Daily Bulletin

November 22, 2026

Arabian Drilling: SAR 1.5 bn KJO contract lifts backlog to record SAR 18.5bn, strengthening revenue visibility

Last Price: SAR 99.8 | YTD Performance: 1.1% | Consensus Target Price: SAR 107.2

Arabian Drilling Co. (Arabian Drilling) signed a SAR 1.5 bn long-term contract with Khafji Joint Operations (KJO) to provide and operate two self-propelled offshore vessels. The first vessel carries a 10-year contract, with operations expected to commence in 4Q26, while the second carries a 15-year contract, starting in 4Q28. Revenue contribution is expected from each vessel's commencement date. The contract replaces an existing agreement for two barges, represents the company's longest vessel contract to date, and maintains its 100% market share with KJO in this service segment.

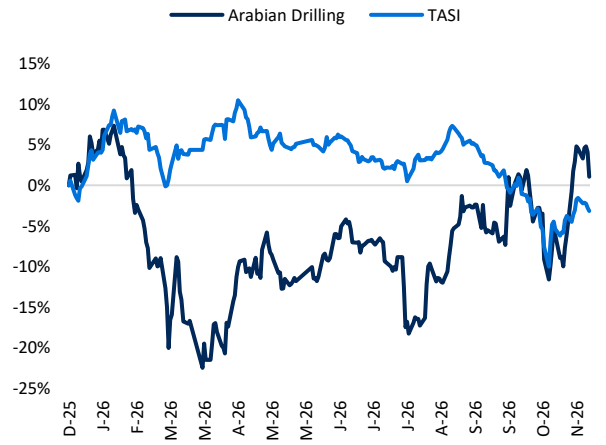
The contract is equivalent to 4.9x KJO's 2025 revenue of SAR 303.9 mn and ~44% of Arabian Drilling's 2025 total revenue of SAR 3.4 bn. However, as the vessels replace two existing barges, the incremental revenue contribution will be lower than the headline contract value. The award lifts backlog to a record SAR 18.5 bn, equivalent to approximately 5.7x LTM revenue, compared with SAR 17.6 bn at end-3Q26, which was up 60.0% YoY and 41.9% YTD.

In 3Q26, revenue rose 6.0% QoQ to SAR 811 mn as suspended offshore rigs resumed operations, with offshore revenue increasing 33.2% QoQ. EBITDA increased 27.5% QoQ to SAR 319 mn, lifting EBITDA margin by 6.6 ppts to 39.4%. Net income recovered to SAR 31.4 mn from a loss of SAR 31.5 mn in 2Q26, while rig utilization improved 5.0 ppts QoQ to 76.7%, with 46 active rigs.

Looking ahead, management expects 4Q26 revenue to increase 8–10% QoQ, supported by the start-up of gas LSTK and KJO Dorra projects. The company also revised its 2026 capex guidance to SAR 750–800 mn to accelerate rig reactivations. Arabian Drilling renewed or retained 43 of 45 expiring contracts during 2025–26, with only three contracts expiring in 2027 and five in 2028. Net debt rose 9.3% QoQ to SAR 2.61 bn (2.3x LTM EBITDA) at end-3Q26, mainly due to collection timing and higher lease liabilities, while management expects leverage to improve as activity and EBITDA recover.

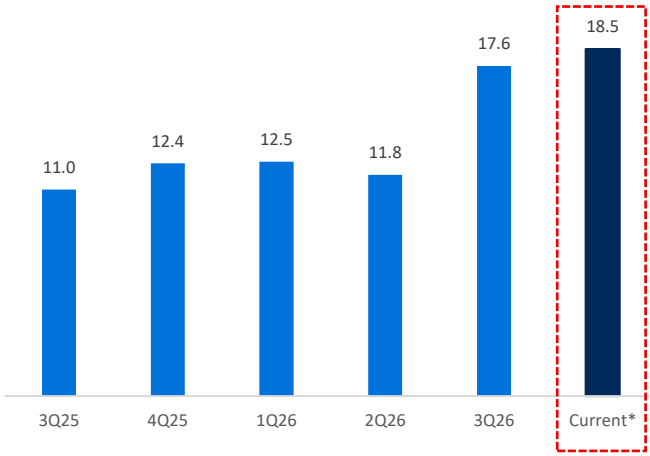
Arabian Drilling's share price has risen 1.1% YTD, outperforming TASI, which declined 3.2% over the same period. The stock currently trades at a 2027f P/E of 20.2x, with a consensus target price of SAR 107.2/share, implying 7.4% upside.

Relative price chart



Source: Bloomberg, anbc research

Arabian Drilling backlog (SAR bn)



**As of 22nd Nov-26*

Source: Earnings presentation, anbc research

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