

Talabat Holding PLC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.58	AED 2.00	+26.6%	BUY

4Q24 Net Profit higher than our estimate

- Talabat's revenue rose from AED 2,227 Mn in 4Q23 to AED 2,942 Mn in 4Q24 driven by strong performance of AdTech and tMart business
- Moreover, the GMV grew 26.0% YOY to AED 2,044 Mn in 4Q24. The GMV-to-revenue ratio stood at 40%.
- Adjusted EBITDA grew 21.4% YOY to AED 510 Mn in 4Q24 with a margin of 17.4% in 4Q24 compared to 18.9% in 4Q23.
- Net income grew significantly from AED 328 Mn in 4Q23 to AED 507 Mn in 4Q24 while net margin rose 248 bps YOY to 17.2% in 4Q24.

Earnings Call Summary

- Talabat benefits from a high utilization rate and internet penetration of 99%, with 70% of the population below 40 years, making the company more addressable in the market for expansion.
- The Company's app is focusing on personalization in 2025. Every customer will be interacting with a different version of the app to help them discover a range of products and services. Personalization is available for company partners as well to provide them with targeted customer groups.
- Expanding value proposition by adding more perks, as the Company aims to attract more medium and low customers, keep them engaged, and increase their frequency on the platform.
- Witnessed c. 28% YOY increase in frequency and order behavior for Talabat Pro customers in 2024. Additionally, the Company witnessed a good response after Talabat Pro's launch in Egypt.
- The Company introduced a multi-vertical launcher to enhance customer discovery of various services and products across grocery, retail, and other categories. The platform now provides a wide range of products and services. Given this growth, the company recognizes the need to reassess its strategy to ensure optimal customer engagement and discovery within the app.
- Grocery and retail remain strategic focus areas that drive revenue. The company is expecting more growth in non-GCC countries than in GCC countries.
- Dark store model increases the cost of goods sold as the revenue rises.
- Talabat's value proposition is competitive in the market. Discounts and deals to the large customer base, along with funded deals to vendors and availability of technological solutions, generate customer-centric deals that create commercial leverage.
- The average commission rate on the platform for restaurants and local shops is between 40% to 50%. Yet the strategy of the Company is to drive revenue through tMart instead of increasing the commission rates on the restaurant and local shop partners.
- The order frequency drops during the first week of Ramadan season and gradually recovers towards the month's end. However, a spike is observed for grocery and retail verticals for the same period.
- The Company provides incentives to the riders in the summer season, which increases the direct cost during the period.
- 65,000 partners and more than 120,000 riders are reportedly associated with Talabat.
- Talabat GMV penetration in the overall grocery market is 1% in offline mode and it is increasing at 46% to 47% YOY including dark store and tMart.
- Continued investment in AdTech solutions for restaurants and grocery brands
- Plans to increase grocery and retail penetration beyond 25% of GMV, leveraging AdTech & CPG partnerships

Talabat – P&L

(USD mm)	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch.
Revenue	2,227	2,754	2,942	2,677	-16.8%	32.1%	-19.1%
Adj. EBITDA	421	442	510	474	7.7%	21.4%	15.6%
Net profit from Equity Holders	328	335	507	380	33%	54%	51.5%

FABS estimate & Co Data

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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