

MR. D.I.Y. Group (M)

Near-Term Bumps

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MRDIY's FY24 results met expectations. Despite a 7% rise in revenue, FY24 core net profit edged up only 3% YoY on higher operating costs, including labour, utilities and depreciation. However, guidance that its new automated warehouse is set to be fully operational only by late 2QFY25 could delay cost synergies and savings in the near term. Coupled with our expectation of slower sales, we cut our FY25F earnings by 11% and in tandem revise our TP to RM1.95 (from RM2.20). With the stock down 30% from its peak, we see an accumulating opportunity as valuations currently trade near 1.5SD below its 5-year mean. Maintain **OUTPERFORM**.

MRDIY's FY24 core net profit of RM575m (after excluding RM6.5m one-off charges associated with new automated warehouse) came in within expectations at 96% of our forecast and 97% of the street's estimate. It declared a record-high DPS of 1.8 sen in 4QFY24, bringing FY24 total dividend to 5.0 sen (vs. 2.2 sen in FY23). For the full year, this represents a payout ratio of 83%, significantly exceeding its 50%-65% target range.

YoY, its FY24 turnover grew 7% driven primarily by a net addition of 174 stores, raising its total store count to 1,435 stores (including KKV). This expansion lifted transaction volumes by 11% to 183m but was partially offset by negative SSSG (-1.9%) and a 4% drop in basket size. Its core net profit inched up by just 3% due to higher operating costs including labour, utilities and depreciation.

QoQ, its 4QFY24 top line rose 4% thanks to ongoing store expansions, as well as a seasonal boost in sales during year-end festive season and school holidays. Its core net profit surged by a steeper 20% supported by: (i) lower purchase costs benefitting from favourable exchange rate, and (ii) relatively lower tax rate. During the briefing, management guided for FY25 GP margin of 46%-48% in FY25, in line with 4QFY24 levels.

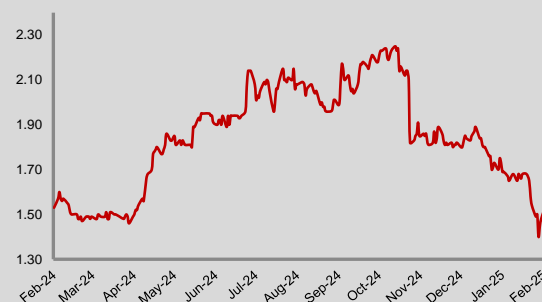
The key takeaways from its results briefing are as follows:

1. The company reaffirmed its expansion plan for FY25, aiming to open c.190 new stores across core brands including KKV. Within this plan, it maintained its previous guidance of 20 KKV new stores and introduced FY25 target of 10 new "The Colorist" outlets, featuring affordable beauty, skincare and personal care products. management anticipates these brands under KKV Group to contribute 2%-3% to PAT in FY25.
2. Management also noted that average revenue per sq ft fell 4% YoY though GP margin per sq ft remained above 5-year average of 15.5%, partly underpinned by price adjustments implemented in 2022. We believe this has also contributed to the decline in average revenue per store, which has trended lower from an average of RM4m in recent years to c.RM3.2m in FY24.
3. Its new automated warehouse, delayed from Nov 2024, is now expected to be fully operational by late 2QFY25, with cost synergies materialising towards end-FY25. Until then, we limited cost savings in the immediate term. Meanwhile, the minimum wage hike effective Feb 2025 is expected to affect 56% of total employees, but the additional cost, based on our estimate, of RM2m is minimal. Over time, the automated warehouse should help to ease labour cost pressures.

OUTPERFORM ↔

Price: RM1.58
Target Price: RM1.95 ↓

Share Price Performance



KLCI	1,586.60
YTD KLCI chg	-3.4%
YTD stock price chg	-14.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MRDIY MK EQUITY
Market Cap (RM m)	14,955.3
Shares Outstanding	9,465.4
52-week range (H)	2.26
52-week range (L)	1.36
3-mth avg. daily vol.	8,084,979
Free Float	26%
Beta	1.0

Major Shareholders

Bee Family Ltd	50.1%
Employees Provident Fund Board	7.5%
Hypit	4.9%

Summary Earnings Table

FYE Dec (RM m)	2024A	2025F	2026F
Turnover	4,651	5,208	5,712
EBIT	835	936	1,053
PBT	763	899	1,017
Net Profit (NP)	569	659	741
Consensus (NP)	-	704	782
Earnings Revision	-	-11%	NEW
Core EPS (sen)	6.0	7.0	7.8
Core EPS Growth (%)	1	16	12
NDPS (sen)	5.0	4.4	5.0
BVPS (RM)	0.19	0.22	0.25
Core PER (x)	26.3	22.7	20.2
PBV (x)	8.1	7.2	6.4
Net Gearing (x)	0.1	0.2	0.3
Net Div. Yield (%)	3.2	2.8	3.2

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Forecasts. We trim our FY25F earnings by 11% to reflect softer sales and elevated operating costs which may take time to pass through due to soft consumer sentiment and delays in new automation warehouse. Our revenue growth for FY25 has been revised from 22% to 12%, while that for FY26 is at 10%. Near-term pressures are likely to persist given the reduction in average basket size and still-weak SSSG trend (-1.9%, vs -3.7% in FY23), though the weakness was partly due to integration challenges from the automated warehouse in 4QFY24. Meanwhile, we also introduce our FY26F numbers.

Valuations. Consequently, we also lower our TP by 11% to RM1.95 (from RM2.10) based on an unchanged 28x FY25F PER, which is at an 8x multiple premium to the average historical forward PER of its regional peers of 20x to reflect a relatively under-penetrated home improvement market in Malaysia as well as the introduction of the new KKV store format. We believe the 8x multiple premium remains intact, reflecting the company's solid fundamentals and long-term expansion strategy. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Investment case. We like MRDIY for: (i) its dominant position in Malaysia's home improvement market, (ii) its size that translates to strong bargaining position vs. its suppliers, and economies of scale, (iii) its ample headroom for growth in terms of store count, and (iv) its continued efforts to improve operational efficiency such as the introduction of an automated inventory system. We believe the recent selloff presents an accumulating opportunity, as valuations are now trading near 1.5SD below its 5-year PER mean. Reiterate **OUTPERFORM**.

Risks to our call include: (i) unfavourable forex trends, (ii) volatile supply and logistics, and (iii) elevated inflation putting a dent in consumer spending power.

Results Highlights

FYE Dec (RM m)	4QFY24	3QFY24	QoQ Chg	4QFY23	YoY Chg	FY24	FY23	YoY Chg
Revenue	1,177.1	1,135.1	4%	1,146.7	3%	4,651.4	4,359.3	7%
GP	549.3	515.4	7%	525.4	5%	2,132.6	1,977.2	8%
EBITDA	302.8	267.5	13%	307.7	-2%	1,170.5	1,123.6	4%
EBIT	213.7	183.2	17%	229.4	-7%	835.5	820.0	2%
PBT / (LBT)	195.6	164.5	19%	212.3	-8%	763.1	753.2	1%
Taxation	48.4	42.9	13%	53.6	-10%	194.2	192.5	1%
Net Profit	147.2	121.6	21%	158.6	-7%	568.9	560.7	1%
Core Net Profit	149.9	125.3	20%	158.6	-6%	575.3	560.7	3%
Core EPS (sen)	1.6	1.3	20%	1.7	-6%	6.1	4.3	43%
DPS (sen)	1.8	1.0	80%	1.0	80%	5.0	2.2	127%
GP Margin (%)	46.7	45.4		45.8		45.8	45.4	
EBITDA Margin (%)	25.7	23.6		26.8		25.2	25.8	
EBIT Margin (%)	18.2	16.1		20.0		18.0	18.8	
PBT Margin (%)	16.6	14.5		18.5		16.4	17.3	
CNP Margin (%)	12.7	11.0		13.8		12.4	12.9	
Effective Tax Rate (%)	24.7	26.1		25.3		25.4	25.6	

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
CONSUMER																	
AEON CO. (M) BHD	MP	1.44	1.50	4.2%	2,021.8	Y	12/2025	10.2	11.1	-4.9%	8.9%	14.1	13.0	1.0	7.2%	4.0	2.8%
FRASER & NEAVE HOLDINGS BHD	OP	26.14	34.40	31.6%	9,587.6	Y	09/2025	158.5	172.6	3.0%	8.9%	16.5	15.1	2.5	15.6%	75.0	2.9%
MR D.I.Y. GROUP (M) BHD	OP	1.58	1.90	20.3%	14,955.3	Y	12/2024	7.0	7.8	14.5%	12.4%	22.7	20.2	7.2	33.6%	4.0	2.5%
NESTLE (MALAYSIA) BHD	MP	88.00	93.90	6.7%	20,636.0	Y	12/2025	197.8	231.6	16.0%	17.1%	44.5	38.0	30.0	68.2%	190.0	2.2%
PADINI HOLDINGS BHD	OP	1.91	2.10	9.9%	1,884.9	Y	06/2025	12.7	15.8	-15.1%	24.2%	15.0	12.1	1.7	10.8%	11.0	5.8%
POWER ROOT BHD	MP	1.43	1.30	-9.1%	609.7	Y	03/2025	7.5	8.5	-15.9%	13.7%	19.1	16.8	1.9	10.0%	6.0	4.2%
QL RESOURCES BHD	MP	4.72	4.60	-2.5%	17,229.5	Y	03/2025	13.3	14.2	10.8%	6.7%	35.5	33.3	5.2	16.9%	5.0	1.1%
KAREX BHD	OP	0.970	1.07	10.3%	1,021.9	Y	06/2025	2.0	4.3	-12.0%	118.9%	49.6	22.6	2.1	4.2%	1.0	1.0%
SECTOR AGGREGATE					67,946.6					7.4%	12.6%	27.0	24.0	4.9	18.0%		2.8%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workers Safety & Wellbeing	★	★	★	☆	
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	☆	
SPECIFIC	Product Quality & Safety	★	★	★		
	Effluent/Waste Management	★	★	★		
	Digitalisation & Innovation	★	★	★	★	
	Use of Biodegradable Materials	★	★	★		
	Supply Chain Management	★	★	★		
	Energy Efficiency	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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