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

## Value Positioning Still Winning Traffic

*By Thin Yun Jing I thinyj@kenanga.com.my*

**OUTPERFORM ↔**

| | |
|---|---|
| **Price:** | **RM1.70** |
| **Target Price:** | **RM1.95** ↑ |

**MRDIY's 1QFY26 results came in within expectations and reinforced its position as a key beneficiary of consumer downtrading trends, with core net profit up 9% YoY, supported by a second consecutive quarter of positive SSSG and continued gross margin expansion from more disciplined promotional activities and lower procurement costs amid stronger MYR. While the earlier timing of Hari Raya this year front-loaded some post-festive spending into 1QFY26, we believe the group remains well-positioned given its strong value appeal amid rising living costs, supported by its 'Harga Tetap Sama' campaign and ability to maintain product prices despite ongoing inflationary environment, underpinned by scale advantages and strong procurement bargaining power. Our above-consensus dividend expectation is now supported by management indicating dividends will remain elevated, with plans to pay additional special dividend this year. We raise our TP to RM1.95 (from RM1.80) as we roll forward our valuation base year to FY27 (from FY26), while keeping an unchanged targeted PER of 24x (in line with 3-year average PER). Reiterate OUTPERFORM.**

**Within expectations.** MRDIY's 1QFY26 core net profit of RM192m came in within expectations at 27% of our full-year forecast and 28% of the full-year consensus estimate. It declared a DPS of 1.6 sen in 1QFY26 (1QFY25: 1.4 sen), which was in line with our expectation.

**YoY**, 1QFY26 revenue rose 9% driven mainly by contributions from new outlets (+9%) as the store network expanded to 1,615 stores (vs. 1,475 in 1QFY25, including KKV and other sub-brands), alongside higher transaction volumes (+12%). Notably, it recorded a second consecutive quarter of positive SSSG at +1.6%, driven by stronger customer traffic and festive spending during Chinese New Year and Hari Raya. This was partly offset by a 3% decline in average basket size to RM25.30.

Meanwhile, gross profit improved 11%, with GP margin expanding 0.8 ppts to 48.6%, supported by more disciplined promotional activities and lower inventory costs amid stronger MYR. Consequently, core net profit grew in line with revenue growth at 9%, reflecting higher operating costs from network expansion.

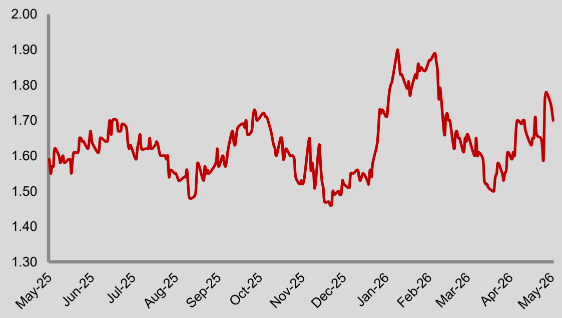
**QoQ**, 1QFY26 turnover climbed 7%, thanks to ongoing store expansions and strong double festive demand. Core net profit increased by a steeper 17% due to stronger GP margins, likely from the abovementioned factors, and improved cost efficiency from the enlarged revenue base.

The key takeaways from its results briefing are as follows:

1. **Value positioning reinforced amid rising living costs.** MRDIY launched its 60-day 'Harga Tetap Sama' campaign in May 2026, keeping prices unchanged across its nationwide SKUs base, reinforcing its affordability positioning amid tighter household budgets. Management noted similar campaigns previously supported customer retention and spending resilience during softer periods. We concur with management's view that the group remains well positioned to benefit from ongoing consumer downtrading trends, supported by its value-for-money proposition.

   Meanwhile, participation in the MyKasih programme (linked to the one-off RM100 SARA cash aid) has expanded to ~250 stores (from

### Share Price Performance




| | |
|---|---|
| KLCI | 1,717.69 |
| YTD KLCI chg | 2.2% |
| YTD stock price chg | 11.1% |

### Stock Information

| | |
|---|---|
| Shariah Compliant | Yes |
| Bloomberg Ticker | MRDIY MK Equity |
| Market Cap (RM m) | 16,111.7 |
| Shares Outstanding | 9,477.5 |
| 52-week range (H) | 1.90 |
| 52-week range (L) | 1.46 |
| 3-mth avg. daily vol. | 12,267,860 |
| Free Float | 31% |
| Beta | 1.2 |

### Major Shareholders

| | |
|---|---|
| Bee Family Ltd | 50.0% |
| Employees Provident Fund Board | 11.2% |
| Tan Yew Teik | 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 |
| **Net Profit (NP)** | 633 | 711 | 775 |
| Consensus (NP) | - | 693 | 747 |
| Earnings Revision | - | - | - |
| Core EPS (sen) | 6.7 | 7.5 | 8.2 |
| Core EPS Growth (%) | 11 | 12 | 9 |
| NDPS (sen) | 8.0 | 8.0 | 8.0 |
| BVPS (RM) | 0.21 | 0.21 | 0.21 |
| Core PER (x) | 25.4 | 22.6 | 20.7 |
| PBV (x) | 8.0 | 8.1 | 8.1 |
| Net Gearing (x) | N.Cash | N.Cash | N.Cash |
| Net Div. Yield (%) | 4.7 | 4.7 | 4.7 |

125 previously). While sales contribution is expected to remain modest given the limited eligible essentials product range and store coverage relative to its >1,600-store network, management believes the initiative should help strengthen customer relevance and drive convenience.

2. **Cost pressures remain manageable post Middle East conflict.** Management expects the impact from ongoing Middle East conflict to remain manageable given the group's relatively limited exposure to logistics, utilities and plastic-related input costs. Additionally, margins remain supported by favourable inventory costs amid a stronger MYR, procurement scale advantages and proactive inventory purchases ahead of anticipated price increases. As such, management maintained its FY26 GP margin guidance of 46-48%; in line with guidance, our FY26 GP margin assumption stands at about 47%.

3. **East Malaysia remains key expansion focus.** Management highlighted that new stores in East Malaysia are achieving sales-to-target ratios of close to 2x (versus 1.3-1.4x in Peninsular Malaysia), implying attractive payback periods of roughly 12 months. Management attributed the stronger performance to structurally lower store density, underserved catchment areas and substantially lower competitive intensity. Accordingly, the group plans to open ~20 stores in East Malaysia this year (FY25: 14) as part of its broader FY26 target of ~155 new stores nationwide.

4. **Dividend payouts likely to stay elevated.** Management reiterated its focus on progressive dividend payouts, after declaring a 1.6 sen DPS in 1QFY26 (79% payout). Our above-consensus dividend payout ratio assumption is now playing out, as management indicating during today's briefing its intention to pay an additional special dividend this year on top of the four quarterly dividends, and FY26 payouts could remain above its formal 60-75% target range (FY25: 120% including additional dividend). We believe this is the right decision given the group's lower cash conversion cycle of 132 days in 1QFY26 (vs. 149 days in FY25), which supports stronger cash generation and a net cash position of RM133m. Importantly, 1QFY26 ROE improved to 35.2% (FY25: 31.4%), broadly in line with management's earlier mid-30% ROE target.

**Forecasts.** We keep our FY26F and FY27F earnings forecasts largely unchanged. However, we raise our FY26F dividend forecast to 8.0 sen (from 7.5 sen) to align with FY25 dividend levels, supported by the group's continued strong cash generation and healthy balance sheet.

**Valuations.** We raise our TP by 8% to RM1.95 (from RM1.80) as we roll forward our valuation base year to FY27 (from FY26), with an unchanged targeted PER of 24x. This remains at a 6x multiple premium to the average historical forward PER of its regional peers of 18x to reflect continued store expansions within the relatively under-penetrated home improvement market in Malaysia as well as its greater emphasis on capital optimisation, underpinned by a mid-30% ROE target. 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. Maintain **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) | 1QFY26 | 4QFY25 | QoQ Chg | 1QFY25 | YoY Chg |
|---|---|---|---|---|---|
| Revenue | 1,373.7 | 1,284.1 | 7% | 1,257.2 | 9% |
| GP | 667.4 | 606.9 | 10% | 601.2 | 11% |
| EBITDA | 374.8 | 333.8 | 12% | 339.4 | 10% |
| EBIT | 277.9 | 238.1 | 17% | 251.5 | 11% |
| PBT / (LBT) | 258.3 | 218.9 | 18% | 234.1 | 10% |
| Taxation | 66.3 | 55.1 | 20% | 60.0 | 11% |
| **Net Profit** | 192.0 | 163.8 | 17% | 174.1 | 10% |
| **Core Net Profit** | 192.0 | 163.8 | 17% | 175.6 | 9% |
| Core EPS (sen) | 2.0 | 1.7 | 17% | 1.8 | 10% |
| DPS (sen) | 1.6 | 3.8 | -58% | 1.4 | 14% |
| | | | | | |
| GP Margin (%) | 48.6 | 47.3 | | 47.8 | |
| EBITDA Margin (%) | 27.3 | 26.0 | | 27.0 | |
| EBIT Margin (%) | 20.2 | 18.5 | | 20.0 | |
| PBT Margin (%) | 18.8 | 17.0 | | 18.6 | |
| CNP Margin (%) | 14.0 | 12.8 | | 14.0 | |
| Effective Tax Rate (%) | 25.7 | 25.2 | | 25.6 | |

*Source: Company, Kenanga Research*

## 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 | OP | 1.16 | 1.40 | 20.7% | 1,628.6 | Y | 12/2026 | 11.0 | 11.8 | 15.3% | 7.6% | 10.6 | 9.8 | 0.8 | 7.5% | 5.0 | 4.3% |
| FARM FRESH BHD | MP | 2.32 | 2.40 | 3.4% | 4,371.8 | Y | 03/2026 | 7.5 | 8.6 | 29.2% | 15.5% | 31.1 | 27.0 | 5.3 | 18.2% | 3.0 | 1.3% |
| FRASER & NEAVE HOLDINGS BHD | OP | 29.22 | 37.40 | 28.0% | 10,717.3 | Y | 09/2026 | 118.0 | 144.6 | -15.2% | 22.5% | 24.8 | 20.2 | 2.6 | 11.0% | 70.0 | 2.4% |
| MR D.I.Y. GROUP (M) BHD | OP | 1.70 | 1.95 | 14.7% | 16,111.7 | Y | 12/2026 | 7.5 | 8.2 | 11.6% | 9.0% | 22.6 | 20.7 | 8.0 | 35.3% | 8.0 | 4.7% |
| NESTLE (MALAYSIA) BHD | MP | 95.00 | 106.00 | 11.6% | 22,277.5 | Y | 12/2026 | 256.9 | 284.7 | 20.2% | 10.8% | 37.0 | 33.4 | 38.3 | 104.1% | 255.0 | 2.7% |
| PADINI HOLDINGS BHD | MP | 1.42 | 1.75 | 23.2% | 1,401.3 | Y | 06/2026 | 14.0 | 15.9 | -15.0% | 13.5% | 10.1 | 8.9 | 1.1 | 11.1% | 8.2 | 5.8% |
| POWER ROOT BHD | MP | 1.13 | 1.08 | -4.4% | 473.1 | Y | 03/2026 | 5.6 | 7.2 | -21.5% | 28.3% | 20.2 | 15.7 | 1.6 | 7.5% | 5.0 | 4.4% |
| QL RESOURCES BHD | MP | 3.65 | 4.05 | 11.0% | 13,323.4 | Y | 03/2026 | 12.2 | 13.4 | -2.0% | 9.5% | 29.9 | 27.3 | 3.7 | 14.1% | 5.0 | 1.4% |
| KAREX BHD | MP | 0.490 | 0.580 | 18.4% | 516.2 | Y | 06/2026 | 1.0 | 2.3 | 5250.0% | 126.2% | 48.2 | 21.3 | 1.1 | 2.3% | 1.5 | 3.1% |
| **SECTOR AGGREGATE** | | | | | **70,821.0** | | | | | **4.7%** | **12.8%** | **26.6** | **23.6** | **4.7** | **17.6%** | | **3.3%** |

*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.***




Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my