Mr D.I.Y. Group (M) (MRDIY MK)

9M26: Below Expectations As SSSG Slumps

Highlights

- 9M26 earnings missed expectations. While revenue came in higher yoy, rising costs and unfavourable forex movements saw net margins contract 1ppt yoy.
- SSSG remained negative for another quarter while basket size also declined.
- Mr DIY has also trimmed its new store target to 130 stores for 2026 and 200 stores by 2028, shifting focus to refurbishing its older locations.
- Maintain BUY with a lower target price of RM1.50 (from RM1.65) as we trim our 2026-28 forecasts by 9-11%.

9M26 Results

Year to 31 Dec	3Q26 (RMm)	qoq % chg	yoy % chg	9M26 (RMm)	yoy % chg	Comments
Revenue	**1,256.1**	**(0.1)**	**4.8**	**3,887.2**	**5.9**	9M26 revenue grew off higher store count (+10.1% yoy) but SSSG remained negative (-3.0%)
GP	582.3	(2.3)	2.8	1,846.0	5.6	
EBITDA	**294.1**	**(2.7)**	**(0.3)**	**969.5**	**2.1**	
PBT	166.1	(8.1)	(9.6)	605.2	(3.9)	
Core profit	**127.3**	**(5.3)**	**(6.4)**	**453.8**	**(3.2)**	Below expectations.
Store count	1,683.0	2.2	10.1			
Revenue per store	746.4	(2.3)	(4.8)			
Margins	**%**	**+/- ppt**	**+/- ppt**	**%**	**+/- ppt**	
Gross profit	46.4	(1.1)	(0.9)	47.5	(0.1)	Margin compression across the board.
EBIT	23.4	(0.6)	(1.2)	24.9	(0.9)	
Effective tax rate	(23.3)	2.3	2.6	(25.0)	0.5	
Core profit	10.1	(0.6)	(1.2)	11.7	(1.1)	

Source: MRDIY, UOB Kay Hian

Analysis

- **Below expectations.** Mr D.I.Y. Group (M) (Mr DIY) posted a 9M26 core net profit of RM453.8m (-3.2% yoy). This missed expectations, accounting for only 68% of both our and consensus full-year forecasts. The negative deviation was largely attributable to higher-than-expected operating costs. An interim DPS of 1.3 sen was declared, bringing 9M26 DPS to 6.2 sen (9M25: 4.2 sen).

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	4,651	4,954	5,260	5,467	5,549.4
EBITDA	1,165	1,282	1,350	1,431	1,445.3
Operating profit	835	922	888	955	967.4
Net profit (rep./act.)	573	633	601	652	662.4
Net profit (adj.)	573	633	601	652	662.4
EPS	6	7	6	7	7.0
PE (x)	17	15	16	15	14.8
P/B (x)	5	5	5	6	6.0
EV/EBITDA (x)	8	8	7	7	6.6
Dividend yield (%)	5	8	7	8	8.1
Net margin (%)	12	13	11	12	11.9
Net debt/(cash) to equity (%)	(7)	(6)	(6)	(8)	(12.5)
Interest cover (x)	10	11	9	10	10.8
ROE (%)	30	32	30	35	38.3
Consensus net profit	n.a	n.a	665	716	756.7
UOBKH/Consensus (x)	n.a	n.a	1.00	1.00	0.88

Source: MRDIY, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	RM1.04
Target Price	RM1.50
Upside	58.7%
Previous TP	RM1.65

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	MRDIY MK
Shares issued (m)	9,477.5
Market cap (RMm)	9,856.6
Market cap (US$m)	2,408.2
3-mth avg daily t'over (US$m)	2.8

Price Performance (%)

52-week high/low				RM1.92/RM1.01
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(15.4)	(31.1)	(41.6)	(31.6)	(32.0)

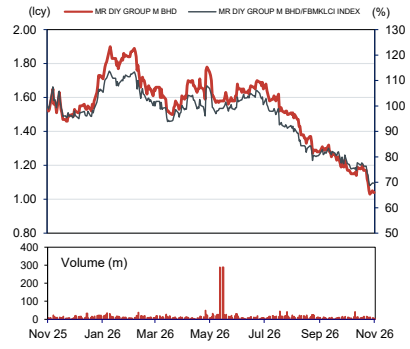
Major Shareholders (%)

Tan Yu Yeh	50.4
EPF	12.7

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.2
FY26 Net Debt/Share (RM)	0.0

Price Chart



Source: Bloomberg

Company Description

Homegrown Mr DIY Group (M) is the largest home improvement retailer in Malaysia, with more than 40% of the home improvement market share and growing. It also operates in Brunei and is involved in toy and dollar concept stores.

- **SSSG continued to contract.** 3Q26 revenue of RM1.3b (-0.1% qoq, +4.8% yoy) was largely lifted by new store openings as the negative SSSG offset the 10% yoy higher store count. However, while top-line numbers were positive, net profits declined to RM127.3m (-5.3% qoq, -6.4% yoy) as the group saw margin compression of 0.6ppt-1.2ppt across the board. We understand the contraction is due to a combination of: a) unfavourable product mix with a higher proportion of local goods, b) increased freight costs, c) unfavourable forex movements, and d) higher licensing costs associated with its branded goods.
- **Shifting gears away from expansion.** Mr DIY has trimmed its guidance for new store openings moving forward. The group's 2026 target has been cut to 135 stores (from 150 previously) while its medium-term target has been reduced to 1,800 total stores by 2028 (previously 2,000). Looking ahead, capex will be channelled to the refurbishment of existing older outlets with Mr DIY targeting 200-250 outlets across 2027.
- **Price hikes on the horizon.** In response to the escalating costs, Mr DIY commented that it is exploring increasing prices to preserve its margins. Additionally, the upcoming minimum wage increase to RM2,000 will likely weigh on the group as 28% of its current workforce are at the minimum wage level. While Mr DIY did not provide exact details on the quantum, we estimate a 3-5% price increase would offset the current contractions in SSSG and margins. However, given consumer sentiment remains muted, we are somewhat conservative on Mr DIY's ability to pass through costs without negatively impacting volumes, doubly so given existing issues with SSSG.

Valuation/Recommendation

- **Maintain BUY but with a lower target price of RM1.50 (from RM1.65)** as we trim our forecasts. Our target PE of 21.8x or -1.0SD to mean reflect a fundamental shift as the group's operating environment has become challenging.
- **We retain our BUY call largely on valuation grounds** as Mr DIY now trades at near -1.5SD to mean with dividend yields of 7-8% also appearing attractive. However, we believe near-term catalysts for the group are limited and the road to recovery may be long and winding.

Earnings Revision/Risk

- **We lower our 2026-28 earnings estimates by 9-11%** due to lower SSSG and store count assumptions. Key downside risks are a sharp weakening of the ringgit against the renminbi, trade restrictions by China, and a sharp reversal in consumer sentiment.

Environment, Social, Governance (ESG) Updates

Environmental

- **Energy management.** MRDIY targets to increase renewable energy sources by 30% from base year 2021 for its warehouses.
- **Emission.** By 2030, MRDIY aims to reduce Scope 1 and 2 emissions by 20% and 30% respectively from base year 2021.

Social

- **Diversity & inclusion.** Among its workforce, 57% are male, while 43% are female. MRDIY also employs 26 less-abled and four Orang Asli employees.

Governance

- **Board gender diversity.** Male to female ratio of 4:2.
- **Board balance and composition.** Three board members are independent directors, equivalent to 50% of the board members.

Key Assumptions

	2026F	2027F	2028F
Revenue (RMm)	**5260**	**5467**	**5549**
Growth yoy (%)	6.2%	3.9%	1.5%
Avg store count for the year	**1649**	**1749**	**1812**
Net store addition	**130**	**70**	**55**
Growth yoy (%)	9.5%	6.1%	3.6%
Revenue per store (in '000)	**3190**	**3126**	**3063**
Growth yoy (%)	-3.0%	-2.0%	-2.0%

Source: UOB Kay Hian

PE Band



Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	**4,954**	**5,260**	**5,467**	**5,549**
EBITDA	1,282	1,350	1,431	1,445
Deprec. & amort.	360	462	475	478
EBIT	922	888	955	967
Total other non-operating income	41	43	45	46
Associate contributions	4	3	4	4
Net interest income/(expense)	(77)	(85)	(84)	(83)
Pre-tax profit	**849**	**806**	**875**	**888**
Tax	(216)	(205)	(223)	(226)
Minorities	1	2	3	4
Net profit	**633**	**601**	**652**	**662**
Net profit (adj.)	633	601	652	662

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	893	853	786	717
Other LT assets	1,462	1,810	1,941	2,078
Cash/ST investment	225	225	250	309
Other current assets	1,341	1,370	1,424	1,445
Total assets	**3,921**	**4,259**	**4,400**	**4,548**
ST debt	95	95	95	95
Other current liabilities	578	576	620	660
LT debt	10	10	10	10
Other LT liabilities	1,222	1,682	1,910	2,150
Shareholders' equity	2,017	1,896	1,766	1,633
Total liabilities & equity	**3,921**	**4,259**	**4,400**	**4,548**

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	**1,331**	**1,399**	**1,480**	**1,494**
Pre-tax profit	849	806	875	889
Tax	(210)	(205)	(223)	(226)
Deprec. & amort.	360	462	475	478
Associates	(4)	(3)	(4)	(4)
Working capital changes	(143)	(30)	(44)	(17)
Other operating cashflows	478	370	400	375
Investing	**(137)**	**(104)**	**(56)**	**(44)**
Capex (growth)	(118)	(104)	(56)	(44)
Proceeds from sale of assets	1	2	3	4
Others	(19)	-	-	-
Financing	**(888)**	**(1,059)**	**(1,133)**	**(1,148)**
Dividend payments	(568)	(721)	(783)	(795)
Issue of shares	-	-	-	-
Proceeds from borrowings	-	-	-	-
Loan repayment	(168)	-	-	-
Others/interest paid	(151)	(338)	(350)	(353)
Net cash inflow (outflow)	**(47)**	**0**	**24**	**59**
Beginning cash & cash equivalent	**276**	**225**	**225**	**250**
Changes due to forex impact	(4)	-	-	-
Ending cash & cash equivalent	**225**	**225**	**250**	**309**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	25.9	25.7	26.2	26.0
Pre-tax margin	17.1	15.3	16.0	16.0
Net margin	12.8	11.4	11.9	11.9
ROA	16.1	14.1	14.8	14.4
ROE	31.5	29.5	35.0	38.1
Growth				
Turnover	6.5	6.2	3.9	1.5
EBITDA	10.0	5.3	6.0	1.0
Pre-tax profit	10.7	(5.0)	8.5	1.5
Net profit	10.5	(5.0)	8.5	1.5
Net profit (adj.)	10.5	(5.0)	8.5	1.5
EPS	10.5	(5.0)	8.5	1.5
Leverage				
Debt to total capital	4.9	5.2	5.6	8.6
Debt to equity	5.2	5.5	5.9	9.4
Net debt/(cash) to equity	(6.0)	(6.4)	(8.2)	(12.5)
Interest cover	11.1	9.5	10.4	10.7

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