FAB SECURITIES أبوظبي الأول للأوراق المالية

Earnings Call Insight | 4Q25

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

Talabat Holding PLC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.80	AED 1.30	+63%	BUY

4Q25 Net Profit lower than our estimate

- Talabat's Gross Merchandise Value (GMV) excluding Instashop grew strongly from USD 2,044 Mn in 4Q24 to USD 2,476 Mn in 4Q25. This increase was mainly driven by double-digit growth in both the Food vertical and Grocery & Retail verticals, with the higher double-digit growth in the non-GCC region compared to the GCC region growth.
- Management revenue (Talabat only) grew from USD 824 Mn in 4Q24 to USD 1,039 Mn in 4Q25. Revenue to GMV ratio also expanded from 40.0% in 4Q24 to 42.0% in 4Q25, owing to higher contribution of tMart business and higher subscription fees, partially offset by lower commission rates.
- IFRS revenue (including vouchers/discounts issued by talabat to customers) rose 17.0% YOY to USD 937 Mn in 4Q25.
- Adjusted EBITDA (excluding Instashop) increased 12.6% YOY to USD 156 Mn in 4Q25. The Adjusted EBITDA margin (as a % of GMV), declined from 6.8% in 4Q24 to 6.3% in 4Q25.
- Operating profit stood at USD 222 Mn in 4Q25, with margin (as a % of GMV) stood at 9.0% in 4Q25.
- Net income stood at USD 123 Mn in 4Q25, with margin (as a % of GMV) stood at 5.0% in 4Q25, compared to USD 138 Mn in 4Q24 with a margin of 6.7%. The decrease in net profit is mainly attributable to a higher operating cost, partially offset by an increase in Gross Merchandise value (GMV).
- Additionally, in 4Q25 the Company reported management revenue of USD 1,070 Mn, adjusted EBITDA of USD 159 Mn, net income of USD 122 Mn, and adjusted free cash flow of USD 137 Mn, inclusive of Talabat and Instashop.

Earnings Call Summary

- Instashop was consolidated into financials following the acquisition close at end-February 2025.
- Talabat proposed a final dividend of USD 219 Mn for 2H25, bringing total dividends for 2025 to USD 421 Mn, representing 90% payout ratio.
- The Company's softer 4Q25 margins were mainly due to a shift in product mix toward lower-margin grocery and retail verticals, which compressed commission rates by 0.9% points.
- Talabat Pro subscribers grew over 3x in 2025, reaching 25% of customers and driving 47% of GMV.
- In 2025, Talabat delivered USD 588 Mn in partner-funded customer savings, equivalent to 6.2% of GMV. Delivery and service fees edged to 8.9% of GMV, largely offset by strong uptake of Talabat Pro.
- In 2026, Talabat will invest in enhancing Talabat Pro, expanding its value proposition through strategic partnerships and loyalty benefits to drive conversion of lower-frequency customers, supported by targeted marketing initiatives.
- Talabat's MAU (Monthly Active Users) growth accelerated 19.0% YOY to 7.6 Mn in 4Q25.
- Fleet size grew 27% YOY to 157k riders in 2025, while vendor base expanded 22% YOY to c. 84K active partners during 2025.
- AdTech is scaling rapidly within tMart, with Net Monetization Rate (NMR) at c. 7% of tMart sales in 4Q25. Margins stand at 3.5% of GMV, and NMR now represents c. 20% of total AdTech revenue in 4Q25.
- The Company highlighted a dynamic operating environment and intensified competition across key markets, which weighed on group growth by approximately 3-5% points.
- The Company's t-mart continues to rapidly expand with around 47% YOY growth in 2025, while TAC penetration remains below 1.5%, highlighting substantial headroom to capture more of the grocery total addressable market.

- Grocery investments are being deployed across the region, with a greater concentration directed toward higher-growth markets such as the UAE and Egypt.
- The Company expects EBITDA could potentially outperform guidance if competitive intensity moderates. Current projections assume that competitive conditions remain at existing levels throughout the year, and any easing of competition, including regulatory-driven rationalization, could provide upside to margins and earnings.
- The 2026 guidance includes Instashop, whose slower growth is expected to dilute Group growth by roughly 2% points. GMV guidance reflects normalization at scale and macro-driven consumer spending pressures, particularly in key markets such as Kuwait and Qatar.
- For 2026, Talabat expects the food delivery market across the GCC region to grow at under 10%, weighed by the macroeconomic headwinds.
- Talabat noted that the 4Q25 growth slowdown was partly driven by competitive discounting, resulting in a 4% YOY decline in retention among low-value customers. In contrast, high-value customers remained resilient, with stable retention and a 6% increase in order frequency.
- In food delivery, the Company's focus remains on protecting profitability by prioritizing high-value customers. The strategy does not involve pursuing growth at any cost, and the business is prepared to forgo low-value, heavily discount-driven users rather than compromise margins.
- Talabat is accelerating grocery integration, launching three new ventures, and further strengthening the Talabat Pro offering.
- The Company's 1Q26 performance is tracking in line with guidance assumptions. However, the timing of Ramadan is expected to introduce some quarterly volatility, while competitive intensity remains elevated, including continued new market entries.
- The Company gave a guidance of GMV growth at 11%-14% YOY at constant currency, reaching USD 11.2-11.5 Bn in 2026. Instashop, accounting for 7% of pro-forma 2025 GMV. Revenue growth is projected at 14%-17% YOY at constant currency, reaching USD 4.4–4.5 Bn in 2026.
- Talabat also guided Adj. EBITDA of USD 510-540 Mn with margin as % of GMV (4.4-4.8%), Net income of USD 280-310 Mn with margin as % of GMV (2.4-2.8%) and free cash flow of USD 370-400 Mn with margin as % of GMV (3.2-3.6%) for 2026.
- The Company plans a dividend of USD 252-279 Mn for 2026 with payout ratio of 90% of net income.
- For 2026, Talabat plans to invest over USD 120 Mn, with c. USD 75 Mn allocated to operating expenses, primarily for infrastructure expansion such as distribution centers and dark stores, and USD 45 Mn for capital expenditures.

Talabat – P&L

(USD Mn)[1]	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch
GMV	**2,044**	**2,422**	**2,476**	**2,563**	**-3.4%**	**21.1%**	**2.2%**
Revenue (IFRS)	801	1,004	937	979	-4.3%	17.0%	-6.7%
Operating Cost	-546	-712	-649	-664	-2.2%	18.9%	-8.8%
Gross Profit	**255**	**292**	**288**	**315**	**-8.6%**	**12.9%**	**-1.4%**
Adjusted EBITDA	**139**	**154**	**156**	**156**	**-0.1%**	**12.6%**	**1.3%**
Net profit from Equity Holders	**138**	**121**	**123**	**131**	**-6.3%**	**-10.8%**	**1.8%**

FABS estimate & Co Data, [1]Excludung Instashop

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Management Guidance:

talabat + instashop

Performance measure	FY 2026E	Guidance drivers
GMV growth [1] (y/y at constant currency)	**11-14%** USD 11.2-11.5bn	• Growing from a larger base following accelerated FY'25 growth • More competitive environment (new entrants *and* incumbents) • Macro-economic (consumer spending) headwinds • Instashop dilution (7% of pro-forma FY'25 GMV, grew 12% in FY'25 at cFX)
Revenue growth [1] [2] (y/y at constant currency)	**14-17%** USD 4.4-4.5bn	• Outpacing GMV growth on talabat mart expansion, subscription fees
Adj. EBITDA (margin, % of GMV)	**510-540mn** 4.4%-4.8%	• Gross Profit margin investments (product-mix shift, commission rates, delivery net take rate, talabat mart retail margins)
Net income (margin, % of GMV)	**280-310mn** 2.4%-2.8%	• Increased D&A and finance lease costs (tMart capital expenses) • Lower finance income (lower global interest rates)
Free Cash Flow [3] (margin, % of GMV)	**370-400mn** 3.2%-3.6%	• Increased capital expenses (talabat mart) • Higher cash tax payments (higher 2025 DMTT taxes paid in 2026)
Dividends	**90% of net income** USD 252-279mn	• As per current shareholder-approved dividend policy

(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) Free Cash Flow is calculated as cash flow from operating activities as stated in the IFRS Cash Flow statement less net capital expenditures, and payment of lease liabilities. Free Cash Flow excludes interest income and expense.

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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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