FAB أبوظبي الأول للأوراق المالية SECURITIES

First Look Note | 2Q26

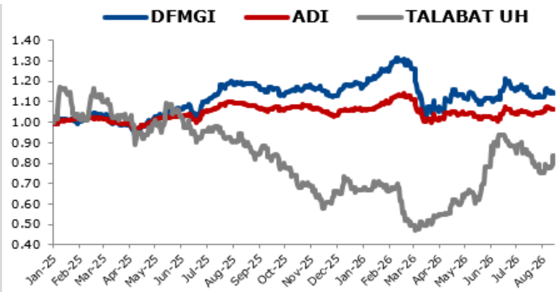
UAE Equity Research | Sector: Consumer Discretionary | Market: DFM

Talabat Holding PLC

Higher cost weighs on bottom line despite strong top line

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

- Talabat's GMV (including Instashop) grew 11.4% YOY to USD 2,916 Mn in 2Q26.
- Investment programme on track, with USD 58 Mn deployed in 1H26 out of the USD 120 Mn planned capex and operating investments, comprising c. USD 75 Mn in opex for distribution centres and dark stores and c. USD 45 Mn in capex.
- Revised 2026 guidance GMV growth at 13–15% YOY and revenue growth guidance was increased to 16–18% YOY. Adjusted EBITDA guidance to USD 535–565 Mn, net income to USD 325–355 Mn and FCF to USD 400–430 Mn.
- Expected to declare 1H26 dividend in September 2026, in line with 90% dividend payout policy.



Stock Information	
Market Cap (AED, Mn)	28,178.77
Paid Up Capital (Mn)	253.62
52 Week High	1.34
52 Week Low	0.63
3M Avg. daily value (AED)	63,845,600

2Q26 Result Review (USD, Mn)	
Total Assets	1,732
Total Liabilities	1,071
Total Equity	661
Adj EBITDA	147
Net Profit	100

Financial Ratios	
Dividend Yield (12m)	5.58
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	17.86
Price-to-Book Ratio (x)	11.56
Book Value (AED)	0.03
Return-on Equity (%)	65.43

Stock Performance	
5 Days	10.00%
1 Months	3.42%
3 Months	39.72%
6 Months	53.75%
1 Year	-3.97%
Month to Date (MTD%)	15.24%
Quarter to Date (QTD%)	-1.63%
Year to Date (YTD%)	28.72%

2Q26 Net Profit higher than our estimate

Talabat Holdings PLC (TALABAT/the Company) net profit decreased 17.9% YOY to USD 100 Mn in 2Q26, higher than our estimate of USD 85 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 decline in other income, partially offset by higher revenue and net finance income, coupled with decline in income tax expenses.

P&L Highlights

GMV (including Instashop) grew 11.4% YOY to USD 2,916 Mn in 2Q26, driven by an increase in user base and sustained ordering activity. The growth was further supported by higher multi-vertical engagement alongside stronger Talabat Pro adoption. GMV for non-GCC region rose from USD 456 Mn in 2Q25 to USD 642 Mn in 2Q26. Additionally, GMV of Talabat from GCC region grew from USD 2,160 Mn in 2Q25 to USD 2,273 Mn in 2Q26. IFRS revenue (including Instashop) grew 16.3% YOY to USD 1,141 Mn in 2Q26, driven by higher grocery revenue and AdTech monetisation and partially offset by lower commission rates and higher customer incentives. Cost of revenue rose 24.5% YOY to USD 855 Mn in 2Q26. However, gross profit decreased 2.7% YOY to USD 286 Mn in 2Q26. Gross profit margin (as % of GMV) contracted 142 bps YOY to 9.8% in 2Q26. Marketing expenses increased 8.9% YOY to USD 42 Mn in 2Q26. The Company's IT expenses increased 2.3% YOY to USD 13 Mn in 2Q26. G&A expenses increased from USD 56 Mn in 2Q25 to USD 72 Mn in 2Q26. Other income decreased 20.5% YOY to USD 4 Mn in 2Q26. Other expenses and impairments increased 4.6% YOY to USD 49 Mn in 2Q26. As a result, Talabat operating profit fell 21.5% YOY to USD 114 Mn in 2Q26, with an operating margin (as % GMV) contracting by 165 bps YOY to 3.9% in 2Q26. Adjusted EBITDA declined 12.5% YOY to USD 147 Mn in 2Q26. The Adjusted EBITDA margin (as a % of

GMV) decreased 138 bps YOY to 5.0% in 2Q26. The net finance income increased 17.6% YOY to USD 3 Mn in 2Q26. The Company reported net foreign exchange gain of USD 0.91 Mn in 2Q26 as compared to net foreign exchange loss of 0.32 Mn in 2Q25. Income tax expenses decline 30.0% YOY to USD 19 Mn in 2Q26.

Balance Sheet Highlights

Talabat generated USD 162 Mn in free cash flow in 2Q26 compared to USD 275 Mn in 2Q25. Talabat cash conversion stood at 110% in 2Q26, compared to 164% in 2Q25. The decline in free cash flow was mainly due to a high base in 2Q25, which benefited from favourable working-capital timing. The cash and bank balances stood at USD 808 Mn in 2Q26, compared to USD 860 Mn in 1Q26. The Company also boasts a debt-free balance sheet. Total equity stood at USD 661 Mn, while total liabilities were USD 1,071 Mn in 2Q26.

Target Price and Rating

We maintained our rating to BUY on TALABAT with a revised target price of AED 1.45. TALABAT delivered resilient operating performance in 2Q26, with GMV increasing 11.4% YOY to USD 2.9 Bn, while underlying growth reached c.15% YOY after adjusting for the Eid calendar shift, supported by resilient customer activity, higher multi-vertical engagement and strong growth in non-GCC markets. Active partners increased 14% YOY to c. 97k in 2Q26, while the active rider network expanded 25% YOY to c. 189k. Multi-vertical customers increased 4 pp YOY accounting for 75% of GMV in 2Q26, highlighting deeper engagement across categories. Talabat Pro continued to gain traction in 2Q26, with more than one in four active customers subscribed to the platform with Pro generated GMV reaching 51% of TALABAT's platform, up from 37% in 2Q25. The Company's revenue conversion increased to 39% of GMV in 2Q26 from 38% in 2Q25, while subscription fees rose to 1.0% of GMV in 2Q26 from 0.6% in 2Q25, reflecting continued Pro adoption. Advertising revenue margin improved to 3.4% of GMV in 2Q26 from 3.1% in 2Q25. The Company's Grocery margins are expected 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. The Company continued to invest in strengthening its food leadership and building the "everyday app". The 2026 investment commitment of USD 175 Mn, including c. USD 55 Mn for Food leadership and USD 120 Mn for strategic investments, of which USD 75 Mn is allocated to opex and USD 45 Mn to capex and lease expenses. The capex programme remains on track with 1H26 strategic investment spending reached c. USD 58 Mn, with dark-store expansion and supply-chain investment progressing following 1Q26 delays related to Ramadan and the regional conflict. The dark-store network is already showing operational benefits, with average delivery times improving by more than 18% in 1H26 in investment-focused markets, with every minute reduction in delivery time supporting 100-200 bps to GMV growth. The Company expects 2026, to be peak of investment phase, with the current programme accounting for around 0.7% of GMV and being non-recurring. TALABAT raised its 2026 guidance across all key metrics, reflecting stronger-than-expected order volumes, customer acquisition, multi-vertical penetration and Pro adoption. GMV growth guidance was increased to 13–15% YOY at constant currency, while revenue growth guidance was raised to 16–18% YOY. Adjusted EBITDA guidance increased to USD 535–565 Mn, net income to USD 325–355 Mn and free cash flow to USD 400–430 Mn. Looking ahead, the operating outlook remains supported by continued Grocery & Retail expansion, higher Pro penetration and deeper multi-vertical engagement. G&A expenses are expected to follow the usual QOQ pattern, while continued operating leverage should support margins, with 2Q26 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 also continues to maintain its capital-return focus and are expected to be declared 1H26 dividends in September 2026 along the lines of 90% dividend payout policy, also the Company continues the share buyback programme with 108.1 Mn shares had been repurchased for c. USD 35 Mn as of 12 August 2026. Thus, based on our analysis, we assign an BUY rating to the stock.

Talabat - Relative valuation

(at CMP)	2024	2025	2026F
P/E (x)	21.78	16.11	21.50
P/B (x)	14.00	10.77	13.78
EV/EBITDA (x)	13.63	11.68	13.63
BVPS (AED)	0.085	0.111	0.086
EPS (AED)	0.055	0.074	0.055
DPS (AED)	0.017	0.066	0.050
Dividend Yield	1.5%	5.6%	4.2%

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	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
GMV	**2,617**	**2,685**	**2,916**	**2,634**	**10.7%**	**11.4%**	**8.6%**	**9,421**	**11,526**	22.3%
Management Revenue	981	1,048	1,141	1,032	10.5%	16.3%	8.9%	3,851	4,596	19.3%
Cost of revenue	-687	-784	-855	-764	11.9%	24.5%	9.1%	-2,688	-3,382	25.8%
Gross profit	**294**	**264**	**286**	**268**	**6.5%**	**-2.7%**	**8.3%**	**1,163**	**1,213**	**4.3%**
Marketing expense	-38	-43	-42	-53	-20.8%	8.9%	-2.7%	-210	-254	20.5%
IT expense	-12	-21	-13	-21	-38.6%	2.3%	-38.7%	-66	-75	12.8%
G&A expenses	-56	-58	-72	-55	30.8%	29.7%	24.2%	-188	-265	40.9%
Other income	5	3	4	4	-5.5%	-20.5%	16.9%	12	14	17.9%
Other expenses and impairment	-47	-40	-49	-40	23.8%	4.6%	22.8%	-169	-189	12.0%
Operating profit	**146**	**106**	**114**	**105**	**9.4%**	**-21.5%**	**7.9%**	**541**	**444**	**-17.8%**
Adj. EBITDA	**168**	**130**	**147**	**141**	**4.3%**	**-12.5%**	**13.1%**	**623**	**539**	**-13.5%**
Net finance income	2	4	3	-2	NM	17.6%	-29.5%	12	-9	NM
Foreign exchange Gain/(loss)	-0.32	-2	0.91	-5	NM	NM	NM	2	-20	NM
Earning Before Tax	**148**	**108**	**118**	**97**	**21.3%**	**-20.1%**	**9.0%**	**555**	**416**	**-25.2%**
Income Tax	-27	-22	-19	-13	46.8%	-30.0%	-14.9%	-88	-66	-25.2%
Net Profit	**121**	**87**	**100**	**85**	**17.5%**	**-17.9%**	**15.0%**	**468**	**350**	**-25.2%**

FABS estimate & Co Data

Talabat – Margins (As a % of GMV)

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	11.2%	9.8%	9.8%	-142	-3	12.3%	10.5%	-182
Adj. EBITDA	6.4%	4.8%	5.0%	-138	20	6.6%	4.7%	-194
Operating profit	5.6%	4.0%	3.9%	-165	-3	5.7%	3.9%	-188
Net Profit	4.6%	3.2%	3.4%	-122	19	5.0%	3.0%	-193

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	1.46	70.0%	1.02
DDM	1.21	15.0%	0.18
Relative Valuation	1.69	15.0%	0.25
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 9.5%. The cost of equity is calculated using a 10-year government bond yield of 4.9%, a beta of 1.00, and an equity risk premium of 4.6%. 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)	2,382
Terminal value (USD, Mn)	6,840
FV to Common shareholders (USD, Mn)	**9,222**
No. of shares (Mn)	23,258
Current Market Price (AED)	1.19
Fair Value per share (AED)	**1.46**

DCF Method

(All Figures in USD Mn)	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Net profit	370	426	479	542	602	660
Lease payment	-18	-23	-26	-28	-30	-32
Depreciation & amortization	85	123	116	114	117	122
(-) CAPEX	-46	-45	-50	-55	-61	-66
Working Capital	7	25	26	23	19	14
FCFE	**398**	**507**	**545**	**596**	**646**	**698**
Discounting Factor	*0.97*	*0.88*	*0.81*	*0.74*	*0.67*	*0.61*
Discounted FCFE	**192**[1]	**448**	**440**	**439**	**435**	**428**

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

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2) DDM Method:

Talabat's dividend for 1H26 are expected to be declared in September 2026 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 9.5%.

Total PV of Dividend (USD, Mn)	1,861
Terminal value (USD, Mn)	5,826
FV to Common shareholders (USD, Mn)	**7,687**
No. of shares (Mn)	23,258
Current Market Price (AED)	1.19
Fair Value per share (AED)	**1.21**

DDM Method

(All Figures in USD Mn)	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F	FY 2031F
Total Dividend	315	356	404	461	542	594
Discounting Factor	*0.97*	*0.88*	*0.81*	*0.74*	*0.67*	*0.61*
PV of Dividend	**152[1]**	**315**	**326**	**340**	**364**	**365**

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

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 15.0x and a P/Sales Multiple of 2.8x 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	648	0.8	0.7	12.2	9.5	53.4	28.0
DOORDASH INC - A	86,707	5.2	4.3	24.4	18.6	81.1	46.7
ETERNAL LTD	32,027	3.1	2.2	85.6	44.9	185.3	78.1
GRAB HOLDINGS LTD - CL A	14,858	3.7	3.0	16.1	11.1	25.6	21.9
UBER TECHNOLOGIES INC	160,423	2.8	2.4	15.0	12.3	23.7	17.6
MEITUAN-CLASS B	66,366	1.2	1.1	113.7	12.0	NA	19.6
OCADO GROUP PLC	2,514	1.2	1.3	7.5	10.1	NA	NA
MAPLEBEAR INC	11,434	2.7	2.4	8.9	7.8	21.0	16.6
GOTO GOJEK TOKOPEDIA TBK PT	3,339	2.8	2.5	11.8	8.5	64.3	30.4
Average		**2.6x**	**2.2x**	**32.8x**	**15.0x**	**64.9x**	**32.4x**
Median		**2.8x**	**2.4x**	**15.0x**	**11.1x**	**53.4x**	**25.0x**
Max		**3.1x**	**2.5x**	**24.4x**	**12.3x**	**72.7x**	**34.5x**
Min		**1.2x**	**1.3x**	**11.8x**	**9.5x**	**24.7x**	**19.1x**

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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