First Look Note | 3Q26

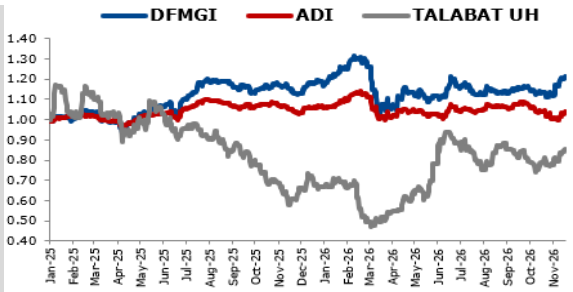
UAE Equity Research | Sector: Consumer Discretionary | Market: DFM

Talabat Holding PLC

Accelerating top-line growth and guidance upgrade despite Kuwait headwinds

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

- Talabat's GMV (including Instashop) grew 16.2% YOY to USD 2,996 Mn in 3Q26, with growth accelerating to 17% at constant currency from 15% in 1H26.
- Kuwait's new regulation capping total vendor fees at 17% of order value came into force on 1 September 2026, resulting in an unmitigated Adjusted EBITDA impact of USD 11 Mn in 3Q26, partly offset by mitigation measures.
- 2026 guidance raised for the second time, with GMV growth at c.16% and revenue growth at c.19% YOY (constant currency), Adjusted EBITDA at USD 560-570 Mn, net income at USD 360-370 Mn and FCF at USD 440-450 Mn.



Stock Information	
Market Cap (AED, Mn)	27,945.89
Paid Up Capital (Mn)	253.61
52 Week High	1.34
52 Week Low	0.63
3M Avg. daily value (AED)	27,981,160

3Q26 Result Review (USD, Mn	
Total Assets	1,879
Total Liabilities	1,332
Total Equity	546
Adj EBITDA	150
Net Profit	102

Financial Ratios	
Dividend Yield (12m)	5.13
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	18.47
Price-to-Book Ratio (x)	13.84
Book Value (AED)	0.02
Return-on Equity (%)	73.27

Stock Performance	
5 Days	2.56%
1 Months	8.60%
3 Months	-0.83%
6 Months	38.57%
1 Year	41.18%
Month to Date (MTD%)	10.60%
Quarter to Date (QTD%)	8.11%
Year to Date (YTD%)	27.66%

3Q26 Net Profit in line with our estimate

Talabat Holdings PLC (TALABAT/the Company) net profit 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 foreign exchange loss and higher income tax expenses, partially offset by higher revenue and other income.

P&L Highlights

GMV (including Instashop) grew 16.2% YOY to USD 2,996 Mn in 3Q26, driven by a larger customer base, higher order frequency and bigger basket sizes. GMV for non-GCC region rose from USD 514 Mn in 3Q25 to USD 736 Mn in 3Q26. Additionally, GMV of TALABAT from GCC region grew from USD 2,064 Mn in 3Q25 to USD 2,260 Mn in 3Q26. IFRS revenue (including Instashop) grew 18.0% YOY to USD 1,185 Mn in 3Q26, driven by a rising contribution from own-grocery (Talabat Mart) sales and partially offset by lower commission rates, higher customer incentives, lower fees owing to wider Talabat Pro uptake. Cost of revenue rose 23.4% YOY to USD 893 Mn in 3Q26. However, gross profit increased 4.0% YOY to USD 292 Mn in 3Q26. Gross profit margin (as % of GMV) contracted 114 bps YOY to 9.8% in 3Q26, largely due to the G&R product-mix shift, Food leadership incentives, Everyday App investments and the Kuwait regulation impact. Marketing expenses increased 5.2% YOY to USD 45 Mn in 3Q26. The Company's IT expenses increased 13.1% YOY to USD 17 Mn in 3Q26. G&A expenses increased from USD 53 Mn in 3Q25 to USD 64 Mn in 3Q26. Other income increased 1.2% YOY to USD 4 Mn in 3Q26. Other expenses and impairments increased 18.8% YOY to USD 47 Mn in 3Q26. As a result, TALABAT's 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. Adjusted EBITDA declined 3.2% YOY to USD 150 Mn in 3Q26. Adjusted EBITDA margin (as a % of GMV) decreased 101 bps YOY to 5.0% in 3Q26, as planned investments and the Kuwait regulation weighed on gross margin, partly cushioned by reduced opex margins from operating leverage. The net finance income decreased 11.7% YOY to USD 4 Mn in 3Q26. The Company reported net foreign exchange loss of USD 1.22 Mn in 3Q26 as compared to net foreign exchange gain of USD 0.87 Mn in 3Q25. Income tax expenses increased 27.3% YOY to USD 21 Mn in 3Q26.

Balance Sheet Highlights

TALABAT generated USD 141 Mn in free cash flow in 3Q26, compared to USD 100 Mn in 3Q25. Cash conversion stood at 93.6% in 3Q26, compared to 64.7% in 3Q25. The increase in free cash flow mainly reflected a favourable prior-year base linked to negative working capital, partly offset by increased capital spending and lease outflows. On a sequential basis, free cash flow declined from USD 162 Mn in 2Q26, reflecting the timing of corporate income tax payments for 2025, which are usually paid in the third quarter. Cash and bank balances stood at USD 919 Mn in 3Q26, compared to USD 808 Mn in 2Q26. The Company maintains a net cash position of USD 711 Mn, with gross debt of USD 209 Mn made up wholly of lease obligations.

Target Price and Rating

We maintain our BUY rating on TALABAT with a target price of AED 1.45. TALABAT delivered a strong operating performance in 3Q26, with GMV increasing 16.2% YOY to USD 3.0 Bn and growth accelerating to 17% at constant currency from 15% in 1H26. The growth was supported by over 8.7 Mn monthly active users, higher order frequency and bigger baskets, with acceleration seen across Food and Grocery & Retail as well as GCC and non-GCC markets. Active partners increased 12% YOY to c. 100k, while the active rider network expanded 17% YOY to c. 193k in 3Q26. Multi-vertical customers increased 3.1 pp YOY, accounting for 76% of GMV in 3Q26, highlighting deeper engagement across categories. Talabat Pro continued to gain traction in 3Q26, with over 25% of customers now subscribed and Pro-generated GMV reaching 53% of TALABAT's platform, up from 46% in 3Q25. Partner-funded customer savings rose 29% YOY to USD 226 Mn, equivalent to 7.6% of GMV. The Company's revenue conversion increased to 40% of GMV in 3Q26 from 39% in 3Q25, while subscription fees rose to 1.1% of GMV in 3Q26 from 0.8% in 3Q25, reflecting continued Pro adoption. Advertising revenue margin remained stable at 3.3% of GMV in 3Q26 and would have reached 3.4% excluding the Kuwait impact. Food growth reaccelerated in 3Q26 despite lower tactical spending, with Food incentive investments at c.0.2% of GMV in 3Q26 and c.0.3% in 9M26, against a 0.5% budget, and the Company expects a notable underspend for the full year. Excluding the Kuwait impact, Food gross profit per order declined c.3% YOY, largely due to incremental incentives, and remained broadly flat on an underlying basis. The Company's strategic investment programme remained on track at 0.7% of GMV in 3Q26 (c.0.6% in 9M26), with spending expected to recover in 4Q26, while the dark-store network is expected to expand by more than 50% to over 240 stores by end-2026. However, Kuwait's regulation, effective 1 September 2026, caps total vendor fees at 17% of order value alongside a KWD 1 per-order ceiling on customer delivery fees, resulting in an unmitigated impact on Adjusted EBITDA of USD 11 Mn (c. 0.4% of GMV) in 3Q26, which is expected to rise to c.1.1% of GMV in 4Q26 with mitigation offsetting up to 0.3 pp. The Company is complying with the decision while challenging it in court and is evaluating further levers, including higher delivery and subscription fees and compliant advertising solutions. TALABAT raised its 2026 guidance for the second time on all key metrics, reflecting better-than-expected results outside Kuwait and a refined estimate of the regulatory impact. GMV growth guidance was increased to c.16% YOY and revenue growth guidance to c.19% YOY at constant currency, while Adjusted EBITDA guidance increased to USD 560-570 Mn, net income to USD 360-370 Mn and free cash flow to USD 440-450 Mn, implying a 4Q26 Adjusted EBITDA margin of c.4.7% at the upper end of the range. Looking ahead, the Company expects growth momentum to strengthen in 4Q26 and continue into 2027. However, 2027 margins will remain subject to the investment budget currently under Board review, potential adjustments to group costs in line with transfer pricing regulations, and the net impact of Kuwait operations. The Company is expected to provide its 2027 guidance in February 2027. The Company also continues to maintain its capital-return focus under its 90% dividend payout policy and had repurchased 225 Mn shares (0.97% of issued capital) for c. USD 69 Mn at an average price of AED 1.125 per share. Thus, based on our analysis, we assign a BUY rating to the stock.

Talabat - Relative valuation

(at CMP)	2024	2025	2026F
P/E (x)	21.75	16.09	19.81
P/B (x)	13.98	10.75	17.71
EV/EBITDA (x)	13.61	11.66	12.98
BVPS (AED)	0.085	0.111	0.067
EPS (AED)	0.055	0.074	0.060
DPS (AED)	0.017	0.066	0.054
Dividend Yield	1.4%	5.5%	4.5%

FABS Estimates & Co Data, [1]Talabat was listed in Dec 2024, so the dividend yield for 2024 is considering the interim dividend for 4Q24.

Talabat – P&L

USD Mn	3Q25	2Q26	3Q26	3Q26	VAR	YOY Ch	QOQ Ch	2025	2026F	Change
GMV	**2,578**	**2,916**	**2,996**	**2,943**	**1.8%**	**16.2%**	**2.7%**	**9,421**	**11,710**	24.3%
IFRS Revenue	1,004	1,141	1,185	1,176	0.8%	18.0%	3.8%	3,851	4,595	19.3%
Cost of revenue	-723	-855	-893	-884	0.9%	23.4%	4.4%	-2,688	-3,460	28.7%
Gross profit	**281**	**286**	**292**	**292**	**0.3%**	**4.0%**	**2.2%**	**1,163**	**1,135**	**-2.4%**
Marketing expense	-42	-42	-45	-53	-15.7%	5.2%	7.0%	-210	-205	-2.6%
IT expense	-15	-13	-17	-19	-12.0%	13.1%	33.4%	-66	-73	9.3%
G&A expenses	-53	-72	-64	-65	-1.1%	20.4%	-11.5%	-188	-234	24.4%
Other income	4	4	4	5	-21.4%	1.2%	-5.1%	12	14	19.5%
Other expenses and impairment	-39	-49	-47	-47	-0.9%	18.8%	-4.6%	-169	-185	9.3%
Operating profit	**132**	**114**	**121**	**113**	**7.6%**	**-8.5%**	**5.9%**	**541**	**450**	**-16.8%**
Adj. EBITDA	**155**	**147**	**150**	**148**	**1.4%**	**-3.2%**	**2.0%**	**623**	**561**	**-10.0%**
Net finance income	4	3	4	4	-1.3%	-11.7%	36.3%	12	15	NM
Foreign exchange Gain/(loss)	1	1	-1	-3	NM	NM	NM	2	-6	NM
Earning Before Tax	**138**	**118**	**124**	**114**	**8.7%**	**-10.0%**	**4.8%**	**555**	**459**	**-17.4%**
Income Tax	-17	-19	-21	-15	45.0%	27.3%	15.5%	-88	-80	-8.5%
Net Profit	**121**	**100**	**102**	**99**	**3.3%**	**-15.3%**	**2.8%**	**468**	**379**	**-19.0%**

FABS estimate & Co Data

Talabat – Margins (As a % of GMV)

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	10.9%	9.8%	9.8%	-114	-5	12.3%	9.7%	-265
Adj. EBITDA	6.0%	5.0%	5.0%	-101	-3	6.6%	4.8%	-182
Operating profit	5.1%	3.9%	4.0%	-109	12	5.7%	3.8%	-190
Net Profit	4.7%	3.4%	3.4%	-127	0	5.0%	3.2%	-173

FABS estimate & Co Data

Key Developments:

- **16 July 2026:** TALABAT's parent company, Delivery Hero SE, entered into an agreement with Uber Technologies for a voluntary public takeover offer for all outstanding Delivery Hero shares. The transaction is expected to complete in 2H27 subject to regulatory approvals and would make Uber TALABAT's new majority shareholder through Delivery Hero MENA Holding, which currently holds an 80% stake in Talabat.

Valuation:

We use Discounted Free Cash Flow (DCF), Dividend Discount Model (DDM), and relative valuation methods to value Talabat. In the relative valuation, an average of EV/EBITDA and P/Sales multiple is used for valuation. We have assigned 70% weight to DCF, 15% to DDM, and 15% to relative valuation.

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.48	70.0%	1.04
DDM	1.30	15.0%	0.20
Relative Valuation	1.47	15.0%	0.22
Weighted Average Valuation (AED)			**1.45**
Current market price (AED)			1.19
Upside/Downside (%)			+22%

1) DCF Method:

Talabat is valued using free cash flow to equity. We have discounted the cash flow using the cost of equity of 9.3%. The cost of equity is calculated using a 10-year government bond yield of 5.4%, a beta of 1.00, and an equity risk premium of 3.9%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over a 10-year US risk-free rate. Also, assumed a terminal growth rate of 3.0%.

Sum of PV (USD, Mn)	2,351
Terminal value (USD, Mn)	7,015
FV to Common shareholders (USD, Mn)	**9,366**
No. of shares (Mn)	23,148
Current Market Price (AED)	1.19
Fair Value per share (AED)	**1.48**

DCF Method

(All Figures in USD Mn)	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Net profit	385	454	520	577	620	644
Lease payment	-23	-25	-28	-31	-33	-34
Depreciation & amortization	88	111	108	109	113	119
(-) CAPEX	-47	-46	-50	-55	-60	-66
Working Capital	13	14	11	5	-1	8
FCFE	**415**	**508**	**560**	**605**	**638**	**672**
Discounting Factor	0.99	0.90	0.83	0.76	0.69	0.63
Discounted FCFE	**103[1]**	**459**	**463**	**458**	**442**	**426**

Source: FAB Securities,[1]Adjusted for partial year

2) DDM Method:

Talabat paid its 1H26 interim dividend in October 2026 and intends to maintain a dividend payout ratio of 90% of net income, distributed in two semi-annual payments. The dividend is discounted at the cost of equity of 9.3%.

Total PV of Dividend (USD, Mn)	2,173
Terminal value (USD, Mn)	6,057
FV to Common shareholders (USD, Mn)	**8,230**
No. of shares (Mn)	23,148
Current Market Price (AED)	1.19
Fair Value per share (AED)	**1.30**

DDM Method

(All Figures in USD Mn)	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Total Dividend	341	381	441	492	558	580
Discounting Factor	0.99	0.90	0.83	0.76	0.69	0.63
PV of Dividend	**337**	**345**	**365**	**373**	**386**	**368**

Source: FAB Securities

3) Relative Valuation:

In the CCM valuation, we have used an average of EV/EBITDA and P/Sales multiple to value Talabat. We have used the valuation of regional and global companies operating in the food delivery sector to compare their business models for relative valuation. It is valued at a 2027 EV/EBITDA multiple of 10.2x and a P/Sales Multiple of 2.1x in line with peers.

Company	Market	P/Sales (x)		EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F	2026F	2027F
JAHEZ INTERNATIONAL CO	581	0.7	0.6	11.5	8.5	79.2	21.3
DOORDASH INC - A	70,662	4.2	3.4	19.4	14.8	61.2	35.9
ETERNAL LTD	37,322	3.5	2.3	109.2	56.8	330.4	113.5
GRAB HOLDINGS LTD - CL A	12,874	3.1	2.5	14.0	10.2	25.6	20.5
UBER TECHNOLOGIES INC	142,300	2.5	2.1	13.2	10.8	20.7	15.9
MEITUAN-CLASS B	49,794	0.9	0.8	29.9	8.7	270.7	16.2
OCADO GROUP PLC	3,842	1.8	2.0	8.7	15.1	NA	NA
MAPLEBEAR INC	13,930	3.3	2.9	10.4	9.0	25.7	19.8
GOTO GOJEK TOKOPEDIA TBK PT	1,702	1.4	1.3	2.7	2.0	27.3	15.4
Average		**2.4x**	**2.0x**	**24.3x**	**15.1x**	**105.1x**	**32.3x**
Median		**2.5x**	**2.1x**	**13.2x**	**10.2x**	**44.3x**	**20.1x**
Max		**3.3x**	**2.5x**	**19.4x**	**14.8x**	**127.1x**	**25.0x**
Min		**1.4x**	**1.3x**	**10.4x**	**8.7x**	**25.7x**	**16.1x**

Source: FAB Securities

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%

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