FAB أبوظبي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 2Q26

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

Talabat Holding PLC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.10	AED 1.30	+18%	BUY

2Q26 Net Profit higher than our estimate

- TALABAT's Gross Merchandise Value (GMV), including Instashop, grew 11.4% YOY to USD 2,916 Mn in 2Q26, driven by an increase in the customer base and sustained ordering activity, supported by higher multi-vertical engagement and stronger Talabat Pro adoption.
- GMV from the non-GCC region increased from USD 456 Mn in 2Q25 to USD 642 Mn in 2Q26, while GCC GMV grew from USD 2,160 Mn to USD 2,273 Mn during the same period.
- IFRS revenue, including Instashop, increased 16.3% YOY to USD 1,141 Mn in 2Q26, supported by higher Grocery & Retail revenue and stronger AdTech monetisation, partly offset by lower commission rates and higher customer incentives.
- Cost of revenue increased 24.5% YOY to USD 855 Mn in 2Q26.
- Gross profit declined by 2.7% YOY to USD 286 Mn in 2Q26. Thus, gross profit margin contracted by 142 bps YOY to 9.8% in 2Q26, reflecting higher cost of revenue
- Marketing expenses increased 8.9% YOY to USD 42 Mn in 2Q26, similarly IT expenses increased 2.3% YOY to USD 13 Mn in 2Q26.
- Other income decreased 20.5% YOY to USD 4 Mn in 2Q26, while the other expenses and impairments increased 4.6% YOY to USD 49 Mn in 2Q26.
- Adjusted EBITDA declined 12.5% YOY to USD 147 Mn in 2Q26, while the Adjusted EBITDA margin decreased by 138 bps YOY to 5.0% in 2Q26. The decline was due to contraction in gross profit margins.
- Operating profit fell 21.5% YOY to USD 114 Mn in 2Q26, with an operating margin (as % GMV) contracted by 165 bps YOY to 3.9% in 2Q26.
- Net finance income increased 17.6% YOY to USD 3 Mn in 2Q26, while the Company reported a net FX gain of USD 0.91 Mn in 2Q26, compared with a net FX loss of USD 0.32 Mn in 2Q25.
- Income tax expenses declined by 30.0% YOY to USD 19 Mn in 2Q26.
- Net profit decreased 17.9% YOY to USD 100 Mn in 2Q26. 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 decline in other income, partially offset by higher revenue coupled with increase in net finance income and decline in income tax expenses.

Earnings Call Summary

- Food leadership strengthened across UAE, Kuwait and Qatar, with net contribution ratio improving by 0.3pp, despite competition remaining intense.
- Food GMV growth remained resilient at 9% in 1H26, with the Q2 slowdown largely attributable to the Eid timing rather than weaker underlying demand.
- Multi-vertical engagement continues to provide a structural growth opportunity, with customers ordering both Food and Grocery spending around 5x more on the platform than Food-only customers.
- Grocery continues to grow faster than Food, supporting higher revenue conversion as Talabat recognises the full GMV of its T-Mart business as revenue.
- Delivery times have improved by 18% in 1H26 across markets targeted by the investment programme, while every one-minute reduction in delivery time has been associated with up to 1-2pp of growth uplift.
- The USD 120 Mn everyday-app investment programme remains on track, with c. USD 58 Mn deployed in 1H26 and the remaining investment expected to be deployed in 2H26 at a broadly similar pace.

- Higher dark-store density is improving grocery unit economics, with fixed costs increasing 0.8pp but delivery costs declining by around 10%, equivalent to a c.1.5pp benefit and largely offsetting the higher fixed-cost burden.
- Grocery margins have scope to improve with scale, supported by operating leverage, higher dark-store density and lower delivery distances, while improving AdTech margins are expected to provide an additional benefit.
- Talabat Pro pricing remains a potential future revenue lever, but the current low price point is being maintained to keep customer ROI attractive and encourage adoption.
- AdTech growth remains primarily Food-led, with new targeted advertising products launched in 2Q26 helping vendors target lapsed and prospective customers.
- Competitive incentives are being deployed selectively rather than through broad-based discounts, focusing on customers whose order frequency thereby limit margin pressure.
- 2026 is expected to be peak of investment phase, with the current programme accounting for around 0.7% of GMV and being non-recurring.
- July 2026 trading started ahead of the 1H26 average, supported by strong underlying momentum and the World Cup, while September's back-to-school period is expected to be an important indicator for the remainder of 3Q26.
- The company initially budgeted 0.5% of GMV for additional incentives and marketing to defend its market leadership, but actual spending has remained below this level, with incentives being targeted toward customers at risk of lower frequency or those who have lapsed, primarily as one-time reactivation initiatives rather than recurring discounts.
- Potential UAE federal sector-specific guidelines remain an upside possibility, although timing is uncertain and no regulatory benefit has been incorporated into current guidance.
- AI is emerging as a potential efficiency and growth lever, with engineering productivity increasing 2.5x since the start of the 2026 and a customer model incorporating more than 1,000 variables being developed to improve personalisation.
- The Company does not expect the targeted incentive spending to result in long-term margin pressure, as the associated costs are already incorporated into the upgraded EBITDA and margin guidance.
- G&A expenses are expected to follow the usual QOQ pattern, while continued operating leverage should support margins, with Q2 EBITDA margin of 5.0% already exceeding the prior guidance of 4.8%; FX exposure remains limited, primarily to Egypt, and is already incorporated into the 2026 guidance.
- The Company has revised its 2026 guidance across all key metrics, with GMV growth now expected at 13–15% YOY at constant currency, revenue growth at 16–18%, Adjusted EBITDA at USD 535–565 Mn, net income at USD 325–355 Mn and FCF at USD 400–430 Mn.
- The revised guidance is fully organic and assumes no new market entries or M&A, with the upgrades to GMV and profitability driven solely by stronger underlying demand in existing markets.
- TALABAT’s 90% dividend payout policy remains unchanged, with the 1H26 interim dividend expected to be declared in September 2026 and paid in October 2026.

Talabat – P&L

(USD Mn)	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch
GMV	**2,617**	**2,685**	**2,916**	**2,634**	**10.7%**	**11.4%**	**8.6%**
IFRS Revenue	981	1,048	1,141	1,032	10.5%	16.3%	8.9%
Cost of revenue	-687	-784	-855	-764	11.9%	24.5%	9.1%
Gross profit	**294**	**264**	**286**	**268**	**6.5%**	**-2.7%**	**8.3%**
Marketing expense	-38	-43	-42	-53	-20.8%	8.9%	-2.7%
IT expense	-12	-21	-13	-21	-38.6%	2.3%	-38.7%
General administrative expense	-56	-58	-72	-55	30.8%	29.7%	24.2%
Other income	5	3	4	4	-5.5%	-20.5%	16.9%
Other expenses and impairment	-47	-40	-49	-40	23.8%	4.6%	22.8%
Operating profit	**146**	**106**	**114**	**105**	**9.4%**	**-21.5%**	**7.9%**
Adj. EBITDA	**168**	**141**	**147**	**141**	**4.3%**	**-12.5%**	**4.3%**
Net finance income	2	4	3	-2	NM	17.6%	-29.5%
Foreign exchange loss, net	0	-2	1	-5	NM	NM	NM
Profit Before Tax	**148**	**108**	**118**	**97**	**21.3%**	**-20.1%**	**9.0%**
Income Tax	-27	-22	-19	-13	46.8%	-30.0%	-14.9%
Profit to shareholders	**121**	**87**	**100**	**85**	**17.5%**	**-17.9%**	**15.0%**

FABS estimate & Co Data,

Management Guidance:

talabat + instashop

Performance measure	Original (13 Feb'26)	Revised at Q1 (12 May'26)	Actual H1'26	Revised at Q2 (12 Aug'26)
GMV growth (1) (y/y at constant currency)	11-14% USD 11.2-11.5bn	11-14% (reaffirmed)	15% USD 5.6bn	↑ 13-15% USD 11.4-11.6bn
Revenue growth (1) (y/y at constant currency)	14-17% USD 4.4-4.5bn	14-17% (reaffirmed)	19% USD 2.2bn	↑ 16-18% USD 4.5-4.6bn
Adj. EBITDA (margin, % of GMV)	USD 510-540mn 4.4%-4.8%	USD 510-540mn (reaffirmed)	USD 277mn 4.9%	↑ USD 535-565mn 4.6%-5.0%
Net income (margin, % of GMV)	USD 280-310mn 2.4%-2.8%	↑ USD 300-330mn 2.6%-2.9%	USD 186mn 3.3%	↑ USD 325-355mn 2.8%-3.1%
Free Cash Flow (margin, % of GMV)	USD 370-400mn 3.2%-3.6%	USD 370-400mn (reaffirmed)	USD 266mn 4.8%	↑ USD 400-430mn 3.5%-3.8%
Dividends	90% of net income USD 252-279mn	90% of net income ↑ USD 270-297mn(3)		90% of net income ↑ USD 293-320mn(3)

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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