

25 February 2026

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

### Engine Running, Not Accelerating

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MRDIY's FY25 results met expectations, with core net profit rising 11% YoY, driven mainly by gross margin expansion, supported by lower procurement costs and a stronger MYR. While full-year SSSG remained negative (-2%), 4QFY25 SSSG turned positive at +1.4%, reflecting a low-base driven improvement with momentum improving toward quarter end. Management introduced FY26 GP margin guidance of 46-48%, consistent with FY25, and reiterated plans to open 155 new stores. Management also revealed its intention to lift ROE towards mid-30% range (FY25: 31.4%), which we expect to be supported by elevated FCF-backed payouts, following the 120% FY25 dividend payout (inclusive of the additional 2 sen dividend). We raise our TP to RM1.95 (from RM1.80) by applying a higher 26x FY26F PER to reflect this improved capital efficiency. However, we believe the guidance above is already reflected in its share price, and valuations are currently no longer appealing after 22% YTD gain (+0.5SD over 3-year average PER). Hence, we downgrade the stock to MARKET PERFORM.

**Within expectations.** MRDIY's FY25 core net profit of RM637m (after excluding RM1.5m one-off expenses from new automated warehouse and RM3.1m loss on disposal of certain fixed assets) came in within expectations at 97% of our forecast and in line with the street's estimate. The company declared a DPS of 1.8 sen in 4QFY25 (flat YoY) and an additional dividend of 2.0 sen, bringing FY25 total dividend to 8.0 sen (FY24: 5.0 sen), which exceeded our expectation. Excluding the additional dividend, FY25 DPS would have been in line with our forecast.

**YoY,** FY25 revenue grew 7% supported by contributions from new outlets, which expanded 8% YoY to 1,556 stores (FY24: 1,435, excluding KKV and other sub-brands such as The Colorist). This lifted transaction volumes by 8% to 197.8m, partially offset by a 2% decline in average basket size amid softer market sentiment during FY25. Gross profit increased by a steeper 10%, driven by more favourable purchase costs on stronger MYR, which expanded GP margin by 1.7 pts to 47.5%. Consequently, its bottom line increased 11%.

**QoQ,** 4QFY25 turnover rose 7% due to ongoing store expansions and seasonally stronger demand during year-end festive period and school holidays. Core net profit expanded by a sharper 18%, thanks to improved operational efficiency from the enlarged revenue base.

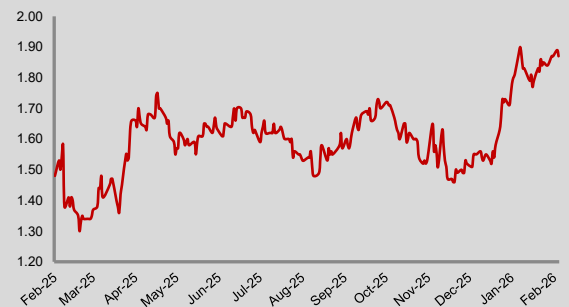
The key takeaways from its results briefing are as follows:

- SSSG inflecting, but recovery partly base-driven.** FY25 SSSG came in at -2% (FY24: -1.9%), with 4QFY25 turning positive at +1.4% YoY, driven by a low base effect from automated warehouse integration issues in 4QFY24. This recovery was further supported by stronger traffic at MR.DIY Plus stores. We expect 1QFY26 sales momentum to carry over from 4QFY25, though the double festive seasonality may front-load demand into 1Q with potential normalisation in 2Q due to slightly earlier timing of Hari Raya this year.
- Expansion and productivity initiatives to support steady growth.** Management reiterated its FY26 plan to open 155 new stores (including 25 KKV and sub-brands), reflecting a more disciplined rollout following FY25 net additions of 145 stores (vs.

## MARKET PERFORM ↓

**Price:** RM1.87  
**Target Price:** RM1.95 ↑

### Share Price Performance



KLCI	1,754.01
YTD KLCI chg	4.4%
YTD stock price chg	22.2%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MRDIY MK EQUITY
Market Cap (RM m)	17,722.9
Shares Outstanding	9,477.5
52-week range (H)	1.92
52-week range (L)	1.28
3-mth avg. daily vol.	13,512,980
Free Float	31%
Beta	1.2

### Major Shareholders

Bee Family Ltd	50.0%
Employees Provident Fund Board	10.2%
Hyptis	3.9%

### Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	4,954	5,429	5,809
EBIT	922	1,045	1,118
PBT	849	961	1,048
<b>Net Profit (NP)</b>	<b>633</b>	<b>711</b>	<b>775</b>
Consensus (NP)	-	699	758
Earnings Revision	-	-	NEW
Core EPS (sen)	6.7	7.5	8.2
Core EPS Growth (%)	11	12	9
NDPS (sen)	8.0	7.5	8.0
BVPS (RM)	0.21	0.21	0.22
Core PER (x)	28.0	24.9	22.8
PBV (x)	8.8	8.8	8.7
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	4.3	4.0	4.3

25 February 2026

the 185 target). East Malaysia remains underpenetrated and a key growth pocket, with 15 stores added in FY25.

Additionally, over 100 stores are planned for refurbishment in FY26, either fully or partially refurbished, following 24 refurbishments in FY25 that delivered 5-10% sales uplift, in line with management's targets. Greater emphasis on larger, better-located formats, including ~10 new MR.DIY Plus stores, should help enhance store productivity and customer engagement.

- Focus on improving ROE.** Management unveiled that they aim to optimise capital structure to lift ROE into the mid-30% range (FY25: 31.4%), supported by strong operating cash flow and a net cash position of RM121m. FY25 dividend payout reached ~120% of PAT, inclusive of the additional 2 sen dividend (vs 83% in FY24), exceeding the targeted 50–65% range. We observed that FY25 DPS of 8 sen represents about 90% of FCF per share of 9 sen; accordingly, we assume a similar 90% FCF payout ratio for FY26, translating into an estimated DPS of 7.5 sen.
- GP margins to remain stable in FY26.** Management guided FY26 gross margin at 46–48%, consistent with FY25 guidance, with no material uplift expected despite a stronger MYR tailwind. Cost savings may be reinvested into promotions to support traffic and enhance competitiveness. In line with guidance, our GP margin assumption for FY26 stands at about 47%. Notably, FY25 GP per sq ft remains 1.4% above the 5-year average despite a 2.6% YoY decline in revenue per sq ft.

**Forecasts.** We keep our FY26F numbers largely unchanged and introduce our FY27F numbers.

**Valuations.** We raise our TP to RM1.95 (from RM1.80) as we ascribe a higher valuation multiple of 26x FY26F PER (from 24x previously) to reflect MRDIY's greater emphasis on capital optimisation, underpinned by a mid-30% ROE target. We expect high FCF-backed payouts to remain supportive, following the 120% FY25 dividend (inclusive of the additional dividend). Our revised 26x FY26F PER, implies an 8x multiple premium to the regional peers' average historical forward PER of 18x. 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 with its suppliers, and economies of scale, (iii) its value-for-money appeal which resonates with cost-conscious consumers, and (iv) its continued efforts to improve operational efficiency such as the introduction of an automated inventory system. However, with the stock trading at ~25x FY26F PER, broadly in line with its 3-year average of 24x, we believe its current valuations have largely reflected its fundamentals. We therefore downgrade it to **MARKET PERFORM** from **OUTPERFORM** and would reassess our call on share price dips.

**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)	4QFY25	3QFY25	QoQ Chg	4QFY24	YoY Chg	FY25	FY24	YoY Chg
Revenue	1,284.1	1,198.5	7%	1,177.1	9%	4,954.0	4,651.4	7%
GP	606.9	566.7	7%	549.3	10%	2,354.2	2,132.6	10%
EBITDA	333.8	296.5	13%	302.8	10%	1,288.0	1,170.5	10%
EBIT	238.1	202.6	17%	213.7	11%	921.8	835.5	10%
PBT / (LBT)	218.9	183.8	19%	195.6	12%	848.8	763.1	11%
Taxation	55.1	47.7	15%	48.4	14%	216.1	194.2	11%
<b>Net Profit</b>	163.8	136.1	20%	147.2	11%	632.7	568.9	11%
<b>Core Net Profit</b>	163.8	139.2	18%	149.9	9%	637.3	575.4	11%
Core EPS (sen)	1.7	1.4	20%	1.6	9%	6.7	6.1	10%
DPS (sen)	3.8	1.3	192%	1.8	111%	8.0	5.0	60%
GP Margin (%)	47.3	47.3		46.7		47.5	45.8	
EBITDA Margin (%)	26.0	24.7		25.7		26.0	25.2	
EBIT Margin (%)	18.5	16.9		18.2		18.6	18.0	
PBT Margin (%)	17.0	15.3		16.6		17.1	16.4	
CNP Margin (%)	12.8	11.6		12.7		12.9	12.4	
Effective Tax Rate (%)	25.2	25.9		24.7		25.5	25.4	

Source: Company, Kenanga Research

25 February 2026

## 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.
<b>CONSUMER</b>																	
AEON CO. (M) BHD	OP	1.32	1.40	6.1%	1,853.3	Y	12/2025	9.2	10.3	-14.7%	13.0%	14.4	12.8	0.9	6.5%	5.0	3.8%
FARM FRESH BHD	MP	2.75	2.70	-1.8%	5,181.6	Y	03/2026	7.5	9.0	29.2%	20.4%	36.8	30.6	6.3	18.2%	3.0	1.1%
FRASER & NEAVE HOLDINGS BHD	OP	33.70	37.70	11.9%	12,360.4	Y	09/2026	144.2	160.7	3.6%	11.4%	23.4	21.0	3.0	13.2%	70.0	2.1%
MR D.I.Y. GROUP (M) BHD	MP	1.87	1.95	4.3%	17,722.9	Y	12/2026	7.5	8.2	11.6%	9.0%	24.9	22.8	8.8	35.3%	8.0	4.3%
NESTLE (MALAYSIA) BHD	MP	111.00	99.20	-10.6%	26,029.5	Y	12/2025	217.7	251.3	27.6%	15.5%	51.0	44.2	48.0	93.7%	220.0	2.0%
PADINI HOLDINGS BHD	OP	2.01	2.35	16.9%	1,983.6	Y	06/2026	17.4	18.2	6.0%	4.5%	11.5	11.0	1.6	14.0%	9.1	4.5%
POWER ROOT BHD	MP	1.18	1.12	-5.1%	496.9	Y	03/2026	6.0	7.5	-20.3%	25.1%	19.6	15.6	1.7	8.6%	5.0	4.2%
QL RESOURCES BHD	MP	3.96	4.26	7.6%	14,455.0	Y	03/2026	12.2	13.4	-2.0%	9.5%	32.4	29.6	4.1	14.1%	5.0	1.3%
KAREX BHD	OP	0.585	0.850	45.3%	616.3	Y	06/2026	2.3	3.5	11950.0%	51.0%	25.6	16.9	1.3	5.2%	2.0	3.4%
<b>SECTOR AGGREGATE</b>					<b>80,699.5</b>					<b>9.4%</b>	<b>11.8%</b>	<b>30.0</b>	<b>26.8</b>	<b>5.3</b>	<b>17.8%</b>		<b>3.0%</b>

Source: Kenanga Research

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25 February 2026

**Stock ESG Ratings:**

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

☆ 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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