Mr. DIY (MRDIY MK)

2Q26: Earnings Disappoint As SSSG Contracts

Highlights

- Earnings disappointed as SSSG bucked the recent trend to contract against expectations.
- A price-lock campaign and lumpy costs further weighed on margins as earnings contracted yoy.
- Maintain BUY with a lower target price of RM1.70 (from RM2.30). Mr. DIY offers a yield of 5.6-6.4% for 2026-28.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	qoq % chg	yoy % chg	1H26	Yoy % chg	Comments
Revenue	1257.3	-8.5	3.6	2631.0	6.5	2Q26 sales eked a gain off enlarged store count (+9.1%) but declined SSSG (-3.7%).
GP	596.2	-10.7	2.9	1263.6	7.0	
EBITDA	302.2	-19.0	-4.6	675.4	3.2	
PBT	180.8	-30.0	-14.7	439.1	-1.6	
Core Profit	134.4	-30.0	-15.2	326.4	-1.9	Below expectations.
Store count	1646	1.9	9.1			
Revenue per store	764	-10.2	-5.1			
Margins	(%)	qoq ppt chg	yoy ppt chg	(%)	yoy ppt chg	
Gross Profit	47.4	-1.2	-0.3	48.0	0.3	
EBIT	24.0	-3.1	-2.1	25.7	-0.8	
Eff. tax rate	-25.7	0.0	-0.5	-25.7	-0.2	
Core Profit	10.7	-3.3	-2.4	12.4	-1.1	

Source: Mr. DIY, UOB Kay Hian

Analysis

- **Below expectations.** Mr D.I.Y. Group (Mr. DIY) posted a 2Q26 core net profit of RM134.4m (-30.0% qoq, -15.2% yoy), bringing 1H26 core profit to RM326.4m (-1.9% yoy). This disappointed expectations at 45% and 46% of our and consensus full-year earnings forecasts respectively. An interim DPS of 3.2 sen was declared, bringing 1H26 DPS to 4.8 sen (1H25: 2.9 sen). The negative variance arose from softer-than-expected SSSG.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	4,651.4	4,954.0	5,299.7	5,696.7	6,046.2
EBITDA	1,165.0	1,281.9	1,448.3	1,551.8	1,613.9
Operating profit	835.5	921.8	982.7	1,062.0	1,104.9
Net profit (rep./act.)	572.6	632.7	671.9	731.9	764.2
Net profit (adj.)	572.6	632.7	671.9	731.9	764.2
EPS	6.1	6.7	7.1	7.8	8.1
PE (x)	25.0	22.6	21.3	19.6	18.7
P/B (x)	7.4	7.1	7.6	8.3	9.1
EV/EBITDA (x)	12.2	11.1	9.8	9.2	8.9
Dividend yield (%)	3.3	5.3	5.6	6.1	6.4
Net margin (%)	12.3	12.8	12.7	12.8	12.6
Net debt/(cash) to equity(%)	-7.1	-6.0	-4.7	-1.1	1.9
Interest cover (x)	9.7	11.1	10.6	11.7	12.2
ROE (%)	30.1	31.5	33.1	39.8	44.9
Consensus net profit	n.a	n.a	700.0	762.0	803.0
UOBKH/Consensus (x)	n.a	n.a	0.96	0.96	0.95

Source: Mr. DIY, Bloomberg, UOB Kay Hian

Analyst(s)

Philip Wong

philipwong@uobkh.com

(603) 2147 1996

BUY (Maintained)

Share Price	RM1.52
Target Price	RM1.70
Upside	11.8%
Previous TP	RM2.30

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	MRDIY MK
Shares issued (m)	9,477.5
Market cap (RMm)	15,448.3
Market cap (US$m)	3,727.7
3-mth avg daily t'over (US$m)	7.2

Price Performance (%)

52-week high/low				RM1.9/RM1.5
1mth	3mth	6mth	1yr	YTD
1.2	(1.8)	8.0	1.2	6.5

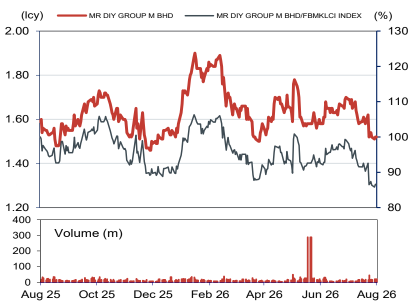
Major Shareholders (%)

Tan Yu Yeh	50.4
EPF	11.1

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 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 turns negative against expectations.** 2Q26 revenue eked out a gain of 3.6% yoy. The increase in store count (+9.1%, or 137 net new stores) to 1,646 stores was partially offset by an unexpected sharply lower same-store sales growth (SSSG) of -3.7% (1Q26: 1.6%). Despite a low-base effect in 2Q25 (-7.2%), SSSG softened further due to: a) an earlier Raya run-in that shifted sales to 1Q26, and b) lower ASPs arising from its price-lock campaign. We had initially expected SSSG to have bottomed out seeing that SSSG had been contracting for three consecutive years (2023-25), and even turned positive in the past two quarters. It appears that operating conditions for Mr. DIY stores are more challenging than we had initially anticipated.
- **Price-lock campaign and lumpy costs further weigh on earnings.** 2Q26 gross margin softened sequentially by 1.2ppt to 47.4% (0.3ppt yoy). Despite its price-lock campaign, 1H26 gross margin of 48.0% is still at the top end of management's 46-48% target gross margin range. A host of additional lumpy cost attributed to additional labour and depreciation due to adjustments at its automated warehouse, charitable spending and SST on rental expense that amounted to RM12m. These alongside lower gross margins further weighed on core margins by -3.3ppt to 10.7%.

Valuation/Recommendation

- **Maintain BUY but with a lower target price of RM1.70 (from RM2.30)** as we trim our forecast and lower our PE peg to 21.8x (from 30x or -0.5SD) or its -1.0SD of its mean PE to 2027 earnings, to reflect a fundamental shift in its operating condition. That said, Mr. DIY offers deep value with its attractive dividend yield of 5.6-6.4%.

Earnings Revision/Risk

- We lower our 2026-28 earnings by 7% due to lower SSSG 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.

Share Price Catalyst

- **Forex tailwind.** As Mr. DIY does not hedge its purchases - with approximately 70% of COGS sourced from China - earnings remain highly sensitive to currency movements. Given an average five-month inventory lag, forex benefits are realised with a delay. We estimate that every 1% strengthening of the ringgit against the renminbi could increase 2027 earnings by approximately 2.2%.
- **East Malaysia driving superior store economics.** Management emphasised expansion with an increased focus on East Malaysia owing to lower store density, limited competition and superior economics. The retailer targets around 20 new East Malaysian stores in 2026. East Malaysian stores are generating 2.0x sales-to-target ratio (Peninsula Malaysia: 1.3x).

Key Assumptions

	2026F	2027F	2028F
Revenue (RMm)	5300	5697	6046
Growth yoy (%)	7.0%	7.5%	6.1%
Avg store count for the year	1662	1804	1934
Net store addition	155	130	130
Growth yoy (%)	10.3%	8.6%	7.2%
Revenue per store (in '000)	3190	3158	3126
Growth yoy (%)	-3.0%	-1.0%	-1.0%

Source: UOB Kay Hian

PE Band

Source: Bloomberg, UOB Kay Hian

Environmental, Social, Governance (ESG)

Environmental
- Energy management. Mr. DIY targets to increase renewable energy sources by 30% from base year 2021 for its warehouses. - Emission. By 2030, Mr. DIY 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. Mr. DIY 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.

Source: Mr. DIY, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	4,954	5,300	5,697	6,046
EBITDA	1,282	1,448	1,552	1,614
Deprec. & amort.	360	466	490	509
EBIT	922	983	1,062	1,105
Total other non-operating income	41	44	47	50
Associate contributions	4	4	4	4
Net interest income/(expense)	-77	-85	-84	-84
Pre-tax profit	849	901	982	1,025
Tax	-216	-229	-250	-261
Minorities	1	2	3	4
Net profit	633	672	732	764
Net profit (adj.)	633	672	732	764

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	893	873	850	835
Other LT assets	1462	1811	1948	2098
Cash/ST investment	225	193	124	124
Other current assets	1341	1371	1478	1568
Total assets	3921	4248	4400	4625
ST debt	95	95	95	95
Other current liabilities	578	577	633	690
LT debt	10	10	10	60
Other LT liabilities	1222	1685	1927	2198
Shareholders' equity	2017	1882	1736	1583
Total liabilities & equity	3921	4248	4400	4625

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	1331	1497	1601	1663
Pre-tax profit	849	901	982	1025
Tax	-210	-229	-250	-261
Deprec. & amort.	360	466	490	509
Associates	-4	-4	-4	-4
Working capital changes	-143	-31	-87	-74
Other operating cashflows	478	395	470	467
Investing	-137	-124	-104	-104
Capex (growth)	-118	-124	-104	-104
Proceeds from sale of assets	1	2	3	4
Others	-19	0	0	0
Financing	-888	-1144	-1229	-1224
Dividend payments	-568	-806	-878	-917
Issue of shares	1	2	3	4
Proceeds from borrowings	0	0	0	0
Loan repayment	-168	0	0	50
Others/interest paid	-152	-340	-354	-361
Net cash inflow (outflow)	-47	-32	-69	1
Beginning cash & cash equivalent	276	225	193	124
Changes due to forex impact	-4	0	0	0
Ending cash & cash equivalent	225	193	124	124

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	25.9	27.3	27.2	26.7
Pre-tax margin	17.1	17.0	17.2	17.0
Net margin	12.8	12.7	12.8	12.6
ROA	16.1	15.8	16.6	16.5
ROE	31.5	33.1	39.8	44.9
Growth				
Turnover	6.5	7.0	7.5	6.1
EBITDA	10.0	13.0	7.1	4.0
Pre-tax profit	10.7	6.2	8.9	4.4
Net profit	10.5	6.2	8.9	4.4
Net profit (adj.)	10.5	6.2	8.9	4.4
EPS	10.5	6.2	8.9	4.4
Leverage				
Debt to total capital	4.9	5.3	5.7	8.9
Debt to equity	5.2	5.5	6.0	9.8
Net debt/(cash) to equity	-6.0	-4.7	-1.1	1.9
Interest cover	11.1	10.6	11.7	12.2