

Talabat Holding PLC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.44	AED 2.00	+39%	BUY

1Q25 Net Profit in line with our estimate

- Talabat's Gross Merchandise Value (GMV) excluding Instamart rose from USD 1,603 Mn in 1Q24 to USD 2,084 Mn in 1Q25 driven by strong demand across all regions and verticals, driven by customer acquisitions, higher order frequency and expanded multi-verticality.
- Management revenue increased from USD 634 Mn in 1Q24 to USD 846 Mn in 1Q25. Revenue to GMV ratio also expanded from 39.5% in 1Q24 to 40.6% in 1Q25 due to higher contribution of tMart business and higher subscription fees.
- IFRS revenue stood at USD 834 Mn in 1Q25.
- Adjusted EBITDA grew 34.0% YOY to USD 140 Mn in 1Q25 with a margin of (as % of GMV) 6.7% in 1Q25 compared to 6.5% in 1Q24. Adjusted EBITDA margin was driven by expanded gross margins and operating leverage.
- Operating profit stood at USD 122 Mn in 1Q25, with margin (as a % of GMV) stood at 5.9% in 1Q25.
- Net income stood at USD 103 Mn in 1Q25.

Earnings Call Summary

- The acquisition of InstaShop was primarily motivated by its valuable customer base and the strong synergies it brings to Talabat's grocery and retail business operations.
- InstaShop will remain a standalone app and brand for at least the next few quarters, leveraging its item-first interface and high grocery relevance to retain customers.
- The current strategy focuses on deepening InstaShop's presence in the UAE and Egypt, where it already holds significant market share and is showing continued growth. Instead of immediate expansion, efforts are being made to integrate InstaShop teams with Talabat, enhance performance, and realize efficiencies before exploring new regions.
- Cost and revenue synergies from InstaShop's integration are still being calculated, and while details are limited, any impact will be reflected in consolidated financials over time.
- Talabat's grocery model is channel-agnostic, offering dark stores, third-party retailers, and specialized platforms like InstaShop to meet diverse customer preferences and demand patterns.
- Analysis shows only one-third overlap between InstaShop and Talabat grocery users, confirming they serve largely different segments and that growth is not cannibalizing.
- GMV growth of 30% YOY in 1Q25 exceeded internal projections due to higher acquisition rates and order frequencies, showing strong market dynamics and successful customer engagement strategies.
- Talabat's subscription service continues to show high customer retention and frequency, playing a critical role in platform stickiness and recurring order volume growth.
- The GCC region reported 27% YOY growth in 1Q25, reflecting strong regional performance and confirming that both food and grocery segments are growing in double digits.
- Talabat's advertising platform (AdTech) now contributes roughly half of the total EBITDA, with improved volume and margin, demonstrating strong progress in this revenue stream.
- Automation in advertising remains a key focus area, especially for the grocery category, with ongoing investments in bidding and targeting to boost ad revenue over time. Product development for ad tech is underway, but due to the complexity of development cycles, the impact of these upgrades will take time to fully materialize.
- Average commission rates stand at 14–15% overall, and 17–18% specifically for restaurants, with no signs of pricing pressure and potential for future rate increases.

- Nearly USD 500 Mn worth of deals and discounts were funded by partners during 2024, reflecting strong B2B alignment and a key differentiator in user acquisition.
- Group costs are primarily associated with backend technology services from Delivery Hero, including vendor portals and picker apps, priced at 6% of platform revenue.
- A higher-than-expected 17% effective tax rate in 1Q25 was driven mainly by withholding taxes between UAE and Egypt entities, with optimization efforts currently underway. Talabat aims to reduce the effective tax rate but expects it to remain above 15% due to compliance with new minimum domestic tax rates across GCC countries.
- Seasonal patterns like the Ramadan dip are gradually being offset by stronger penetration and increasing grocery contribution, helping normalize business volatility across quarters.
- Grocery continued to show robust growth in 1Q25, with YOY performance comparable or better than 2023's 47% YOY increase, reflecting strong consumer demand across segments.
- Talabat currently operates c. 25 to 26 dark kitchens across various markets, enabling geographic expansion for key restaurant partners without significant capital expenditure. Talabat Kitchens allow popular food brands to expand into new geographies efficiently by renting kitchen space, similar to a food court setup rather than traditional dark kitchens.
- Talabat owns its customer data, platform technology, and intellectual property, while relying on Delivery Hero only for select backend services under fixed contractual terms.

Talabat – P&L

(USD Mn)	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch
Revenue (IFRS)	615	801	834	791	5.4%	35.6%	-3.9%
Operating Cost	-417	-546	-567	-536	5.9%	36.2%	-3.7%
Gross Profit	198	255	266	256	4.2%	34.3%	-4.2%
Adjusted EBITDA	104	139	141	135	4.5%	34.0%	-1.7%
Net profit from Equity Holders	27	138	103	99	3.9%	NM	33.5%

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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