



Company report

MR D.I.Y. GROUP (M)

(MRDIY MK EQUITY, MRDI.KL)

3 May 2021

Achieves highest-ever earnings

BUY

(Maintained)

AmInvestment Bank

www.amequities.com.my

03-2036 2290

Rationale for report: Company results/update

Price	RM3.99
Fair Value	RM4.48
52-week High/Low	RM4.38/RM1.50

Key Changes

Fair value	↕
EPS	↕

YE to Dec	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	2,559.3	3,439.9	4,262.0	4,918.5
Core net profit (RM mil)	337.2	512.0	662.9	741.7
FD Core EPS (sen)	5.4	8.2	10.6	11.8
FD Core EPS growth (%)	6.2	51.9	29.5	11.9
Consensus Net Profit (RM mil)	-	502.0	613.2	704.8
DPS (sen)	2.2	3.3	4.2	4.7
PE (x)	74.3	48.9	37.8	33.8
EV/EBITDA (x)	36.3	26.0	20.5	18.2
Div yield (%)	0.6	0.8	1.1	1.2
ROE (%)	55.4	49.7	47.9	41.1
Net Gearing (%)	19.7	nm	nm	nm

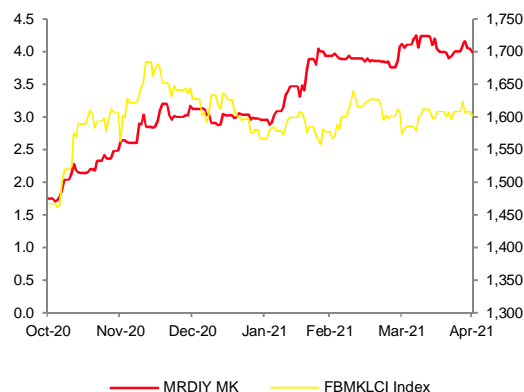
Stock and Financial Data

Shares Outstanding (million)	6,276.6
Market Cap (RM mil)	25,043.6
Book Value (RM/share)	0.14
P/BV (x)	28.6
ROE (%)	55.4
Net Gearing (%)	19.7

Major Shareholders	Bee Family Limited (51.0%)
	Hypitis (15.3%)
	Platinum Alphabet (6.9%)

Free Float	26.8
Avg Daily Value (RM mil)	28.4

Price performance	3mth	6mth	12mth
Absolute (%)	38.5	133.3	-
Relative (%)	36.9	112.9	-



Investment Highlights

- We maintain our BUY call on MR D.I.Y. Group (M) (MR DIY) with an unchanged fair value (FV) of RM4.48/share, using an unchanged PER of 38x on FY23F EPS. There is no adjustment to FV based on our 3-star rating.
- MR DIY's 1QFY21 net profit of RM125mil came within our and consensus expectations, making up 24% and 25% of the full year's forecast respectively.
- Net profit was bolstered by higher-than-expected store openings and increased sales per store, as well as savings from interest expenses.
- We are maintaining our earnings forecasts. While MR DIY's faster-than-expected store openings are likely to provide positive earnings contribution, we are wary of the lacklustre performances of MR DOLLAR and MR TOY, as well as a possible retightening of pandemic restrictions in light of the recent spike in cases.
- MR DIY has declared a dividend of 0.8 sen for the quarter, in line with its 40% dividend payout policy.
- This quarter's revenue came in at RM870mil (+63% YoY, +13% QoQ). The strong showing was due to higher sales per store as well as higher-than-expected store openings.
- We estimate that average revenue per store for the quarter to be RM1.14mil, a 31% YoY same store sales growth (SSSG). The higher SSSG is due to strong performance of standalone stores, as well as higher basket prices and transaction volumes.
- In 1QFY21, the group has opened 54 new outlets, well ahead of schedule to achieve its target of 175 store openings in FY21F. MR DIY said that it now intends to open at least >50 stores per quarter in FY21F.
- However, the quarter's GP margin slid to 42.1% vs. the usual range of 43% to 44%. The squeeze in margin was due to higher import costs, freight costs, unfavourable RMB/MYR fluctuations and elevated manufacturer input costs, mostly as result of higher raw material prices.

- **MR DOLLAR's performance was not up to expectations.** The segment is not making profits yet. The group believes that after it achieves a critical mass of stores, it can take advantage of economies of scale and has a higher leverage over suppliers.
- **Similarly, MR TOY's performance was not up to par.** Mall outlets in general saw a weaker performance as compared to standalone stores. Given that the majority of MR TOY outlets are located within malls, the segment saw reduced transaction volume and footfall in general.
- **We are ambivalent on the group's new robotic warehouse.** The group expects an increase in operational efficiency by 2x in terms of fulfilling online purchases. However, as online sales make up <1% of the group's revenue only, we think that this endeavour may not provide significant benefits.

EXHIBIT 1: QUARTERLY RESULTS

FYE Dec (RM mil)	1QFY20	4QFY20	1QFY21	QoQ (%)	YoY (%)
Revenue	534.1	768.3	870.2	13	63
Gross profit	231.9	329.3	366.5	11	58
EBITDA	138.3	205.0	236.8	15	71
EBIT	98.6	157.2	184.9	18	87
Pretax profit	82.1	142.5	170.7	20	108
Taxation	-23.6	-34.2	-45.9	34	94
Net profit	58.5	108.2	124.8	15	113
Core net profit	58.5	108.2	124.8	15	113
FD Core EPS (sen)	0.93	1.72	1.98	14.8	112.6
GP margin (%)	43.4	42.9	42.1	-0.7ppt	-1.3ppt
EBITDA margin (%)	25.9	26.7	27.2	0.5ppt	1.3ppt
Pretax margin (%)	15.4	18.5	19.6	1.1ppt	4.2ppt
Effective tax rate (%)	28.8	24.0	26.9	2.9ppt	-1.9ppt
Core net profit margin (%)	10.9	14.1	14.3	0.3ppt	3.4ppt
Store count					
Mr DIY		683	713	+30	
Mr TOY		37	39	+2	
Mr DOLLAR		14	36	+22	
Total Stores	628	734	788	+54	+160

Source: Mr DIY, AmInvestment Bank Bhd

EXHIBIT 2: PB BAND CHART

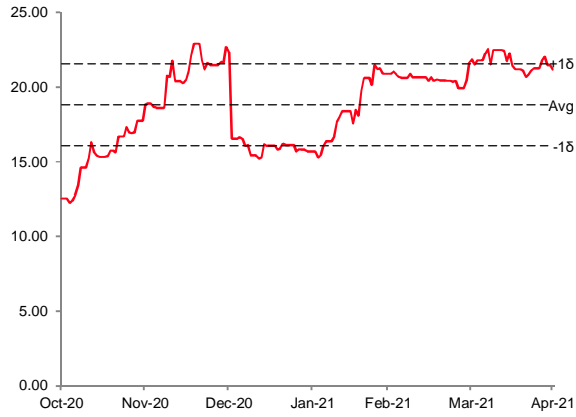


EXHIBIT 3: PE BAND CHART

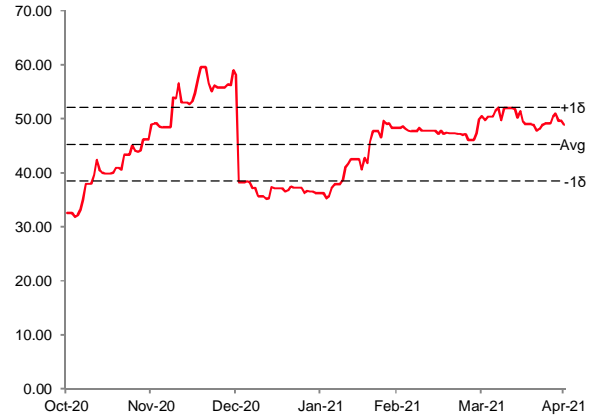


EXHIBIT 4: ESG MATRIX

Overall	★	★	★		
Water + energy conservation	★	★	★		
Pollution + waste regulation	★	★			
Sustainable sourcing	★	★			
Occupational safety + health	★	★	★		
Workplace diversity	★	★	★		
Employee training + wellbeing	★	★	★		
Volunteering + charitable giving	★	★	★	★	
Corruption-free pledge	★	★	★		
Accessibility & transparency	★	★	★		

We accord a discount/premium of **-6%**, **-3%**, **0%**, **+3%** and **+6%** on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-stars.

Source: AmInvestment Bank Bhd

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	2,275.6	2,559.3	3,439.9	4,262.0	4,918.5
EBITDA	636.3	694.2	958.7	1,197.1	1,324.8
Depreciation/Amortisation	(138.8)	(172.6)	(198.8)	(228.7)	(253.0)
Operating income (EBIT)	497.5	521.5	760.0	968.4	1,071.8
Other income & associates	1.7	1.9	1.9	1.9	1.9
Net interest	(61.5)	(65.8)	(55.6)	(56.0)	(50.6)
Exceptional items	-	-	-	-	-
Pretax profit	437.7	457.7	706.2	914.3	1,023.1
Taxation	(120.2)	(120.5)	(194.2)	(251.4)	(281.3)
Minorities/pref dividends	-	-	-	-	-
Net profit	317.6	337.2	512.0	662.9	741.7
Core net profit	317.6	337.2	512.0	662.9	741.7
Balance Sheet (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	354.0	436.3	427.2	484.5	544.6
Intangible assets	3.7	5.0	5.0	5.0	5.0
Other long-term assets	707.1	902.9	1,074.3	1,239.2	1,339.4
Total non-current assets	1,064.9	1,344.3	1,506.5	1,728.7	1,889.0
Cash & equivalent	140.7	90.9	427.8	784.6	1,252.3
Stock	496.6	690.0	762.5	882.2	954.9
Trade debtors	121.8	127.8	166.9	193.0	208.9
Other current assets	-	-	29.8	-	-
Total current assets	759.1	908.7	1,387.0	1,859.8	2,416.2
Trade creditors	81.8	119.9	289.9	335.4	363.0
Short-term borrowings	11.8	242.8	242.8	242.8	242.8
Other current liabilities	129.1	160.9	191.1	234.8	323.0
Total current liabilities	222.7	523.6	723.8	813.0	928.8
Long-term borrowings	611.5	20.8	20.8	20.8	20.8
Other long-term liabilities	649.2	831.9	965.1	1,173.1	1,328.9
Total long-term liabilities	1,260.8	852.7	985.8	1,193.9	1,349.7
Shareholders' funds	340.5	876.7	1,183.9	1,581.6	2,026.7
Minority interests	-	-	-	-	-
BV/share (RM)	0.05	0.14	0.19	0.25	0.32
Cash Flow (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	437.7	457.7	706.2	914.3	1,023.1
Depreciation/Amortisation	138.8	172.6	198.8	228.7	253.0
Net change in working capital	(151.7)	(202.4)	58.4	(100.4)	(61.0)
Others	(21.5)	(44.7)	(128.3)	(185.2)	(220.4)
Cash flow from operations	403.3	383.2	835.1	857.6	994.7
Capital expenditure	(116.9)	(122.0)	(134.1)	(102.1)	(102.1)
Net investments & sale of fixed assets	-	-	-	-	-
Others	(100.9)	4.5	1.4	1.4	1.4
Cash flow from investing	(217.9)	(117.5)	(132.8)	(100.8)	(100.8)
Debt raised/(repaid)	539.3	(379.4)	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(501.7)	(95.8)	(204.8)	(265.2)	(296.7)
Others	(148.5)	147.0	(144.0)	(152.2)	(157.2)
Cash flow from financing	(110.9)	(328.2)	(348.8)	(417.4)	(453.9)
Net cash flow	74.6	(62.5)	353.6	339.4	440.0
Net cash/(debt) b/f	50.9	125.4	64.8	427.8	784.6
Net cash/(debt) c/f	125.4	62.9	418.4	767.2	1,224.6
Key Ratios (YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	28.5	12.5	34.4	23.9	15.4
EBITDA growth (%)	20.0	9.1	38.1	24.9	10.7
Pretax margin (%)	19.2	17.9	20.5	21.5	20.8
Net profit margin (%)	14.0	13.2	14.9	15.6	15.1
Interest cover (x)	8.1	7.9	13.7	17.3	21.2
Effective tax rate (%)	27.5	26.3	27.5	27.5	27.5
Dividend payout (%)	158.0	41.5	40.0	40.0	40.0
Debtors turnover (days)	16	18	16	15	15
Stock turnover (days)	73	85	77	70	68
Creditors turnover (days)	20	14	22	27	26

Source: Company, AmInvestment Bank Bhd estimates

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