

Talabat Holding PLC

Net profit impacted by competitive pricing and elevated marketing spend

Current Price AED 0.79	Target Price AED 1.30	Upside/Downside (%) +64%	Rating BUY
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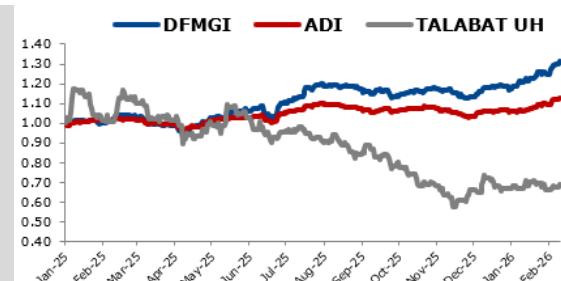
- Talabat's GMV (excluding Instashop) grew 21.1% YOY to USD 2,476 Mn in 4Q25.
- Capex and operating investments for 2026 are expected to total USD 120 Mn, with c. USD 75 Mn allocated to opex, for distribution centers and dark stores, and c. USD 45 Mn for capital expenditures.
- For 2026, Talabat expects GMV growth of 11–14% YOY at constant currency, reaching USD 11.2–11.5 Bn, with Instashop contributing c. 7% of pro-forma 2025 GMV.
- Declared a dividend of USD 219 Mn for 2H25, bringing 2025 dividends to USD 421 Mn (90% payout of reported net income), and plans a dividend of USD 252–279 Mn (90% payout ratio) for 2026.

4Q25 Net Profit lower than our estimate

Talabat Holdings PLC (Talabat/the Company) net profit decreased from USD 138 Mn in 4Q24 to USD 123 Mn in 4Q25 (talabat only), lower than our estimate of USD 131 Mn. The contraction in net profit is mainly attributable to increase in operating cost, marketing expense coupled with higher other expense, partially offset by increase in GMV and revenue along with decline in IT and G&A expense.

P&L Highlights

GMV (excluding Instashop) grew 21.1% YOY to USD 2,476 Mn in 4Q25, supported by growth in GCC food segment and non-GCC market, rising active users, higher order frequency, and increase in Talabat Pro adoption. GMV for non-GCC region rose from USD 320 Mn in 4Q24 to USD 501 Mn in 4Q25. Additionally, GMV of Talabat from GCC region expanded 14.5% YOY to USD 1,974 Mn in 4Q25. Management revenue (Talabat only) grew 26.1% YOY to USD 1,039 Mn in 4Q25. Operating costs rose 32.0% YOY to USD 751 Mn in 4Q25. As a result, gross profit increased 12.9% YOY to USD 288 Mn in 4Q25. Gross profit margin (as % of GMV) was 11.6% in 4Q25, compared to 12.5% in 4Q24. Marketing expenses increased substantially from USD 37 Mn in 4Q24 to USD 54 Mn in 4Q25, while the Company IT expenses fell 29.4% YOY to USD 12 Mn. G&A expenses decreased 21.6% YOY to USD 29 Mn in 4Q25. Other expense stood at USD 41 Mn in 4Q25, compared to USD 21 Mn in 4Q24. As a result, Talabat operating profit rose 6.6% YOY to USD 153 Mn, with an operating margin (as % GMV) of 6.3% in 4Q25. Adjusted EBITDA (Talabat Only) increased 12.6% YOY to USD 156 Mn in 4Q25. The Adjusted EBITDA margin (as a % of GMV) decreased 48 bps YOY to 6.3% in 4Q25. The Company also reported management revenue (including the contribution of Instashop) of USD 1,070 Mn, adjusted EBITDA of USD 159 Mn, net income of USD 122 Mn, and adjusted FCF of USD 137 Mn for the period of 4Q25.



Stock Information

Market Cap (AED, Mn)	18,490.86
Paid Up Capital (Mn)	253.62
52 Week High	1.63
52 Week Low	0.78
3M Avg. daily value (AED)	25,279,600

4Q25 Result Review (USD, Mn)

Total Assets	1,620
Total Liabilities	920
Total Equity	700
Adj EBITDA	156
Net Profit	123

Financial Ratios

Dividend Yield (12m)	8.09
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	10.75
Price-to-Book Ratio (x)	8.75
Book Value (AED)	0.02
Return-on Equity (%)	47.61

Stock Performance

5 Days	-17.12%
1 Months	-19.64%
3 Months	-6.59%
6 Months	-36.98%
1 Year	-50.99%
Month to Date (MTD%)	-14.62%
Quarter to Date (QTD%)	-15.53%
Year to Date (YTD%)	-15.53%

Balance Sheet Highlights

Talabat generated USD 134 Mn in adjusted free cash flow (pro forma Talabat only) in 4Q25 compared to USD 118 Mn in 4Q24. Talabat cash conversion stood at 86% in 4Q25, compared to 85% in 4Q24. The cash and bank balances stood at USD 774 Mn in 4Q25, compared to USD 776 Mn in 3Q25. The Company also boasts a debt-free balance sheet. Total equity stood at USD 700 Mn, while total liabilities were USD 920 Mn in 4Q25.

Target Price and Rating

We maintain our BUY rating on Talabat with a revised target price of AED 1.30. The Company demonstrated strong momentum in 2025, with GMV growing 21.1% YOY. Talabat Pro subscribers more than tripled during 2025, now representing 25% of the customer base and driving 47% of GMV. Monthly Active Users (MAUs) rose 19% YOY to 7.6 Mn in 4Q25. The delivery fleet expanded 27% YOY to 157k riders, while the vendor base grew 22% YOY to c. 84k active partners in December 2025. In 2025, Talabat delivered USD 588 Mn in partner-funded customer savings, equivalent to 6.2% of GMV. Revenue from delivery and service fees contracted slightly to 8.9% of GMV in 4Q25, largely offset by strong adoption of Talabat Pro. Looking ahead, Talabat plans to enhance the Pro subscription, expanding its value proposition via strategic partnerships and loyalty initiatives to convert lower-frequency customers, supported by targeted marketing. Talabat's AdTech business within tMart is scaling rapidly, with a Net Monetization Rate (NMR) of c. 7% of tMart sales in 4Q25, representing around 20% of total AdTech revenue, and margins at 3.5% of GMV. The Company highlighted a dynamic operating environment and intensified competition in key markets, which weighed on group growth by 3 to 5 percentage points. The tMart platform continues to expand quickly, with c. 47% YOY growth in 2025, while TAC penetration remains below 1.5%, signaling significant headroom to capture more of the grocery market. Talabat noted that the 4Q25 growth deceleration was partly due to competitive discounting, leading to a 4% YOY decline in retention among low-value customers, while high-value customers remained resilient, with flat retention and a 6% increase in order frequency. The Company's strategy prioritizes profitability by focusing on high-value customers rather than pursuing growth at any cost. Talabat is accelerating grocery integration, launching three new ventures, and strengthening the Talabat Pro offering. EBITDA could outperform guidance if competitive intensity moderates, while current projections assume competition remains at current levels. The 2026 guidance includes Instashop, whose slower growth is expected to dilute Group growth by c. 2 percentage points. GMV guidance reflects normalization at scale and macro-driven consumer spending pressures, particularly in Kuwait and Qatar, with the GCC food delivery market expected to grow below 10%. Talabat's 1Q26 performance is tracking in line with guidance, though Ramadan timing may cause some quarterly volatility amid continued competitive intensity. For 2026, Talabat expects GMV growth of 11–14% YOY at constant currency (on the GMV of both, Talabat and Instashop), reaching USD 11.2–11.5 Bn, with Instashop contributing c. 7% of pro-forma 2025 GMV. Additionally, revenue is projected at 14–17% YOY to USD 4.4–4.5 Bn during 2026, with Adjusted (Adj.) EBITDA of USD 510–540 Mn (with margin between 4.4–4.8% of GMV), Net Income of USD 280–310 Mn (with margin between 2.4–2.8% of GMV), and free cash flow of USD 370–400 Mn (with margin between 3.2–3.6% of GMV) for 2026. The Company plans a dividend of USD 252–279 Mn (90% payout ratio) for the period of 2026. Capex and operating investments for 2026 are expected to total USD 120 Mn, with c. USD 75 Mn allocated to operating expenses, primarily for distribution centers and dark stores, and c. USD 45 Mn for capital expenditures. Talabat also announced dividend of USD 219 Mn for 2H25, brings total 2025 dividends to USD 421 Mn (90% of reported net income), exceeding guidance. Thus, based on the aforementioned factors, we assign a BUY rating to the stock.

Talabat - Relative valuation

(at CMP)	2024	2025	2026F
P/E (x)	15.76	11.66	17.60
P/B (x)	10.13	7.79	8.37
EV/EBITDA (x)	9.80	8.36	10.12
BVPS (AED)	0.085	0.110	0.103
EPS (AED)	0.055	0.074	0.049
DPS (AED)	0.017	0.066	0.044
Dividend Yield	2.2% ¹	8.5%	5.6%

FABS Estimates & Co Data, ¹the company was listed in 4Q24, so the DPS for 2024 is considering the interim dividend

Talabat – P&L¹

USD Mn	4Q24	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch	2024	2025	Change
GMV	2,044	2,476	2,563	-3.4%	21.1%	2.2%	7,428	9,421	26.8%
Management Revenue	824	1,039	979	6.1%	26.1%	3.0%	2,956	3,876	31.1%
Operating cost	-569	-751	-664	13.1%	32.0%	5.5%	-2,041	-2,752	34.9%
Gross profit	255	288	315	-8.6%	12.9%	-3.0%	915	1,124	22.8%
Marketing expense	-37	-54	-57	-4.9%	45.9%	-5.5%	-143	-193	35.0%
IT expense	-17	-12	-21	-42.1%	-29.4%	-30.0%	-62	-60	-3.2%
G&A expenses	-37	-29	-49	-40.6%	-21.6%	-38.6%	-122	-119	-2.5%
Other income & expense	-21	-41	8	NM	NM	NM	-106	-156	47.2%
Operating profit	143	153	150	2.0%	6.6%	-14.9%	482	596	23.6%
Adj. EBITDA	139	156	156	-0.1%	12.6%	1.3%	497	615	23.8%
Net Profit	138	123	131	-6.3%	-10.8%	-26.6%	346	464	34.0%

¹Details in the table are excluding the contribution of Instashop

Talabat AI – Margins (As a % of GMV)

	4Q24	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Gross Profit	12.5%	11.6%	-85	-63	12.3%	11.9%	-39
Adj. EBITDA	6.8%	6.3%	-48	-6	6.7%	6.5%	-16
Net Profit	6.7%	5.0%	-178	-195	4.7%	4.9%	26

FABS estimate & Co Data

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	1.30	70.0%	0.91
DDM	1.11	15.0%	0.17
Relative Valuation	1.50	15.0%	0.22
Weighted Average Valuation (AED)			1.30
Current market price (AED)			0.79
Upside/Downside (%)			+64%

1) DCF Method:

Talabat is valued using free cash flow to equity. We have discounted the cash flow using the cost of equity of 9.2%. The cost of equity is calculated using a 10-year government bond yield of 5.1%, a beta of 1.00, and an equity risk premium of 4.0%. 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)	2,200
Terminal value (USD, Mn)	6,037
FV to Common shareholders (USD, Mn)	8,238
No. of shares (Mn)	23,288
Current Market Price (AED)	0.79
Fair Value per share (AED)	1.30

DCF Method

(All Figures in USD Mn)	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Net profit	350	396	446	497	542	584
Lease payment	-18	-22	-24	-26	-27	-28
Depreciation & amortization	85	122	115	112	113	116
(-) CAPEX	-45	-44	-48	-52	-56	-60
Working Capital	-53	16	12	9	4	-14
FCFE	319	469	501	539	576	598
Discounting Factor	0.93	0.85	0.78	0.71	0.65	0.60
Discounted FCFE	296	398	389	384	376	358

Source: FAB Securities

2) DDM Method:

Talabat announced a dividend of USD 421 Mn for the period 2025 and expects to maintain a dividend payout ratio of 90% of annual distributable profit after tax from 2026 onwards. The dividend is discounted at the cost of equity of 9.6%.

Total PV of Dividend (USD, Mn)	1,761
Terminal value (USD, Mn)	5,304
FV to Common shareholders (USD, Mn)	7,064
No. of shares (Mn)	23,288
Current Market Price (AED)	0.79
Fair Value per share (AED)	1.11

DDM Method

(All Figures in USD Mn)	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Total Dividend	279	330	374	420	488	526
Discounting Factor	0.93	0.85	0.78	0.71	0.65	0.60
PV of Dividend	258	280	291	299	318	314

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 2026 EV/EBITDA multiple of 15.7x and a P/Sales Multiple of 2.3x in line with peers.

Company	Market (USD Mn)	P/Sales (x)		EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F	2026F	2027F
JAHEZ INTERNATIONAL CO	753	1.0	0.9	7.1	5.9	15.1	12.5
DELIVEROO PLC	3,612	1.1	1.0	10.5	8.3	19.7	14.3
DOORDASH INC	69,451	3.9	3.3	18.7	14.1	26.2	19.7
ZOMATO LTD	28,561	4.9	2.7	238.4	77.1	NM	127.6
GRAB HOLDINGS LTD	17,460	4.3	3.6	17.6	12.2	47.1	29.2
UBER TECHNOLOGIES INC	147,983	2.5	2.2	14.9	12.2	21.3	16.5
MEITUAN-CLASS B	64,191	1.1	1.0	16.5	8.3	NA	NA
OCADO GROUP	2,487	1.3	1.2	14.3	11.0	NM	NM
MAPLEBEAR	8,727	2.1	2.0	6.7	6.1	14.3	12.7
GOTO GOJEK TOKOPEDIA	3,713	3.0	2.7	19.2	11.4	80.6	31.0
Average		2.5x	2.1x	36.4x	16.7x	32.0x	33.0x
Median		2.3x	2.1x	15.7x	11.2x	21.3x	18.1x
Max		3.7x	2.7x	18.4x	12.2x	36.6x	29.7x
Min		1.2x	1.1x	11.4x	8.3x	17.4x	13.9x

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani [+971-2-6161629](tel:+97126161629) ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

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

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