FAB SECURITIES أبوظبي الأول للأوراق المالية

Earnings Call Insight | 3Q26

UAE Equity Research | Sector: Consumer Discretionary | Market: DFM

Talabat Holding PLC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.19	AED 1.45	+22%	BUY

3Q26 Net Profit in line with our estimate

- TALABAT's Gross Merchandise Value (GMV), including Instashop, grew 16.2% YOY to USD 2,996 Mn in 3Q26 (+17% at constant currency), driven by a growing customer base, higher order frequency and larger basket sizes.
- GMV from the non-GCC region increased from USD 514 Mn in 3Q25 to USD 736 Mn in 3Q26, while GCC GMV grew from USD 2,064 Mn to USD 2,260 Mn during the same period.
- IFRS revenue, including Instashop, increased 18.0% YOY to USD 1,185 Mn in 3Q26, supported by a higher share of own-grocery (Talabat Mart) revenue, partly offset by lower commission rates, higher customer incentives and lower fees due to higher Talabat Pro adoption.
- Cost of revenue increased 23.4% YOY to USD 893 Mn in 3Q26.
- Gross profit rose 4.0% YOY to USD 292 Mn in 3Q26. However, gross profit margin (as % GMV) contracted by 114 bps YOY to 9.8% in 3Q26, reflecting planned investments in Food and Grocery & Retail.
- Marketing expenses increased 5.2% YOY to USD 45 Mn in 3Q26, similarly IT expenses increased 13.1% YOY to USD 17 Mn and G&A expenses rose 20.4% YOY to USD 64 Mn in 3Q26.
- Other income increased 1.2% YOY to USD 4 Mn in 3Q26, while the other expenses and impairments increased 18.8% YOY to USD 47 Mn in 3Q26.
- Adjusted EBITDA declined 3.2% YOY to USD 150 Mn, while the Adjusted EBITDA margin (as % GMV) decreased by 101 bps YOY to 5.0% in 3Q26.
- Operating profit fell 8.5% YOY to USD 121 Mn in 3Q26, with an operating margin (as % GMV) contracting by 109 bps YOY to 4.0% in 3Q26.
- Net finance income declined 11.7% YOY to USD 4 Mn, while the Company reported a net FX loss of USD 1.22 Mn in 3Q26, compared with a net FX gain of USD 0.87 Mn in 3Q25.
- Income tax expenses increased 27.3% YOY to USD 21 Mn in 3Q26.
- Net profit attributable to shareholders decreased 15.3% YOY to USD 102 Mn in 3Q26, in line with our estimate of USD 99 Mn. The decline in net profit is mainly attributable to increase in cost of revenue, marketing expenses, IT expenses, G&A expenses, other expenses and impairments, coupled with lower net finance income, a net FX loss and higher income tax expenses, partially offset by higher GMV and revenue growth.

Earnings Call Summary

- GMV growth accelerated to 17% at constant currency in 3Q26 from 15% in 1H26, with acceleration across both Food and Grocery & Retail as well as GCC and non-GCC markets, while further acceleration is expected in 4Q26 on the back of a softer comparison base.
- Active customer growth remains the main driver of GMV, with monthly active users exceeding 8.7 Mn alongside higher order frequency and larger basket sizes, which the Company views as structural growth drivers.
- Active Partners crossed 100,000, while Partner-funded deals rose to 7.6% of GMV in 3Q26 from 7.2% in 1H26, reaching USD 804 Mn over the last twelve months as customers became more price conscious.
- Food growth reaccelerated YOY in 3Q26 and is expected to exceed the prior-year growth rate in 4Q26, while the 0.5% of GMV reserved for tactical Food incentives was not required in any quarter and will be notably underspent for the full year.
- Food unit economics remained robust, with gross profit per order flat YOY excluding tactical incentives, as higher AdTech-driven restaurant fees, stable commission rates and customer fees, and lower delivery costs offset the mix shift towards non-GCC markets.

- Kuwait's new regulation, effective 1 September 2026, caps the vendor take rate at 17% including commission and advertising, and customer charges at KWD 1, resulting in a gross impact of c. USD 11 Mn (c.0.4% of GMV) in 3Q26, of which c.0.1pp was mitigated.
- The gross Kuwait impact is expected to rise to c.1.1% of GMV (c. USD 30–33 Mn) in 4Q26 under a worst-case scenario, with mitigations expected to offset up to 0.3pp, while a delivery fee increase is being tested and compliant advertising solutions are being explored for 2027.
- AdTech remained flat YOY at 3.3% of GMV in 3Q26, although it would have increased to 3.4% of GMV excluding the impact of the Kuwait regulation.
- The USD 120 Mn everyday-app investment programme remained on track at 0.7% of GMV in OpEx in 3Q26 and c.0.6% over 9M26, slightly below plan due to 1Q26 delays, with catch-up expected in 4Q26 to reach the full-year level of 0.7% of GMV.
- The dark-store network is expected to expand by more than 50% in 2026 to over 240 stores by December 2026, with most of the investment directed towards building Talabat Mart.
- Free Cash Flow stood at USD 141 Mn in 3Q26 with a cash conversion of 93.6%, while the Company attributed the YOY decline in FCF to a prior-year base effect linked to the timing of vendor payables.
- Full-year guidance implies a 4Q26 Adjusted EBITDA margin of 4.7% at the top end of the range, including a c.0.2pp seasonal benefit from year-end Talabat Mart rebates, while net income guidance was raised more than EBITDA due to lower-than-expected depreciation and lease payments.
- UAE competition intensified over the summer, eased in September and picked up again in October, although Talabat gained category position and customers have become less responsive to discount spikes, with lower incentive spending also reflecting better targeting.
- Multi-vertical engagement remains a key growth lever, with customers ordering both Food and Grocery spending almost 5x more than Food-only customers, while Talabat Pro penetration exceeds 50%.
- The business remains naturally hedged against currency depreciation, with previous FX losses being a one-off related to loans in the Egyptian subsidiary, and no major FX impact is expected going forward.
- Talabat has repurchased c.1% of issued capital for USD 69 Mn under its 5% buyback authorisation, with the pace driven by liquidity planning, while a cash surplus of over USD 300 Mn after lease liabilities and working capital needs supports the 90% dividend payout.
- The Company indicated that 2027 GMV growth could potentially match the 2026 level, supported by strong retention of high-value customers.
- Talabat is not a direct party to the Delivery Hero–Uber transaction and continues to operate independently under its own governance.

Talabat – P&L

(USD Mn)	3Q25	2Q26	3Q26	3Q26	VAR	YOY Ch	QOQ Ch
GMV	**2,578**	**2,916**	**2,996**	**2,943**	**1.8%**	**16.2%**	**2.7%**
IFRS Revenue	1,004	1,141	1,185	1,176	0.8%	18.0%	3.8%
Cost of revenue	-723	-855	-893	-884	0.9%	23.4%	4.4%
Gross profit	**281**	**286**	**292**	**292**	**0.3%**	**4.0%**	**2.2%**
Marketing expense	-42	-42	-45	-53	-15.7%	5.2%	7.0%
IT expense	-15	-13	-17	-19	-12.0%	13.1%	33.4%
General administrative expense	-53	-72	-64	-65	-1.1%	20.4%	-11.5%
Other income	4	4	4	5	-21.4%	1.2%	-5.1%
Other expenses and impairment	-39	-49	-47	-47	-0.9%	18.8%	-4.6%
Operating profit	**132**	**114**	**121**	**113**	**7.6%**	**-8.5%**	**5.9%**
Adj. EBITDA	**155**	**147**	**150**	**148**	**1.4%**	**-3.2%**	**2.0%**
Net finance income	4	3	4	4	-1.3%	-11.7%	36.3%
Foreign exchange loss, net	1	1	-1	-3	NM	NM	NM
Profit Before Tax	**138**	**118**	**124**	**114**	**8.7%**	**-10.0%**	**4.8%**
Income Tax	-17	-19	-21	-15	45.0%	27.3%	15.5%
Net Profit attributable to shareholders	**121**	**100**	**102**	**99**	**3.3%**	**-15.3%**	**2.8%**

FABS estimate & Co Data

Management Guidance:

talabat + instashop

Performance measure	Original (13 Feb'26)	Revised at Q2 (12 Aug'26)	Actual (9M 2026)	Revised at Q3 (13 Nov'26)
GMV growth [1] (y/y at constant currency)	**11-14%** USD 11.2-11.5bn	↑ **13-15%** USD 11.4-11.6bn	**16%** USD 8.6bn	↑ **~16%** ~11.7bn
Revenue growth [1][2] (y/y at constant currency)	**14-17%** USD 4.4-4.5bn	↑ **16-18%** USD 4.5-4.6bn	**19%** USD 3.4bn	↑ **~19%** ~4.6bn
Adj. EBITDA (margin, % of GMV)	**USD 510-540mn** 4.4%-4.8%	↑ **USD 535-565mn** 4.6%-5.0%	**USD 427mn** 5.0%	↑ **USD 560-570mn** 4.8%-4.9%
Net income (margin, % of GMV)	**USD 280-310mn** 2.4%-2.8%	↑ **USD 325-355mn** 2.8%-3.1%	**USD289mn** 3.4%	↑ **USD 360-370mn** 3.1%-3.2%
Free Cash Flow (margin, % of GMV)	**USD 370-400mn** 3.2%-3.6%	↑ **USD 400-430mn** 3.5%-3.8%	**USD 407mn** 4.7%	↑ **USD 440-450mn** 3.8%-3.9%
Dividends	**90% of net income** USD 252-279mn	**90% of net income** ↑ USD 293-320mn		**90% of net income** ↑ USD 324-333mn[3]

Note: *[1]Growth rates based on pro-forma FY '25 results including talabat + 12 months of instashop,[2]To enhance financial disclosure, talabat is aligning its external and internal reporting and as a result will only report IFRS revenue from 2026 onwards. In FY 2025, IFRS Revenue for talabat + 12m instashop amounted to USD 3,870 million, [3]Dividend payout ratio is unchanged but implied absolute amounts have been updated to reflect new net income guidance.*

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	Ahmad.Banihani@Bankfab.com
Shahrukh Nawaz	+971-2-6161612	Shahrukh.Nawaz@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk	+971-2-6161700/1	Online Trading Link
	+971-2-6161777	
Institutional Desk	+971-4-4245765	

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.