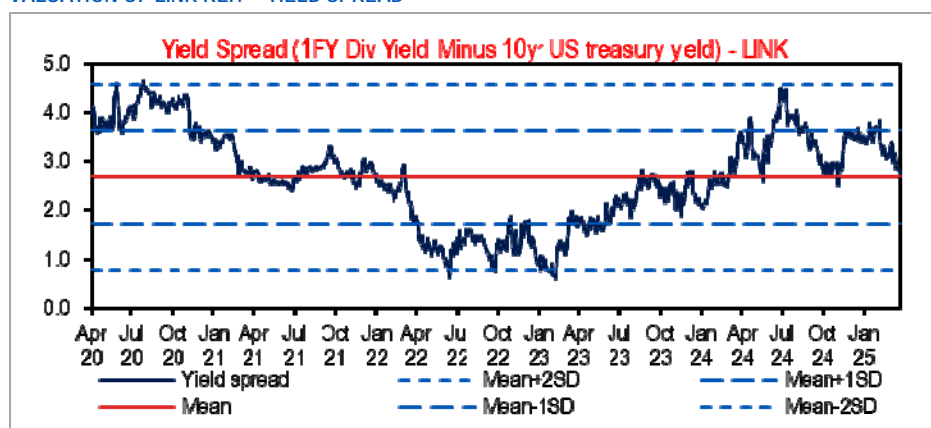
EARNINGS REVISION/RISK

- **Trim earnings forecasts.** Factoring in: a) rental reversion of -4%/-2% in FY25/26 (vs our previous assumption of 0%/0%), and b) a high finance cost of 3.8%/3.6% in FY25/26 (vs our previous assumption of 3.7%/3.5%), we lower our FY25/26/27 DPU forecasts by 1.9%/2.2%/1.5% respectively.

VALUATION/RECOMMENDATION

- **Maintain BUY with lower DDM-derived target price of HK\$41.49.** Our target price implies 6.3% FY25 DPU yield. LINK is currently trading at 7.0%/7.0% FY25, implying a 2.7% spread over the 10-year US treasury yield. Such yield spread matches the five-year mean of LINK.

VALUATION OF LINK REIT – YIELD SPREAD



Source: LINK REIT, UOB Kay Hian

SHARE PRICE CATALYST

- Stronger-than-expected recovery of Hong Kong and China economies.
- China and Hong Kong governments introducing stimulus measures to boost consumption.

PROFIT & LOSS

Year to 31 Mar (HK\$m)	2024	2025F	2026F	2027F
Net turnover	13,578.0	13,575.7	13,676.2	13,917.8
EBITDA	9,402.3	9,397.7	9,467.2	9,533.7
Deprec. & amort.	98.3	98.3	99.0	0.0
Net property income	10,070	10,046	10,120	10,299
EBIT	9,304.0	9,299.4	9,368.2	9,533.7
Total other non-operating income	(7,824.0)	0.0	0.0	0.0
Associate contributions	(627.0)	150.0	150.0	150.0
Net interest income/(expense)	(1,768.0)	(1,731.7)	(1,696.4)	(1,645.8)
Pre-tax profit	(915.0)	7,717.7	7,821.7	8,037.9
Tax	(1,548.0)	(1,157.7)	(1,173.3)	(1,205.7)
Minorities	480.0	173.0	187.0	170.0
Net profit	(1,983.0)	6,733.1	6,835.5	7,002.2
Net profit (adj.)	6,718.0	6,733.1	6,835.5	7,002.2

CASH FLOW

Year to 31 Mar (HK\$m)	2024F	2025F	2026F	2027F
Operating	8,622.3	8,120.5	8,557.5	8,627.7
Profit to the year	(915.0)	7,717.7	7,821.7	8,037.9
Tax	(1,548.0)	(1,157.7)	(1,173.3)	(1,205.7)
Deprec. & amort.	98.3	98.3	99.0	0.0
Associates	627.0	(150.0)	(150.0)	(150.0)
Working capital changes	1,303.0	(348.5)	28.0	67.4
Non-cash items	7,911.0	79.0	85.5	82.3
Other operating cashflows	1,146.0	1,881.7	1,846.4	1,795.8
Investing	172.2	487.4	403.9	428.2
Capex (growth)	(32.8)	(32.8)	(33.0)	0.0
Investment	235,979.0	236,979.0	237,979.0	238,979.0
Others	(235,774.1)	(236,458.8)	(237,542.1)	(238,550.8)
Financing	(15,597.6)	(9,133.0)	(8,919.6)	(8,996.1)
Dividend payments	(6,367.0)	(6,881.2)	(6,786.2)	(6,922.0)
Proceeds from borrowings	(206.0)	0.0	0.0	0.0
Loan repayment	(5,654.0)	0.0	0.0	0.0
Others/interest paid	(3,370.6)	(2,251.8)	(2,133.3)	(2,074.1)
Net cash inflow (outflow)	(6,803.1)	(525.1)	41.8	59.8
Beginning cash & cash equivalent	13,987.1	7,184.0	6,658.9	6,700.7
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	7,184.0	6,658.9	6,700.7	6,760.5

BALANCE SHEET

Year to 31 Mar (HK\$m)	2024	2025F	2026F	2027F
Fixed assets	1,383.0	1,057.9	991.9	991.9
Other LT assets	239,668.0	240,668.0	241,668.0	242,668.0
Cash/ST investment	7,184.0	6,658.9	6,700.7	6,760.5
Other current assets	4,079.0	4,594.4	4,606.4	4,635.3
Total assets	252,314.0	252,979.2	253,967.0	255,055.6
ST debt	7,947.0	7,947.0	7,947.0	7,947.0
Other current liabilities	5,680.0	5,847.0	5,887.0	5,983.2
LT debt	51,312.0	51,312.0	51,312.0	51,312.0
Other LT liabilities	8,845.0	8,845.0	8,845.0	8,845.0
Shareholders' equity	178,823.0	179,494.3	180,629.0	181,621.4
Minority interest	(381.0)	(554.0)	(741.0)	(741.0)
Total liabilities & equity	252,314.0	252,979.2	253,967.0	255,055.6

KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	69.2	69.2	69.2	68.5
Pre-tax margin	(6.7)	56.8	57.2	57.8
Net margin	(14.6)	49.6	50.0	50.3
ROA	(0.8)	2.7	2.7	2.8
ROE	(1.1)	3.8	3.8	3.9
Growth				
Turnover	11.0	(0.0)	0.7	1.8
EBITDA	8.9	(0.0)	0.7	0.7
Pre-tax profit	n.a.	n.a.	1.3	2.8
Net profit	n.a.	n.a.	1.5	2.4
Net profit (adj.)	6.4	0.2	1.5	2.4
EPS	-4.3	-0.5	0.6	1.5
Leverage				
Debt to total capital	24.9	24.9	24.8	24.7
Debt to equity	33.1	33.0	32.8	32.6
Net debt/(cash) to equity	29.1	29.3	29.1	28.9
Interest cover (x)	5.3	5.4	5.6	5.8

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