

Daily Bulletin

September 29, 2026

Arabian Drilling: SAR ~2.0 bn KJO contract takes total backlog to SAR ~18.0 bn; positive impact on earnings expected from 4Q26

Last Price: SAR 91.5 | YoY Performance: 19.8% | Target Price: SAR 98.2

Arabian Drilling Co. (Arabian Drilling) signed a four-year contract with Khafji Joint Operations (KJO) to provide four high-specification offshore jack-up drilling rigs for KJO's offshore drilling operations. The contract is valued at SAR ~2.0 bn and is the largest offshore drilling contract KJO has awarded Arabian Drilling. The contract is expected to positively impact revenues and earnings beginning 4Q26.

Spread evenly over four years, the contract implies annual revenue of SAR 500.0 mn, or SAR 125.0 mn per rig a year. This equals ~14.6% of the company's 2025 revenue of SAR 3,433.3 mn and ~50.1% of 2025 offshore revenue of SAR 997.8 mn. In 2025, offshore revenue fell 32.5% YoY and total revenue fell 5.1% YoY. The contract award could be a meaningful driver for offshore topline growth as its financial impact begins.

Following the award and other contracts during the latest quarter, Arabian Drilling's total backlog has risen to SAR ~18.0 bn, up from SAR 11.8 bn at the end of 2Q26. This KJO contract equals 54.1% of the SAR 3.7 bn offshore backlog at 2Q26. The company also announced two land contracts in recent weeks. On August 31st, 2026, it announced a five-year contract for 11 land rigs worth SAR ~3.0 bn. On September 14th, 2026, it announced a five-year contract for 8 land rigs worth SAR ~2.0 bn. Together, the three awards add SAR ~7.0 bn to backlog in under a month.

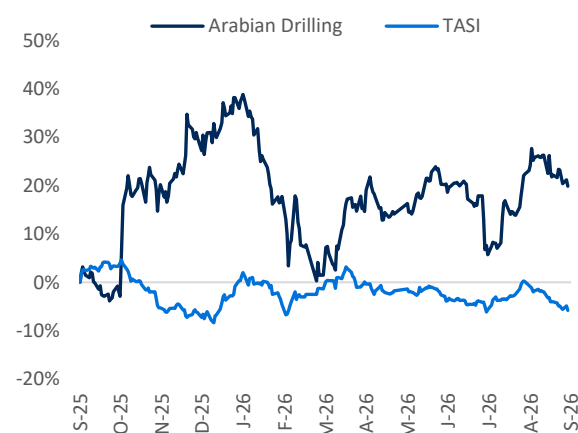
As of 2Q26, Arabian Drilling had an available fleet of 60 rigs: 49 land rigs, 9 offshore rigs and 2 SESVs. Of these, 43 rigs were active. Rig utilization dropped to 71.7% in 2Q26 from 81.7% in 1Q26 due to temporary offshore rig suspensions. Of the 9 offshore rigs, 4 were active in 2Q26, down from 8 in 1Q26, reflecting the temporary suspensions.

On August 12th, 2026, management announced the resumption of operations for the remaining suspended offshore rigs and expects to achieve offshore fleet utilization of 100% by the end of 3Q26. Management guided 3Q26 revenue to rise 4-6% QoQ as the offshore rigs return to service, implying a revenue of SAR 803.3 mn for 3Q26 at the midpoint of guidance.

During 1H26, revenue declined 10.6% YoY to SAR 1,586.3 mn. EBITDA fell 21.0% YoY to SAR 540.0 mn, and the EBITDA margin contracted 4.5 percentage points to 34.0%. The decline in earnings was mainly due to a lower average rig utilization rate, reflecting the temporary offshore suspensions as well as the absence of high-margin rig move that contributed to the prior-year period. The company posted a net loss of SAR 24.5 mn, against net income of SAR 82.7 mn in 1H25.

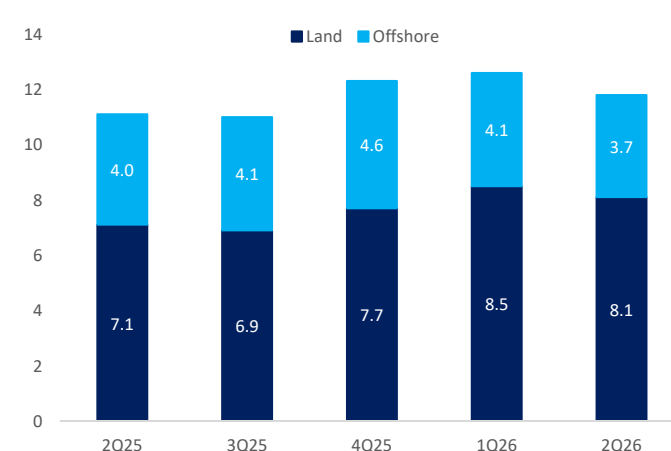
Arabian Drilling's stock price has risen 19.8% YoY, outperforming TASI, which declined 5.8% during the same period. The company is currently trading at a 2027f P/E of 19.5x, with a target price of SAR 98.2/share, implying 7.3% upside from its last close of SAR 91.5/share.

Relative price chart



Source: Bloomberg, anb research

Total backlog over the last 5 quarters (SAR bn)



Source: Earnings presentation, anb research

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